J Trust Royal Bank

ANNUAL REPORT 2021

16 Years
in Building Trust
in Banking Sector

YOUR FINANCIAL FUTURE BUILT ON JAPANESE QUALITY AND TRUST

CONTENTS

J TRUST ROYAL AT A GLANCE

Profit Before Tax
USD12 Million
+66.4%

Total Assets
USD1,329 Million
+27%

Customer Deposits
USD870 Million
+36%

Gross Loans & Advances
USD912 Million
+31%

Return on Assets
0.6%

Return on Equity
3.6%

NPL Ratio
0.5%

Total Employee
586
+9.3%

ATM Network
73+

89% Employee Engagement

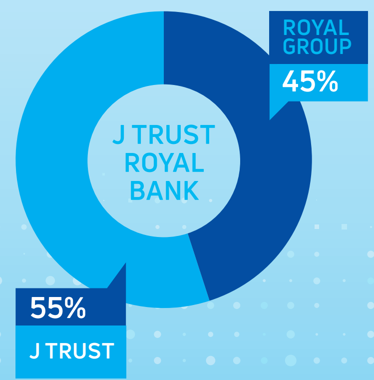
J TRUST ROYAL BANK'S BACKGROUND

J TRUST ROYAL BANK

Commencing our operations in August 2019 under our new name, J Trust Royal Bank, we are formerly known as ANZ Royal Bank – one of the country's largest foreign bank, deeply rooted in the Kingdom and has been serving Cambodians for more than 16 years.

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

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



ABOUT J TRUST

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

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

ABOUT ROYAL GROUP

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

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

OUR VALUES

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

I **Intergrity**
We are honest, authentic and impartial

C **Collaboration**
We work together as one

A **Accountability**
We take ownership to get the job done

R **Respect**
We value and care for all

E **Engagment**
We passionately involve and create values for our stakeholders

AWARDS & RECOGNITION

J Trust Royal Bank
has been awarded as

"MOST CUSTOMER CENTRIC BANK – CAMBODIA 2021"

by Global Business Outlook (GBO), a reputed international business magazine based in the United Kingdom.

The evaluation and selection process for this recognition was done based on product knowledge, professional manner and excellent service delivery to customers, online brand presence as well as corporate social responsibilities that J Trust Royal Bank has been doing in the country.

This award is a loud attestation to our professional service delivery to our customers; and the splendid record of achievements for J Trust Royal Bank. We will continue to uphold our operating motto of "Customer First" and we are committed to continue delivering a promising banking experience to all customers with our competent and professional staff.

J Trust Royal Bank
is very honored to be recognized as

"BEST COMPANIES TO WORK FOR IN ASIA 2021"

by HR Asia &

"BEST WORKING PLACE-BANKING, Cambodia 2021"

by International Finance.

At J Trust Royal Bank, our people are professional, diligent, hard-working, ambitious, and caring. They come from all backgrounds and work together to achieve our shared purpose of helping customers to prosper. Despite the Covid-19 outbreak throughout 2021, we continue to deliver the promise to our people in accordance with the three elements of our core employee value proposition (EVP).

CHAIRMAN'S MESSAGE

NEAK OKNHA
KITH MENG
Chairman

2021 saw the continuation of the global pandemic, Covid-19. The Bank continued to adopt a prudent approach to the operation of the Bank with primary focus on the safety of our staff and customers. We continued to support customers whose businesses were adversely affected by the pandemic, however this number was small.

During 2021, the Bank delivered notable growth in several areas. We achieved double digit loan portfolio growth driven by strong contributions from both Corporate Banking and Personal Banking. In line with our improved lending strategy, our lending assets grew to $912m (gross), rising by 31% year on year. Our deposit base increased by 33% to $1,080m providing the liquidity to drive the growth in lending. Interest income increased by 49% whilst cost of funds increased from the push to increase deposits and lending, resulting in Net Interest Income growing by 23%.

Direct operating expenses increased by 18% caused by an increase in headcount and higher technology costs. During the year the Bank successfully acquired the systems and assets of J Trust System and now operate directly all of its technology, this will reduce technology costs significantly going forward. Provisions have decreased significantly over the more uncertain environment of 2020 and remain prudent in the current operating environment.

The Bank achieved a Net Profit After Tax of $8.3m, an increase of 110.6% compared to 2020, the increase in revenue and lower provisions were the main drivers behind this growth.

The next year should see further improvements following the re-opening of the economy made possible by the excellent response by the Royal Government under the direction of His Excellency Samdech Akka Moha Sena Padei Techo Hun Sen to fighting Covid-19. We will continue to increase both our deposits and lending activities whilst prudently managing risk. Global events and their adverse effect on the worldwide economy, will have an impact on the economy here. Increasing interest rates globally will lead to a tightening on liquidity and increased competition for funds. Our management are very aware of these risks and have plans to counter these effects.

In order to provide more convenience to our customers, we opened two new branches in Phnom Penh and will continue to invest in new branches nationwide. We will continue to develop our staff so that we can serve the needs of our customers in the best possible way.

CEO'S MESSAGE

TORU MYOCHIN
Chief Executive Officer

The Bank has delivered a strong financial result in 2021 despite the impact of COVID-19 pandemic.

Over the past 12 months of 2021, we continued to make solid progress in execution of our strategy despite an increasing competition and the disruption by the COVID-19 global pandemic. We continued to invest heavily in growing our business, enhancing our IT infrastructures and building people capabilities to meet the needs of customers.

Supporting our customers and protecting our people

The past year has demonstrated resilience of our people in communities, business and the economy. While COVID-19 has impacted many parts of the business in the world and the lives of many people, our priority has been to do all we can to support our customers during the tough time and protect our customers and people from the spread of the disease.

In response to the second year of COVID-19 pandemic, we continued to implement the necessary measures to support our customers in line with government guidelines and instructions. Through short-term repayment deferral, we have supported many of our customers through the financial challenges posed by COVID-19. We will continue to provide targeted assistance to those who need it the most.

We have also moved employees to work from home arrangements, split teams and introduced prevention measures for our employees performing essential functions in the office.

Delivering better performance

The Bank has delivered a strong financial result this year. This has been achieved through customer focus and convenient solutions for our customers. Operating income increased 21%, while loan book was up by 31% year on year. The customers deposits increased by 36%, reflecting the trust given by our customers driven by the valued added relationship and services provided by our talented staff.

Customer First with a "Simply Better Service" is our one of our strategic pillars after the transition of the Bank. Across the business, improved customer service proposition was a key priority, achieved through driving 'end to end' improvement of product, service and process to support a more seamless and efficient experience for both customers and staff.

In overall, 2021 was a remarkable year for the Bank which set a strong foundation for growth in 2022. Despite impact from COVID-19, the Bank achieved doubled net profit compare to prior year. The strength of our balance sheet was a key highlight as it underpins our ability to serve our customers and support our future profitability.

Investing for long term growth

We continued to invest in branch expansion and enhancing digital capabilities to provide the convenient services and innovative solutions.

In 2021, we opened 2 new flagship branches - Saensokh and Chbar Ampov, and fully renovated the Independence Monument branch. In Personal Banking, we have planned investments to expand more branches, enhance our mobile app, upgrade our ATM fleet, and refurbish existing branches across our network to continue delivery of quality services for our customers.

Building the Bank as a great place to work

Once again, our people have gone above and beyond to support our customers when they need us the most and provide care and support to each other during the challenging time amid COVID-19 pandemic.

Our staff engagement levels continue to be stronger, rising to a record level to 89%. This reflects the considerable investment that J Trust Royal puts into building the engaged workplace culture, training and development, as well as a very holistic approach to caring for the overall well-being of our staff.

Being known across the industry as being the very best at developing our people and having diverse and inclusive workplace culture, we continue to deliver our brand promise via a very strong and focused people agenda so that our staff can thrive in their career. As result, the staff turnover has been dropped significantly over the last 3 years, our turnover was at half of the market turnover rate, a pleasing outcome in what is still a very hot market for talent.

Final note

On a final note, I would like to acknowledge the wonderful jobs of our J Trust Royal staff and thank them for their commitments in serving our customers.

To all of our customers, I would like to thank for your ongoing support, we truly value your partnership, and finally thank you to our shareholders and NBC for the outstanding support in 2021.

FINANCIAL PERFORMANCE HIGHLIGHT

In million of dollars, except ratios and direct staff	2021	2020
At December 31:		
Total assets	1,329	1,049
Deposits from customers	870	640
Long-term debt	-	-
Total equity	233	225
Equity to total assets	17.5%	21.4%
Direct staff	586	536
Performance metrics		
Return on Assets	0.6%	0.4%
Return on Equity	3.6%	1.8%
Efficency ratio (total operating expenses/total revenues)	72.8%	74.6%
Liquidity coverage ratio	158.6%	128.3%

Total Assets

2021
1,329
million dollar

2020
1,049
million dollar

Total Equity

2021
233
million dollar

2020
225
million dollar

Number of Employees

2021
586

2020
536

Loans and Advances

2021
912
million dollar

2020
698
million dollar

Deposits from Customers

2021
870
million dollar

2020
640
million dollar

NPL Ratio

2021
0.5%

2020
0.5%

Financial Performance ($M)	2021	2020	Movement %
Net interest income	39.8	32.3	23.2%
Other operating income	5.5	5.2	5.5%
Operating income	45.3	37.5	20.8%
Operating expenses	(33.0)	(28.0)	-18.0%
Operating profit before impairment	12.3	9.6	28.9%
Impairment losses on financial instruments	(0.3)	(2.3)	86.7%
Profit before income tax	12.0	7.2	66.4%
Income tax expense	(3.7)	(3.3)	-13.1%
Net profit for the year	**8.3**	**3.9**	**110.6%**

$7.5 million (23.2%)

Net interest income increased $7.5 million (23.2%) driven by loans and assets growth with compressed margin in market.

$0.3 million (5.5%)

Other operating income uplifted $0.3 million (5.5%) mainly driven by gradually increase in payment and trade finance fee, lending fee offset with the decline in card/ATM income as of movement restriction, especially tourists.

$5.0 million (18.0%)

Operating expense increased $5.0 million (18.0%), driven by $2.0 million higher Personnel Costs, and $2.0 million increase in computer expense and other costs of $1.0 million.

$2.0 million (86.7%)

Impairment losses on financial instruments decreased $2.0 million (86.7%), driven by the implementation of the new expected credit loss (ECL) methodology offsetting with an increase in restructured loans from both existing and new customers due to the impact from Covid-19 pandemic.

$4.4 million (110.6%)

Despite the unprecedented disruption caused by COVID-19 pandemic, the Bank has doubled the Net Profit After Tax to $8.3 million (110.6%).

OUR PEOPLE

Building Capabilities for Growth

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

- In the absence of classroom events due to Covid-19, in January 2021, we introduced monthly virtual learning series which is known as the JTRB Learning Bite. JTRB Learning Bite allows our employees to learn and gain practical experiences from our senior leaders on various topics including but not limited to Problem Solving, Growth and Agile Mindset, and Emotional Intelligence.
- Also launched in January 2021, the Leader Bridge program, a monthly leadership forum, targeted to develop synergy and foster trust and collaboration among leaders. More than 60% of our staff participated in the program where both internal and external esteemed leaders had been invited to share different leadership topics comprising Effective Communication, Building Trust & Confidence, Persuasion & Influence, Motivation, and more.
- The Leadership Imperatives "the 5 Cs" were introduced in February 2021 as guiding principles for our leaders to demonstrate; they are our pride and identity of leadership qualities at J Trust Royal Bank. The imperatives iclude Create Clarity, Collaborate for Results, Coach for Performance, Drive for Innovation and Be Curious.

Creating Positive Employee Experience

Employee Experience has always been the focus and the number one priority. We created platforms for our employees to speak up and share their honest feedback on how we can make J Trust Royal Bank a better workplace.

- Thanks to our employee's feedback, it was the very first time at J Trust Royal Bank that we implemented the Flexible Medical and Insurance plans for our staff. The flexible medical and insurance plans allowed our staff with the options to choose the medical coverage that are more beneficial and relevant to them and their family members.
- We refined our HR system, PeopleConnect, an innovative and technology-based HR platform with richer and more user-friendly functionalities. With PeopleConnect, our employees can perform HR self-services anytime and anywhere.

- Different dialogue sessions were also introduced in 2021 such as Strategy Cascade Week, About You, and Management Townhall with the aim to better communicate, provide clearer updates on business direction and performance while fostering relationships among employees across the Bank.

Protecting Our Employees from the Pandemic

Concerning the widespread of Covid-19, safe protocols for protecting our employees from exposure and infection have been introduced and implemented across the Bank. Such measures include:

- Offering our staff with the Covid-19 amenity kits: Our staff had been provided with essential kits to prevent and monitor themselves against Covid-19. In addition, several health-talk sessions have been conducted throughout 2021 in order to equip our staff with the right knowledge for the prevention of themselves.
- Supporting our staff to get the Covid-19 vaccination: Partnering with the Royal Group, we were one of the employers that facilitated and supported our staff to receive the vaccination at a very early stage of the community outbreak in 2021 and about 80% of our staff had been fully vaccinated from this support program.
- Extensively implementing flexible working arrangements: Working-from-home was vastly implemented as it is one of the effective measures that kept our employees safe during the community outbreak. And thanks to our digital capabilities, 97% of our employees believed that they have access to the resources and tools to perform the job effectively although they spent most of the time completing it from home.

CORPORATE BANKING

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

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

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

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

PRODUCTS AND SERVICES

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

BUSINESS BANKING

Our Business Banking supports and reaches out to smaller businesses &SMEs in Cambodia to provide them with access to financial solutions to help their business grow and thrive.

The Business Banking is a newly established segment within J Trust Royal Bank, with a key focus on providing best-in-class banking solutions to our smaller businesses / SMEs throughout Cambodia. Our bank offers both basic and complex product solutions for Business/SME customers, such as Business Loans, SME Loans, Trade Finance, Foreign Exchange, Payroll Service, and Cash Management.

Under Business Banking, we have also established a "Specialized Lending Unit" where our team will mainly focus on asset-backed lending. This Unit can provide very quick decision on loan request from our clients, with competitive conditions & arrangements.

We believe that small and medium-sized enterprises (SMEs) are the backbone of a sustainable economy, thus provide support and reach out to smaller business & SMEs in Cambodia to enable them to access to financial solutions to help their business grow and thrive is the key to contribute to sustainable economic growth.

Our team commit to provide fast and hassle-free access to financing, and embrace business transformations by building long-term partnerships based on trust which allow us to grow together.

PRODUCTS AND SERVICES

Business Banking Accounts	Lending	Transaction Services
Business Cheque Account, Payroll Service, Cash Management Account, Term Deposit Account	Business Lending (Overdraft, Term Loan, Working Capital Loan), Asset Backed Lending	Telegraphic Transfers, Foreign Exchange, JTR Connect

PERSONAL BANKING

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

After a very difficult 2021 and moving into 2022, Personal Banking continues to focus on our customers while coping with the economic impacts of Covid-19. Our customers' needs have changed, and the Bank is striving to adapt to those needs. We have continued to invest in our branch footprint but at the same, time we are developing stronger digital capabilities with over half of our active customers using our digital platforms.

Customer First

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

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

We continue our momentum from 2020 into 2021 and have logged record amounts of customer's satisfaction and compliment letters. Our customers are saying that we have the best service in the market as Personal Banking has successfully embedded our Customer First culture throughout the Bank. In addition, with the successful roll-out of our new affluent branches in Saen Sok, Chbar Ampov, and the newly renovated Independence Monument branch, our VIP customers are appreciative of world-class private banking facilities.

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

Business Growth

Financial year 2021 has been a very challenging time for the Bank. Despite these challenges, we have seen record increases in our customer deposits and new customer acquisition in excess of 30% year on year, ahead of the market.

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

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

Most Trusted Personal Bank in Cambodia

Our journey continues in our quest to become the most trusted personal bank in Cambodia. We need to get our products and services fit for our customers. We need to provide the best possible experience to our customers. We need to change our mindset to focus on what is important. We need to keep our promises to build trust.We hope that you will join us on our journey in 2022 and beyond

J TRUST ROYAL BANK IN THE COMMUNITY

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

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

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

Corporate Social Responsibility Mission: UPLIFTING LITERACY FOR THE GROWTH OF CAMBODIA			
EDUCATION	Professional Literacy	Financial Literacy	Reading Literacy
OTHER	Other forms of contribution/donation/sponsorship which related to community development		

HIGHLIGHT OF 2021 COMMUNITY AGENDA

As part of our efforts in response to the covid-19 situation in the country, J Trust Royal Bank continued carry out activities that sought to extend help to community in need which include the contribution of food supplies and supplements to the Rousey Keo District to distribute to Covid-19 impacted families and those who are in lock down and contribution of Personal Protective Equipment (i.e. face mask and kits, Alcohol-based Sanitizing Spray) to the Siem Reap authority in early April 2021 and contribution of Personal Protective Equipment to the Cambodia Red Cross, Battambang Branch in conjunction with the 65th Anniversary of Cambodia Red Cross.

We also work very closely with the Royal Government of Cambodia to extend our support to reach out to more beneficiary across the country who are in need for support during the lockdown. For instant, we contributed 20 million riel (USD50,000) to the Royal Government of Cambodia (RGC) via the Association of Bank in Cambodia (ABC) to support Government's Activities in Fighting Against Covid-19 Community Transmission.

Combated against Covid-19 Community Outbreak

02 April 2021
Contribution of food supplies and supplement to Covid-19 impacted families in Rousey Keo District

06 April 2021
Contribution of Personal Protection Equipment to the Siem Reap authority

29 April 2021
Contribution 20 million riel to RGC via ABC for fighting against Covid-19 Community Transmission

13 May 2021
Contribution of Personal Protection Equipment to the Cambodia Red Cross, Battambang Branch

Launched of "A Cup of Hope" Donation Campaign in partnering with Kantha Bopha Foundation

J Trust Royal Bank, in collaboration with the Cambodia Kantha Bopha Foundation (CKF), entered into partnership to raise charity funds for the 5 branches of Kantha Bopha Children's Hospitals.

The campaign aims at calling the public to forgo a cup of their habitual drink and use that amount to donate to the Cambodia Kantha Bopha Foundation to support the operations of the Kantha Bopha Children's Hospitals. Every single penny of contribution is vital for the mission of saving Cambodian children's lives with the quality and free healthcare services at Kantha Bopha Children's Hospitals.

J Trust Royal Bank customers can join the "A Cup of HOPE" Campaign via fund transfer to the Cambodia Kantha Bopha Foundation Account No. 4582369 (KHR) or 4582347 (USD) with the following options:

- Standing Order (automatic transfer on monthly basis)
- J Trust Royal Mobile / Internet Banking
- At any J Trust Royal Bank branches

RISK MANAGEMENT

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

Risk Appetite Statement

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

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

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

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

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

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

Key Material Risks

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

Strategic Risk

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

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

Credit Risk

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

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

RISK MANAGEMENT

Market Risk

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

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

Operational Risk

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

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

Compliance Risk

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

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

People Risk

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

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

BOARD OF DIRECTORS

Neak Oknha Kith Meng

Chairman

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

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

MR. WILLIAM MARK HANNA

DIRECTOR

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

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

MR. SIMON JOHN PERKINS

DIRECTOR

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

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

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

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

MR. TORU MYOCHIN

DIRECTOR

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

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

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

MR. MAKOTO KUROKAWA

DIRECTOR

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

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

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

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

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

MR. RYUICHI ATSUTA

DIRECTOR

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

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

MR. TORU HOTOMOTO

DIRECTOR

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

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

MS. SEKA HEP

INDEPENDENT DIRECTOR

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

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

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

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

MR. PAUL CAREY CLEMENTS

INDEPENDENT DIRECTOR

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

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

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

EXECUTIVE COMMITTEE

STANDING FROM LEFT TO RIGHT

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

EXECUTIVE COMMITTEE

MR. TORU MYOCHIN
CEO

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

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

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

MR. MAKOTO KUROKAWA
DEPUTY CEO

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

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

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

Makoto visited Cambodia for the first time in 2005 as part of the Support for Children program. He has since visited the Kingdom more than 30 times. The dynamic transformation taking place in Cambodia continues

to dazzle him and makes him yarn to be of assistance to the Kingdom's further growth and development.

MS. YUKO MIYAZAKI
CHIEF RISK OFFICER

Yuko Miyazaki joined J Trust Royal Bank as Chief Risk Officer in September 2019 bringing in over 20 years of extensive international banking experiences from Japan and the USA, primarily in Credit and Risk Management roles and in Business Development. Currently, she is leading a team of Risk professionals specializing in Credit Risk including approving credit proposals and managing portfolio and Lending Services functions as well as Operational Risk. In her capacity as the Chairwoman of Risk Management Committee (RMC), she has a leading role in the supervision and oversight of the credit, market, and operational risks to ensure the alignment of business strategy with risk appetite statements. Yuko is also a member of the company's executive management team.

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

EXECUTIVE COMMITTEE

MS. BOREN KORK

CHIEF LEGAL & COMPLIANCE OFFICER

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

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

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

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

MR. SADAT MATH

CHIEF HUMAN RESOURCES OFFICER AND CHIEF OF STAFF

Sadat joined the J Trust Royal (formerly ANZ Royal) in August 2008 in Human Resource Department. During his career with the Bank, he was given the opportunity to expand the job responsibilities and promoted to different roles which include the role as Learning and Development Manager, HR Business Partner, HR Delivery Lead and Chief Human Resource Officer in late 2016 as well as the Chief of Staff in 2020. He is one of the talented members of the Bank's HR community and a proud product of the Bank's strong focus on developing its people.

Prior to joining the Bank, he spent several years working at university and NGOs after completing his study. Sadat holds a Bachelor's Degree in Management and a Master of Business Administration from Norton University in Cambodia.

Over the past years, Sadat has been very passionate in developing people by helping them perform better at their jobs, leading to a greater sense of fulfillment and opening up career opportunities.

MS. PHEAKDEY POK

CHIEF FINANCIAL OFFICER

Pheakdey joined J Trust Royal Bank in 2008 and was appointed as Chief Financial Officer in 2010. Prior to her current employment, She also worked for KPMG Cambodia as an External Auditor and British Tobacco (Cambodia) as Management Accounting Manager.

With her current role, she oversees bank's overall performance, aligning financial and business metrics to support business strategy and growth agenda, managing Financial control and governance of the Bank to ensure compliance with local regulatory, Group and Cambodia accounting Standards.

She possesses over 18 years of experiences in diversified industries including Auditing, Banking and Merchandising in Cambodia. In addition, she has quite a unique experienced Mergers and Acquisitions (M&A) through managing transition for Finance project from ANZ Royal to J Trust Royal Bank and went live without significant issue and any staff attrition.

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

MR. SOPHINA KHIEV

HEAD OF MARKETS

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

With his 15 years of career with the Bank that started with few roles within Retail Banking as priority banking manager, Branch Manager, Senior Manager of Mortgage and then moved to Corporate Banking and Markets &

FI, Sophina brings with him a wealth of knowledge and experience of banking and financial market. He joined our executive management team of J Trust Royal Bank on day 1 after the transition in Aug 2019.

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

EXECUTIVE COMMITTEE

MR. VIC SISOWATH
HEAD OF PERSONAL BANKING

Vic Sisowath joined ANZ Royal Bank in 2007 and stayed with the Bank when it transitioned to J Trust Royal Bank in 2019. He currently leads Personal Banking covering 14 branches, our Premier banking segment, secured and unsecured lending businesses, Bancassurance, Analytic and Branch Assurance and our 24/7 Customer Care Centre.

With 14 years of Personal Banking experience including roles as Premier Banking Manager, Branch Manager, Regional Manager, Head of Affluent Banking, and a secondment in Singapore Personal Banking, Vic joined the executive management team in February 2017 as the Head of Personal Banking. After more than 10 years in the Cambodian retail space, Vic has intimate knowledge of sales and services, and an understanding of our customers' financial needs.

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

MR. SALY LOR
CHIEF OPERATING OFFICER

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

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

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

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

MS. NARITA HANG CHUON
HEAD OF CORPORATE BANKING

Narita Hang Chuon, with her role as Head of Corporate Banking, she is responsible for the growth and profitability, as well as the good credit quality of the Corporate Banking Segment.

Narita joined the Bank in September 2005, throughout more than 16 years of services with the Bank, her career has advanced from Operations to Middle Office, and to Frontline Department. Prior to that, Narita worked with World Vision International Organization, Credit Agricole Indosuez Bank, and Nestle Dairy Cambodia Co., Ltd.

Narita holds MBA, major in Finance from Charles Sturt University, Master of Global Trade from RMIT, Bachelor of Business Administration, from the National Institute of Management, and a degree from the Centre for Banking Studies.

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

MR. SOPHY KEO
HEAD OF BUSINESS BANKING

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

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

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

EXECUTIVE COMMITTEE

MR. GLENN MILLER
CHIEF INFORMATION OFFICER

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

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

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

MR. PHYRUN HENG
HEAD OF TRANSACTION BANKING

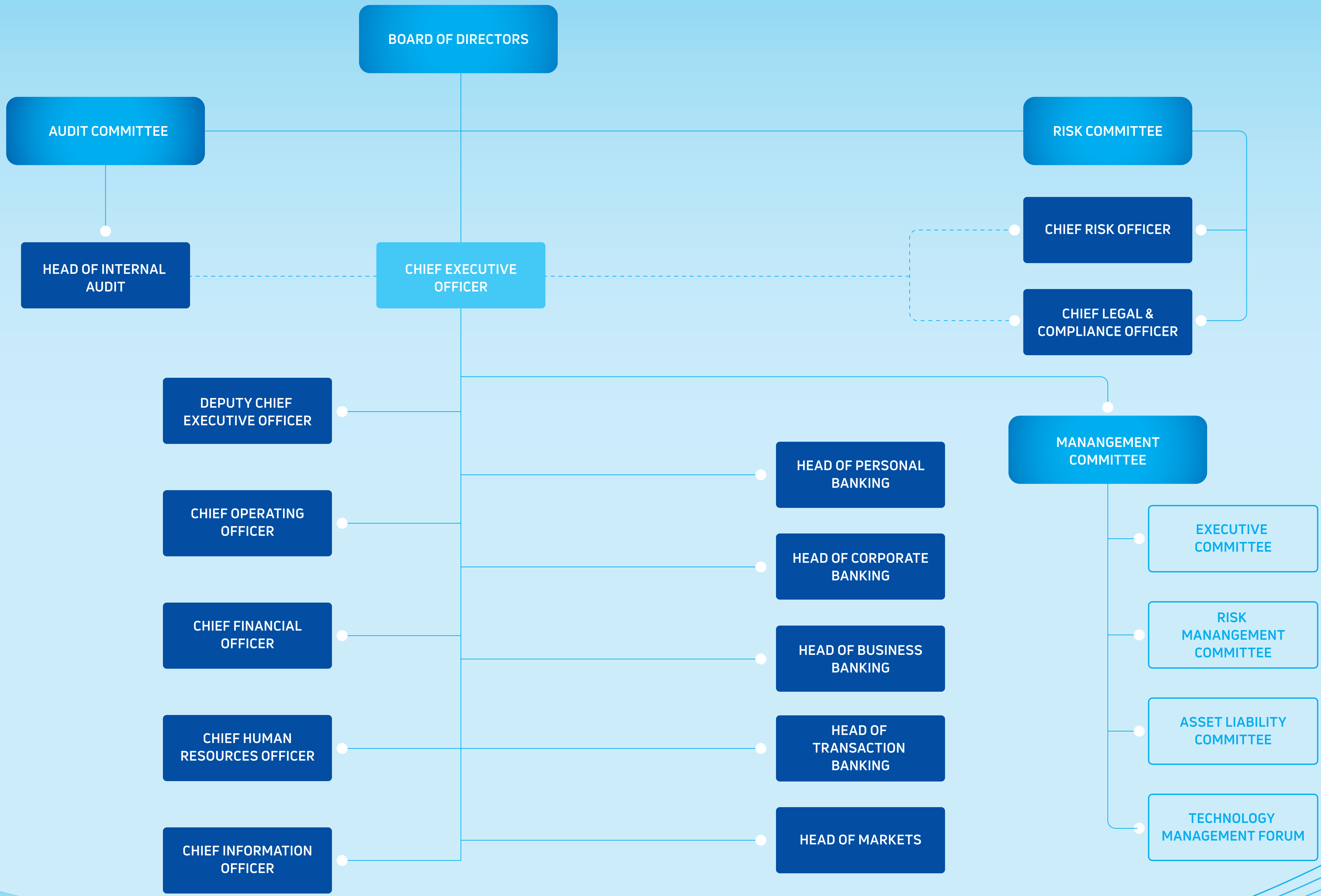
Joining the Bank since 2012, Phyrun has cultivated wide-ranging experiences in credit & capital management, relationship management & transaction banking, looking after Corporation & Institutional Banking, and later expanding to emerging corporates.

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

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

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

ORGANIZATION CHART



FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021
AND REPORT OF THE INDEPENDENT AUDITORS

CORPORATE INFORMATION

Bank	J Trust Royal Bank Plc.	
Registration No.	00015704	
Registered office	20 EF-E0 Corner Kramoun Sar and Street 67 Sangkat Phsar Thmey I, Khan Daun Penh Phnom Penh Kingdom of Cambodia	
Shareholders	J Trust Co., Ltd. Royal Group Finance Co., Ltd.	
Board of Directors	Neak Oknha Kith Meng	Chairman
	Mr. William Mark Hanna	Director
	Mr. Toru Myochin	Director
	Mr. Makoto Kurokawa	Director
	Mr. Ryuichi Atsuta	Director
	Mr. Simon John Perkins	Director
	Mr. Toru Hatomoto	Director (Appointed on 21 June 2021)
	Ms. Seka Hep	Independent Director (Appointed on 3 January 2022)
	Mr. Paul Carey Clements	Independent Director (Appointed on 7 February 2022)
	Mr. Fumio Iguchi	Director (Resigned on 30 March 2021)
	Mr. Christopher Donald Tiffin	Director (Resigned on 13 September 2021)
	Ms. Ratana Phurik-Callebaut	Independent Director (Resigned on 31 May 2021)
Management team	Mr. Toru Myochin	Chief Executive Officer
	Ms. Pok Pheakdey	Chief Financial Officer
	Ms. Kork Boren	Chief Legal & Compliance Officer
	Mr. Sisowath Veakchiravuddh	Head of Personal Banking
	Ms. Hang Chuon Narita	Head of Corporate Banking
	Mr. Math Sadat	Chief Human Resources Officer & Chief of Staff
	Mr. Khiev Sophina	Head of Markets
	Mr. Keo Sophy	Head of Business Banking
	Mr. Lor Saly	Chief Operating Officer
	Mr. Glenn Miller	Chief Information Officer
	Mr. Heng Phyrun	Head of Transaction Banking
	Ms. Yuko Miyazaki	Chief Risk Officer
Auditors	KPMG Cambodia Ltd	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Board" or "the Directors") hereby submit their report together with the audited financial statements of J Trust Royal Bank Plc. ("the Bank") for the year ended 31 December 2021.

Principal activities

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

Financial results

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

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Profit before income tax	12,003,302	7,212,365	48,829,433	29,404,812
Income tax expense	(3,700,297)	(3,270,445)	(15,052,808)	(13,333,604)
Net profit for the year	8,303,005	3,941,920	33,776,625	16,071,208

Dividends

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

Share capital

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

Reserves and provisions

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

Losses on loans and advances

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

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they 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 Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

Contingent and other liabilities

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

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

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

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of circumstances

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

Items of material and unusual nature

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

COVID –19 outbreak and its impact on ECL

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Events since the reporting date

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

The Board of Directors

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

Neak Oknha Kith Meng	Chairman
Mr. William Mark Hanna	Director
Mr. Toru Myochin	Director
Mr. Makoto Kurokawa	Director
Mr. Ryuichi Atsuta	Director
Mr. Simon John Perkins	Director
Mr. Toru Hatomoto	Director (Appointed on 21 June 2021)
Ms. Seka Hep	Independent Director (Appointed on 3 January 2022)
Mr. Paul Carey Clements	Independent Director (Appointed on 7 February 2022)
Mr. Fumio Iguchi	Director (Resigned on 30 March 2021)
Mr. Christopher Donald Tiffin	Director (Resigned on 13 September 2021)
Ms. Ratana Phurik-Callebaut	Independent Director (Resigned on 31 May 2021)

Directors' interests

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

Directors' benefits

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

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 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 52 to 128 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 CIFRSs.

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

William Mark Hanna
Director

Toru Myochin
Director and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 29 March 2022

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF J TRUST ROYAL BANK PLC.

KPMG Cambodia Ltd
4th Floor, Delano Center
No. 144, Street 169, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia
+855 23 216 899 | kpmg.com.kh

Opinion

We have audited the financial statements of J Trust Royal Bank Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 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 52 to 128 (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 the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Comparative Information

We draw attention to Note 37 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2020 have been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Report of Directors as set out on page 45 to 48, and the annual report but does not include the financial statements on our auditors' report thereon. The annual report is expected to made available to us after the date of this auditors' report.

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

TO THE SHAREHOLDERS OF
J TRUST ROYAL BANK PLC.

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.

When we read the annual report, if we conclude that there is a material misstated therein, we are required to communicate the matter to those charged with governance.

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.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

TO THE SHAREHOLDERS OF
J TRUST ROYAL BANK PLC.

- 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**

Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia
29 March 2022

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	31 December 2021 US$	31 December 2020 US$ (Restated)	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5) (Restated)
ASSETS					
Cash and cash equivalents	6	305,662,603	243,202,985	1,245,269,445	983,756,074
Placements with other banks	7	8,372,728	32,041,811	34,110,494	129,609,125
Statutory deposits	8	71,188,940	64,507,602	290,023,742	260,933,250
Loans and advances to customers – net	9	904,243,203	690,817,883	3,683,886,809	2,794,358,337
Other assets	10	10,934,458	9,824,577	44,546,982	39,740,414
Intangible assets	11	13,438,152	189,534	54,747,031	766,665
Property and equipment	12	6,035,873	3,613,391	24,590,147	14,616,167
Right-of-use assets	13	6,821,459	2,802,257	27,790,624	11,335,130
Deferred tax asset – net	20A	1,859,594	2,008,625	7,575,986	8,124,888
Total assets		1,328,557,010	1,049,008,665	5,412,541,260	4,243,240,050
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from customers	14	869,822,669	639,596,323	3,543,657,554	2,587,167,127
Deposits from other banks and financial institutions	15	209,912,913	170,817,789	855,185,208	690,957,957
Borrowings	16	-	6,531,716	-	26,420,791
Lease liabilities	17	7,151,049	3,121,721	29,133,374	12,627,361
Other liabilities	18	4,800,860	1,946,167	19,558,703	7,872,246
Provision for employee benefits	19	388,034	152,627	1,580,851	617,376
Current income tax liability	20B	2,874,254	1,461,051	11,709,711	5,909,951
Provision for off-balance sheet commitment	31	575,383	652,428	2,344,110	2,639,071
Total liabilities		1,095,525,162	824,279,822	4,463,169,511	3,334,211,880
Shareholders' equity					
Share capital	21	75,000,000	75,000,000	300,000,000	300,000,000
General reserves	22	101,000,000	88,000,000	407,546,000	354,662,000
Regulatory reserves	23	4,674,518	3,618,950	18,874,296	14,580,245
Retained earnings		52,357,330	58,109,893	210,636,663	234,038,089
Currency translation reserves		-	-	12,314,790	5,747,836
Total shareholders' equity		233,031,848	224,728,843	949,371,749	909,028,170
Total liabilities and shareholders' equity		1,328,557,010	1,049,008,665	5,412,541,260	4,243,240,050

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$	2020 US$ (Restated)	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5) (Restated)
Operating income					
Interest income	24	63,046,237	42,389,949	256,472,092	172,823,822
Interest expense	25	(23,199,824)	(10,059,742)	(94,376,884)	(41,013,568)
Net interest income		39,846,413	32,330,207	162,095,208	131,810,254
Net fee and commission income	26	5,496,906	5,211,457	22,361,414	21,247,110
Total operating profit		45,343,319	37,541,664	184,456,622	153,057,364
Personnel expenses	27	(16,120,207)	(14,160,200)	(65,577,002)	(57,731,135)
Depreciation and amortisation	28	(2,639,042)	(2,297,932)	(10,735,623)	(9,368,669)
General and administrative expenses	29	(14,270,633)	(11,532,138)	(58,052,935)	(47,016,527)
Total operating expenses		(33,029,882)	(27,990,270)	(134,365,560)	(114,116,331)
Operating profit before impairment		12,313,437	9,551,394	50,091,062	38,941,033
Impairment losses on financial instruments	30	(310,135)	(2,339,029)	(1,261,629)	(9,536,221)
Profit before income tax		12,003,302	7,212,365	48,829,433	29,404,812
Income tax expense	20C	(3,700,297)	(3,270,445)	(15,052,808)	(13,333,604)
Net profit for the year		8,303,005	3,941,920	33,776,625	16,071,208
Other comprehensive income/(loss)					
Currency translation difference		-	-	6,566,954	(6,749,749)
Total comprehensive income for the year		8,303,005	3,941,920	40,343,579	9,321,459

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		General reserves		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
2020	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
At 1 January 2020	75,000,000	300,000,000	73,000,000	293,507,000	3,883,463	15,658,665	68,903,460	278,043,461	-	12,497,585	220,786,923	899,706,711
Transactions recogniseddirectly in equity												
Transfers from regulatoryreserves	-	-	-	-	(264,513)	(1,078,420)	264,513	1,078,420	-	-	-	-
Transfers to general reserves	-	-	15,000,000	61,155,000	-	-	(15,000,000)	(61,155,000)	-	-	-	-
Comprehensive income												
Net profit for the year	-	-	-	-	-	-	3,941,920	16,071,208	-	-	3,941,920	16,071,208
Currency translation difference	-	-	-	-	-	-	-	-	-	(6,749,749)	-	(6,749,749)
Total comprehensive income	-	-	-	-	-	-	3,941,920	16,071,208	-	(6,749,749)	3,941,920	9,321,459
At 31 December 2020	75,000,000	300,000,000	88,000,000	354,662,000	3,618,950	14,580,245	58,109,893	234,038,089	-	5,747,836	224,728,843	909,028,170
2021												
At 1 January 2021	75,000,000	300,000,000	88,000,000	354,662,000	3,618,950	14,580,245	58,109,893	234,038,089	-	5,747,836	224,728,843	909,028,170
Transactions recogniseddirectly in equity												
Transfers to regulatoryreserves	-	-	-	-	1,055,568	4,294,051	(1,055,568)	(4,294,051)	-	-	-	-
Transfers to general reserves	-	-	13,000,000	52,884,000	-	-	(13,000,000)	(52,884,000)	-	-	-	-
Comprehensive income												
Net profit for the year	-	-	-	-	-	-	8,303,005	33,776,625	-	-	8,303,005	33,776,625
Currency translation difference	-	-	-	-	-	-	-	-	-	6,566,954	-	6,566,954
Total comprehensive income	-	-	-	-	-	-	8,303,005	33,776,625	-	6,566,954	8,303,005	40,343,579
At 31 December 2021	75,000,000	300,000,000	101,000,000	407,546,000	4,674,518	18,874,296	52,357,330	210,636,663	-	12,314,790	233,031,848	949,371,749

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$	2020 US$ (Restated)	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5) (Restated)
Cash flows from operating activities					
Net profit for the year		8,303,005	3,941,920	33,776,625	16,071,208
Adjustments for:					
Depreciation and amortisation		2,639,042	2,297,932	10,735,623	9,368,669
Net interest income		(39,846,413)	(32,330,207)	(162,095,208)	(131,810,254)
Income tax expense		3,700,297	3,270,445	15,052,808	13,333,604
Loss on intangible assets written off		449,840	-	1,829,949	-
Loss on property and equipment written off and disposal		65,927	35,596	268,191	145,125
Provision for employee benefits		235,407	-	957,636	-
Impairment loss on financial instruments		310,135	2,339,029	1,261,629	9,536,221
		(24,142,760)	(20,445,285)	(98,212,747)	(83,355,427)
Changes in:					
Loans and advances to customers		(213,743,318)	(190,096,623)	(869,507,818)	(775,023,932)
Statutory deposits		(6,681,338)	16,329,822	(27,179,683)	66,576,684
Other assets		(1,109,881)	(1,755,373)	(4,514,996)	(7,156,656)
Deposits from customers, other banks and financial institutions		262,789,754	228,419,633	1,069,028,719	931,266,844
Other liabilities		2,854,694	(3,395,101)	11,612,895	(13,841,827)
Cash generated from operations		19,967,151	29,057,073	81,226,370	118,465,686
Interest received		62,700,450	42,634,265	255,065,431	173,819,898
Interest paid		(23,199,824)	(10,059,742)	(94,376,884)	(41,013,568)
Income taxes paid	20B	(2,138,063)	(1,351,228)	(8,697,640)	(5,508,957)
Net cash generated from operating activities		57,329,714	60,280,368	233,217,277	245,763,059

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 US$	2020 US$ (Restated)	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5) (Restated)
Cash flows from investing activities					
Placement with other banks		23,753,985	12,007,164	96,631,211	48,953,208
Purchase of intangible assets		(13,787,808)	(196,184)	(56,088,803)	(799,842)
Purchase of property and equipment		(3,770,524)	(1,157,718)	(15,338,492)	(4,720,016)
Proceed from disposal of property and equipment		1,430	-	5,817	-
Net cash generated from investing activities		6,197,083	10,653,262	25,209,733	43,433,350
Cash flows from financing activities					
Payment of lease liabilities		(1,258,882)	(1,088,869)	(5,121,132)	(4,439,319)
Net cash used in financing activities		(1,258,882)	(1,088,869)	(5,121,132)	(4,439,319)
Net increase in cash and cash equivalents		62,267,915	69,844,761	253,305,878	284,757,090
Cash and cash equivalents at beginning of the year		243,555,700	173,710,939	985,182,806	707,872,076
Currency translation difference		-	-	7,436,724	(7,446,360)
Cash and cash equivalents at end of the year	6	305,823,615	243,555,700	1,245,925,408	985,182,806

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. Reporting entity

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

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

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

The registered office of the Bank is currently located at 20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia. C.

As at 31 December 2021, the Bank had 586 employees (2020: 536 employees).

2. Basis of accounting

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

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

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

The financial statements of the Bank were authorised for issue by the Board of Directors on 29 March 2022.

3. Functional and presentation currency

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

4. Use of judgments and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4. Use of judgments and estimates (continued)

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

A. Judgements

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

- Note 35C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are 'solely payment for principal and interest' ("SPPI") on the principal amount outstanding.
- Note 35C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of 'expected credit loss' ("ECL") and selection and approval of models used to measure ECL.

B. Assumptions and estimation uncertainties

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

- Note 35C(vi): measurement of the fair value of financial instruments with significant unobservable inputs.
- Note 35C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 35C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

Change of ECL methodology

The Bank has changed the ECL methodology from Proxy based model to their own model which implemented prospectively from the fiscal year 2021. This own model was estimated by using the Bank historical default experience to reflect the situation and risk profile of the Bank in developing the ECL modelling in accordance with CIFRS 9 requirements.

The impact between previous model and the new model as at 31 December 2021 was as follows:

Description	ECL Proxy (US$)	ECL Own Model (US$)	Variance (US$)
Cash and cash equivalents	213,139	161,012	52,127
Placements with other banks	14,165	10,832	3,333
Loan and advances to customers	7,996,009	7,419,349	576,660
Off-balance sheet commitment	754,265	575,383	178,882
Total	8,977,578	8,166,576	811,002

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 =	KHR4,074	KHR4,068
31 December 2020	US$1 =	KHR4,045	KHR4,077

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

6. Cash and cash equivalents

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cash on hand	34,297,265	28,785,237	139,727,058	116,436,284
Bank balances with original maturity less than 3 months:				
Bank balances with National Bank of Cambodia	240,103,823	192,533,283	978,182,975	778,797,130
Bank balances with other banks	31,422,527	22,237,180	128,015,375	89,949,392
	305,823,615	243,555,700	1,245,925,408	985,182,806
Less: Allowance for impairment loss	(161,012)	(352,715)	(655,963)	(1,426,732)
	305,662,603	243,202,985	1,245,269,445	983,756,074

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6. Cash and cash equivalents (continued)

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

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	352,715	175,457	1,426,732	714,987
Recognised in profit or loss (Note 30)	(191,703)	177,258	(779,848)	722,681
Currency translation difference	-	-	9,079	(10,936)
At 31 December	161,012	352,715	655,963	1,426,732

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
By relationship:				
Non-related parties	305,823,615	243,555,700	1,245,925,408	985,182,806
Related parties	-	-	-	-
	305,823,615	243,555,700	1,245,925,408	985,182,806

7. Placements with other banks

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
National Bank of Cambodia	6,300,500	12,006,736	25,668,237	48,567,247
Other banks	2,083,060	20,130,809	8,486,387	81,429,122
	8,383,560	32,137,545	34,154,624	129,996,369
Less: Allowance for impairment loss	(10,832)	(95,734)	(44,130)	(387,244)
	8,372,728	32,041,811	34,110,494	129,609,125

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7. Placements with other banks (continued)

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

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	95,734	54,410	387,244	221,721
Recognised in profit or loss (Note 30)	(84,902)	41,324	(345,381)	168,478
Currency translation difference	-	-	2,267	(2,955)
At 31 December	10,832	95,734	44,130	387,244

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
A. By maturity:				
Within 1 month	2,083,060	20,130,809	8,486,386	81,429,122
> 1 to 3 months	6,300,500	5,400,589	25,668,238	21,845,383
> 3 to 6 months	-	3,001,662	-	12,141,723
7 to 12 months	-	3,604,485	-	14,580,141
	8,383,560	32,137,545	34,154,624	129,996,369
B. By currency:				
US Dollars	8,383,560	32,137,545	34,154,624	129,996,369
Others	-	-	-	-
	8,383,560	32,137,545	34,154,624	129,996,369

	2021	2020
C. By interest rate (per annum):		
National Bank of Cambodia	0.04% - 0.24%	0.03% - 0.77%
Other local banks	1.20% - 3.25%	2.35% - 2.60%

8. Statutory deposits

		31 December		31 December	
		2021	2020	2021	2020
	Note	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Statutory capital deposit	A	7,500,000	7,500,000	30,555,000	30,337,500
Reserve requirements on deposits from customers, banks and financial institutions	B	63,688,940	57,007,602	259,468,742	230,595,750
		71,188,940	64,507,602	290,023,742	260,933,250

A. Statutory capital deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily ceases its operations in the Kingdom of Cambodia. During the year, the statutory capital deposit earned interest at the rate of 0.04% per annum (2020: 0.09% per annum).

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

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

On 18 March 2020, NBC issued a press release announcing the reduction of the Reserve Requirement Rate ("RRR") on KHR from 8% to 7%. For foreign currencies, the RRR is reduced from 12.50% to 7%, in order to mitigate the impact of the COVID -19 pandemic on Cambodia's economy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9. Loans and advances to customers – net

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Term loans	477,799,345	320,402,531	1,946,554,532	1,296,028,239
Overdrafts	45,044,513	25,252,981	183,511,346	102,148,308
Housing loans	198,721,590	187,206,431	809,591,758	757,250,013
Trade finance loans	189,005,796	164,168,488	770,009,613	664,061,534
Credit cards	1,091,308	603,451	4,445,989	2,440,959
Loans and advances – gross	911,662,552	697,633,882	3,714,113,238	2,821,929,053
Less: Allowance for Impairment loss	(7,419,349)	(6,815,999)	(30,226,429)	(27,570,716)
Loans and advances – net	904,243,203	690,817,883	3,683,886,809	2,794,358,337

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

	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	6,815,999	5,080,681	27,570,716	20,703,775
Allowance for impairment loss during the year (Note 30)	663,785	1,761,328	2,700,277	7,180,934
Write off for the year	(60,435)	(26,010)	(245,850)	(106,043)
Currency translation difference	-	-	201,286	(207,950)
At 31 December	7,419,349	6,815,999	30,226,429	27,570,716

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

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
By maturity:				
Within 1 month	50,974,941	29,151,155	207,671,910	117,916,422
> 1 to 3 months	133,699,842	65,077,056	544,693,156	263,236,692
> 3 to 6 months	165,783,693	130,149,808	675,402,765	526,455,973
> 6 to 12 months	98,450,874	60,445,580	401,088,861	244,502,371
> 1 to 3 years	115,687,297	125,195,981	471,310,048	506,417,743
> 3 to 5 years	70,417,994	47,822,855	286,882,908	193,443,448
Over 5 years	276,647,911	239,791,447	1,127,063,590	969,956,404
	911,662,552	697,633,882	3,714,113,238	2,821,929,053

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10. Other assets

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Prepayment for staff benefits (i)	7,225,100	6,230,410	29,435,057	25,202,008
Deposits and prepayments	3,597,315	3,567,556	14,655,462	14,430,764
Derivative financial instruments (ii)	85,567	1,120	348,600	4,530
Others	26,476	25,491	107,863	103,112
	10,934,458	9,824,577	44,546,982	39,740,414

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

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

11. Intangible assets

	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Computer software:				
Cost				
At 1 January	196,184	-	793,564	-
Addition	13,787,808	196,184	56,088,803	799,842
Written off	(453,150)	-	(1,843,414)	-
Currency translation difference	-	-	85,697	(6,278)
At 31 December	13,530,842	196,184	55,124,650	793,564
Less: **Accumulated amortisation**				
At 1 January	6,650	-	26,899	-
Amortisation	89,350	6,650	363,476	27,112
Written off	(3,310)	-	(13,465)	-
Currency translation difference	-	-	709	(213)
At 31 December	92,690	6,650	377,619	26,899
Carrying amounts				
At 31 December	13,438,152	189,534	54,747,031	766,665

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12. Property and equipment

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

As at 31 December 2021, fully depreciated property and equipment with an original costing of US$7,696,276 (2020: US$7,316,923) are still in active use. The written off amounts included the fully depreciated property and equipment with costs amounting to US$365,862 (2020: US$1,931,340).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12. Property and equipment (continued)

2020	Computers	Furniture and equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost							
At 1 January 2020	3,207,309	1,863,548	789,653	8,682,467	308,063	14,851,040	60,517,988
Additions	68,247	10,980	-	1,111	1,077,381	1,157,718	4,720,016
Transfers	292,295	520,277	-	458,254	(1,270,827)	-	-
Written off	(82,711)	(49,257)	-	-	-	(131,968)	(538,034)
Disposals	(50,545)	(238,074)	(11,311)	(1,509,630)	-	(1,809,560)	(7,377,576)
Currency translation difference	-	-	-	-	-	-	(420,449)
At 31 December 2020	3,434,595	2,107,474	778,342	7,632,202	114,617	14,067,230	56,901,945
Less: **Accumulated depreciation**							
At 1 January 2020	1,745,456	1,377,412	39,977	7,973,619	-	11,136,464	45,381,091
Depreciation	478,744	196,492	155,120	392,950	-	1,223,307	4,987,423
Written off	(56,213)	(40,159)	-	-	-	(96,372)	(392,909)
Disposals	(50,543)	(238,074)	(11,313)	(1,509,630)	-	(1,809,560)	(7,377,576)
Currency translation difference	-	-	-	-	-	-	(312,251)
At 31 December 2020	2,117,444	1,295,671	183,784	6,856,939	-	10,453,839	42,285,778
Carrying amounts							
At 31 December 2020	1,317,151	811,803	594,558	775,263	114,617	3,613,391	14,616,167

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13. Right-of-use assets

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

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Right-of-use assets	6,821,459	2,802,257	27,790,624	11,335,130

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

	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Right-of-use assets				
At 1 January	2,802,257	3,311,519	11,335,130	13,494,440
Additions	5,288,209	558,713	21,512,434	2,277,873
Amortisation for the year	(1,269,007)	(1,067,975)	(5,162,320)	(4,354,134)
Currency translation difference	-	-	105,380	(83,049)
At 31 December	6,821,459	2,802,257	27,790,624	11,335,130

14. Deposits from customers

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Current accounts (*)	378,363,006	356,434,974	1,541,450,886	1,441,779,470
Saving deposits	160,680,564	91,510,675	654,612,618	370,160,680
Fixed deposits	330,779,099	191,650,674	1,347,594,050	775,226,977
	869,822,669	639,596,323	3,543,657,554	2,587,167,127

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14. Deposits from customers (continued)

Deposits from customers were analysed as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	579,622,004	468,216,217	2,361,380,044	1,893,934,598
> 1 to 3 months	115,113,335	82,795,337	468,971,727	334,907,138
> 3 to 6 months	77,543,731	36,413,758	315,913,160	147,293,651
> 6 to 12 months	51,892,489	48,748,337	211,410,000	197,187,023
1 to 3 years	25,755,498	2,517,708	104,927,899	10,184,129
3 to 5 years	19,895,612	904,966	81,054,724	3,660,588
	869,822,669	639,596,323	3,543,657,554	2,587,167,127
B. By customer type:				
Corporations	386,076,478	302,507,734	1,572,875,571	1,223,643,784
Individuals	454,481,631	311,362,419	1,851,558,165	1,259,460,985
Others	29,264,560	25,726,170	119,223,818	104,062,358
	869,822,669	639,596,323	3,543,657,554	2,587,167,127
C. By residency status:				
Residents	869,139,830	639,083,151	3,540,875,667	2,585,091,346
Non-residents	682,839	513,172	2,781,887	2,075,781
	869,822,669	639,596,323	3,543,657,554	2,587,167,127
D. By relationship:				
Non-related parties	779,625,645	568,342,320	3,176,194,878	2,298,944,684
Related parties	90,197,024	71,254,003	367,462,676	288,222,443
	869,822,669	639,596,323	3,543,657,554	2,587,167,127

	2021	2020
E. By interest rate (per annum):		
Current accounts	0.00% - 2.00%	0.00% - 0.75%
Saving accounts	0.00% - 2.50%	0.00% - 0.80%
Fixed deposits	0.00% - 8.00%	0.10% - 7.00%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15. Deposits from other banks and financial institutions

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
		(Restated)		(Restated)
Through customers' accounts:				
Current accounts	36,649,776	43,638,418	149,311,187	176,517,401
Saving accounts	12,303	12,192	50,122	49,317
Fixed deposits	106,562,157	80,966,563	434,134,229	327,509,747
	143,224,236	124,617,173	583,495,538	504,076,465
Through NBCs' accounts:				
Fixed deposits	66,688,677	46,200,616	271,689,670	186,881,492
	209,912,913	170,817,789	855,185,208	690,957,957

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

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
		(Restated)		(Restated)
A. By maturity:				
Within 1 month	73,574,916	58,942,914	299,744,208	238,424,087
2 to 3 months	31,428,605	85,496,632	128,040,137	345,833,876
4 to 6 months	60,503,148	8,221,483	246,489,825	33,255,899
7 to 12 months	18,110,058	18,156,760	73,780,376	73,444,095
1 to 3 years	26,296,186	-	107,130,662	-
	209,912,913	170,817,789	855,185,208	690,957,957
B. By residency status:				
Residents	209,912,913	170,817,789	855,185,208	690,957,957
C. By relationship:				
Non-related parties	95,561,900	65,740,924	389,319,181	265,922,038
Related parties	114,351,013	105,076,865	465,866,027	425,035,919
	209,912,913	170,817,789	855,185,208	690,957,957

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15. Deposits from other banks and financial institutions (continued)

	2021	2020
D. By interest rate (per annum):		
Current accounts	0.00% - 1.25%	0.00% - 0.75%
Saving accounts	0.00% - 0.25%	0.00% - 0.25%
Fixed deposits	0.00% - 6.00%	0.00% - 5.50%

16. Borrowings

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
		(Restated)		(Restated)
Liquidity Providing Collateralised Operation ("LPCO")	-	6,531,716	-	26,420,791

LPCO refers to borrowings from the National Bank of Cambodia ("NBC") in which the Negotiable Certificates of Deposit ("NCD") were collateralised. These borrowings bear interest at rates ranging from 2.60% to 4.50% per annum. This amount was fully repaid on 14 January 2021 and 24 June 2021 respectively.

Further analysis by maturity period were as follows:

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
		(Restated)		(Restated)
Within 1 month	-	2,989,297	-	12,091,707
> 1 to 3 months	-	-	-	-
> 3 to 6 months	-	3,542,419	-	14,329,084
	-	6,531,716	-	26,420,791

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17. Lease liabilities

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Present value of lease liabilities				
Current	1,398,463	1,374,886	5,697,338	5,561,414
Non-current	5,752,586	1,746,835	23,436,036	7,065,947
	7,151,049	3,121,721	29,133,374	12,627,361
Maturity analysis – contractual undiscounted cash flows				
Less than one year	137,111	164,000	558,590	663,380
One to five years	2,143,921	2,724,715	8,734,334	11,021,472
More than five years	7,575,149	377,616	30,861,157	1,527,457
Total undiscounted lease liabilities	9,856,181	3,266,331	40,154,081	13,212,309

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

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	3,121,721	3,651,878	12,627,361	14,881,403
Additions	5,288,210	558,712	21,512,438	2,277,869
Interest expense	263,640	166,147	1,072,488	677,381
Payments	(1,522,522)	(1,255,016)	(6,193,619)	(5,116,700)
Currency translation difference	-	-	114,706	(92,592)
At 31 December	7,151,049	3,121,721	29,133,374	12,627,361

Amounts recognised in profit or loss:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Interest expense on lease liabilities	263,640	166,147	1,072,488	677,381
Expenses relating to leases of short-term and low-value assets	359,224	503,091	1,461,323	2,051,102
	622,864	669,238	2,533,811	2,728,483

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17. Lease liabilities (continued)

Amounts recognised in the statement of cash flows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Total cash outflow for leases	1,258,882	1,088,869	5,121,132	4,429,519

18. Other liabilities

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Employee entitlements	1,307,719	637,500	5,327,647	2,578,688
Accrued expenses	846,734	480,614	3,449,594	1,944,084
Banker's cheques	30,429	333,165	123,968	1,347,652
Other tax payable	2,378,056	291,999	9,688,200	1,181,136
Others	237,922	202,889	969,294	820,686
	4,800,860	1,946,167	19,558,703	7,872,246

19. Provision for employee benefits

This represents the provision of the backpay seniority indemnity payment, which is calculated at a maximum amount of six-month wages (depending on the length of service the employee has served) to the employee who has seniority before 2019, and the current seniority indemnity payment for 2021 as required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training on 21 September 2018, and subsequently amended by Instruction No. 042/19 dated 22 March 2019.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20. Income tax

A. Deferred tax assets – net

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Deferred tax assets	3,240,999	2,569,076	13,203,830	10,391,912
Deferred tax liabilities	(1,381,405)	(560,451)	(5,627,844)	(2,267,024)
Deferred tax assets – net	1,859,594	2,008,625	7,575,986	8,124,888

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Depreciation and amortisation	121,941	520,323	496,788	2,104,707
Right-of-use assets	(1,364,292)	(560,451)	(5,558,126)	(2,267,024)
Lease liabilities	1,255,003	624,344	5,112,882	2,525,471
Impairment loss allowance on financial instruments and off-balance sheet commitment	1,430,210	1,055,981	5,826,676	4,271,443
Others	416,732	368,428	1,697,766	1,490,291
	1,859,594	2,008,625	7,575,986	8,124,888

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

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	2,008,625	2,818,191	8,124,888	11,484,128
Recognised in profit or loss	(149,031)	(809,566)	(606,258)	(3,300,601)
Currency translation difference	-	-	57,356	(58,639)
At 31 December	1,859,594	2,008,625	7,575,986	8,124,888

20. Income tax (continued)

B. Current income tax liability

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	1,461,051	351,400	5,909,951	1,431,955
Income tax expense	3,338,868	1,932,701	13,582,515	7,879,621
Under provision in prior year	-	-	864,035	2,153,382
Others	212,398	528,178	-	-
Income tax paid	(2,138,063)	(1,351,228)	(8,697,640)	(5,508,957)
Currency translation difference	-	-	50,850	(46,050)
At 31 December	2,874,254	1,461,051	11,709,711	5,909,951

C. Income tax expense

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Current tax	3,551,266	2,460,879	14,446,550	10,033,003
Deferred tax	149,031	809,566	606,258	3,300,601
	3,700,297	3,270,445	15,052,808	13,333,604

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

	2021			2020		
	US$	KHR'000 (Note 5)	%	US$	KHR'000 (Note 5)	%
Profit before income tax	12,003,302	48,829,433		7,212,365	29,404,812	
Income tax using statutory rate at 20%	2,400,660	9,765,885	20	1,442,473	5,880,962	20
Non-deductible expenses	1,087,239	4,422,888	9	1,299,794	5,299,260	18
Under provision in prior year	-	-	-	528,178	2,153,382	7
Others	212,398	864,035	2	-	-	-
Income tax expense	3,700,297	15,052,808	31	3,270,445	13,333,604	45

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

21. Share capital

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Shares with par value of US$100 each: Issued and fully paid 750,000 shares (2020: 750,000 shares)	75,000,000	75,000,000	300,000,000	300,000,000

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

	Registered, issued and fully paid					
	As at 31 December 2021			As at 31 December 2020		
	Number of shares	Amount US$	%	Number of shares	Amount US$	%
Royal Group Finance Co., Ltd	337,500	33,750,000	45	337,500	33,750,000	45
J Trust Co. Ltd.	412,500	41,250,000	55	412,500	41,250,000	55
	750,000	75,000,000	100	750,000	75,000,000	100

22. General reserves

During the year, the Bank transferred its retained earnings amounting to US$13,000,000 (2020: US$15,000,000) to general reserves with approval from NBC on 20 May 2021.

23. Regulatory reserves

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

During the year, the Bank transferred from the retained earnings to regulatory reserves amounting to US$1,055,568 (2020 from regulatory reserve to the retained earnings: US$264,513).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

24. Interest income

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Loans and advances to customers	62,972,383	42,026,612	256,171,654	171,342,497
Placements with other banks	12,782	271,939	51,997	1,108,695
Placements with NBC	61,072	91,398	248,441	372,630
	63,046,237	42,389,949	256,472,092	172,823,822

25. Interest expense

	2021 US$	2020 US$ (Restated)	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5) (Restated)
Fixed deposits	18,829,714	6,759,381	76,599,277	27,557,996
Savings deposits	966,775	256,071	3,932,841	1,044,001
Current deposits	1,466,855	1,409,590	5,967,166	5,746,898
Deposits from banks and financial institutions	1,595,251	972,005	6,489,481	3,962,864
Borrowings	77,589	496,548	315,631	2,024,428
Lease liabilities	263,640	166,147	1,072,488	677,381
	23,199,824	10,059,742	94,376,884	41,013,568

26. Net fee and commission income

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Trade and payment income	4,214,843	3,669,214	17,145,981	14,959,385
Lending fees	506,732	335,084	2,061,386	1,366,137
Other fees	682,171	695,694	2,775,072	2,836,345
	5,403,746	4,699,992	21,982,439	19,161,867
Fee and commission expense	(134,251)	(76,705)	(546,133)	(312,726)
Bank charges	(1,230,128)	(855,463)	(5,004,161)	(3,487,723)
	(1,364,379)	(932,168)	(5,550,294)	(3,800,449)
Net fee and commission income	4,039,367	3,767,824	16,432,145	15,361,418
Foreign exchange earnings	1,457,539	1,443,633	5,929,269	5,885,692
	5,496,906	5,211,457	22,361,414	21,247,110

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

27. Personnel expenses

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Salaries and wages	11,981,661	11,173,202	48,741,397	45,553,145
Performance reward scheme	1,298,269	298,865	5,281,358	1,218,473
Seniority expense	921,722	659,319	3,749,565	2,688,043
Pension fund	424,258	416,280	1,725,882	1,697,174
Others	1,494,297	1,612,534	6,078,800	6,574,300
	16,120,207	14,160,200	65,577,002	57,731,135

28. Depreciation and amortisation

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Depreciation on property and equipment	1,280,685	1,223,307	5,209,827	4,987,423
Amortisation on intangible assets	89,350	6,650	363,476	27,112
Depreciation on right-of-use assets	1,269,007	1,067,975	5,162,320	4,354,134
	2,639,042	2,297,932	10,735,623	9,368,669

29. General and administrative expenses

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Lease expense of low-value asses and short-term lease	359,224	503,091	1,461,323	2,051,102
Utilities and other outgoings	488,191	514,825	1,985,961	2,098,942
Data communication	98,268	45,118	399,754	183,946
IT support cost	5,517,666	4,613,792	22,445,865	18,810,429
Computer related expenses	813,838	708,310	3,310,693	2,887,780
Advertising	258,324	335,987	1,050,862	1,369,819
Withholding tax	521,606	(43,046)	2,121,893	(175,499)
Sub-total	8,057,117	6,678,077	32,776,351	27,226,519

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

29. General and administrative expenses (continued)

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Travel expense	69,486	95,624	282,669	389,858
Postage and stationery	162,238	320,798	659,984	1,307,893
Professional fees	2,791,027	2,209,414	11,353,898	9,007,781
Telephone	77,438	84,072	315,018	342,762
Freight and cartage	73,996	81,370	301,016	331,745
Non-lending losses, frauds and forgeries	2,203	3,711	8,962	15,130
License and memberships fee	484,398	456,451	1,970,531	1,860,951
Security expenses	422,571	404,309	1,719,019	1,648,368
Loss on property and equipment	516,951	35,046	2,102,957	142,883
Others	1,613,208	1,163,266	6,562,530	4,742,637
Sub-total	6,213,516	4,854,061	25,276,584	19,790,008
Total	14,270,633	11,532,138	58,052,935	47,016,527

30. Impairment losses on financial instruments

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Loans and advances to customers (Note 9)	663,785	1,761,328	2,700,277	7,180,934
Cash and cash equivalents (Note 6)	(191,703)	177,258	(779,848)	722,681
Placements with other banks (Note 7)	(84,902)	41,324	(345,381)	168,478
Off-balance sheet commitments (Note 31)	(77,045)	359,119	(313,419)	1,464,128
	310,135	2,339,029	1,261,629	9,536,221

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

31. Commitments and contingencies

A. Operations

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Bank guarantees	21,081,109	18,212,811	85,884,438	73,670,820
Letters of credit	47,010,653	32,394,063	191,521,400	131,033,985
Unused portion of loans and advances	78,350,394	99,481,020	319,199,505	402,400,726
Foreign exchange commitments	42,045,777	35,695,591	171,294,495	144,388,666
	188,487,933	185,783,485	767,899,838	751,494,197

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

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	652,428	293,309	2,639,071	1,195,234
(Reversal)/additional allowance for impairment loss	(77,045)	359,119	(313,419)	1,464,128
Currency translation difference	-	-	18,458	(20,291)
At 31 December	575,383	652,428	2,344,110	2,639,071

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

31. Commitments and contingencies (continued)

B. Lease commitments

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Within 1 year	833,508	323,519	3,395,712	1,308,634
2 to 3 years	826,225	253,571	3,366,041	1,025,695
4 to 5 years	8,912	24,446	36,307	98,884
Over 5 years	1,582	-	6,445	-
	1,670,227	601,536	6,804,505	2,433,213

C. Tax contingencies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

32. Related parties

A. Identity of related parties

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

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

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

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

B. Transactions with related parties

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Interest income:				
Related entities	2,506,508	1,761,500	10,196,475	7,181,636
Key management personnel	91,696	76,138	373,019	310,414
	2,598,204	1,837,638	10,569,494	7,492,050
Interest expense:				
Shareholders	185	965	753	3,934
Related entities	4,801,559	1,079,275	19,532,742	4,400,204
Key management personnel	1,571,971	510,046	6,394,778	2,079,458
	6,373,715	1,590,286	25,928,273	6,483,596

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

32. Related parties (continued)

B. Transactions with related parties(continued)

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Rental expense:				
Shareholders	211,111	200,000	858,800	815,400
Related entities	244,604	252,853	995,049	1,030,882
	455,715	452,853	1,853,849	1,846,282
IT support cost from JT Group Limited	7,229,722	4,613,792	29,410,509	18,810,430

C. Compensation of directors and key management

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Salary and short-term benefits	2,273,118	2,260,566	9,247,044	9,216,328
Board of Directors' fees	178,708	277,981	726,984	1,133,329
	2,451,826	2,538,547	9,974,028	10,349,657

D. Balances with related parties

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Deposit from related parties:				
Shareholders (*)	68,729	104,704	280,002	423,528
Related parties (**)	169,562,298	144,439,814	690,796,802	584,259,048
Key management personnel (**)	34,917,010	31,786,350	142,251,899	128,575,786
	204,548,037	176,330,868	833,328,703	713,258,362

(*) This presents deposits from shareholders bear interest rates ranging from 0.00% to 0.25% per annum (2020: 0.00% to 0.25% per annum) depending on the terms and currency of the deposits.

(**) Deposits from related entities and key management of the Bank bear interest rates ranging from 0.00% to 7.00% per annum (2020: 0.00% to 7.00% per annum) depending on the terms and currency of the deposits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

32. Related parties (continued)

D. Balances with related parties (continued)

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Loans and advances to related parties:				
Related entities	19,000,000	39,957,586	77,406,000	161,628,436
Key management personnel	2,521,301	1,640,338	10,271,780	6,635,167
	21,521,301	41,597,924	87,677,780	168,263,603

Loans and advances are provided to related entities and key management of the Bank with contractual interest rate ranging from 3.25% to 14.94% per annum (2020: 3.25% to 14.94% per annum).

33. Financial risk management

A. Introduction and overview

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

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

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

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

Risk management functional and governance structure

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

A. Introduction and overview (continued)

Risk management functional and governance structure (continued)

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

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

a) the work of Bank's internal audit and oversight of external audit activity;

b) Bank's financial reporting principles and policies, controls and procedures; and

c) the integrity of Bank's financial statements and the independent audit thereof.

B. Credit risk

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

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

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

(i). Management of credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

B. Credit risk (continued)

(i). Management of credit risk (continued)

- Providing a robust risk framework covering all operational risks, governance and compliance issues, policies and processes within the Bank, so that it is able to support the Bank's strategy. Investigating and reviewing policy breaches Credit, Operational and Compliance and Market Risk and approving remediation actions;
- Reviewing internal audits and regulator review issues, and monitoring the remediation actions to ensure prompt closure.
- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:

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

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

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

(ii). Concentration of risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure

	Maximum credit exposure	Maximum credit exposure	Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/ credit enhancement
	US$	KHR'000 (Note 5)	%	%	%
31 December 2021					
On balance sheet items					
Cash and cash equivalents – gross	305,823,615	1,245,925,408	-	-	100%
Placement with other banks – gross	8,383,560	34,154,624	-	-	100%
Loans and advances to customers - gross	911,662,552	3,714,113,238	94%	-	6%
Other assets	112,043	456,463	-	-	100%
Total	1,225,981,770	4,994,649,733			
Off-balance sheet items					
Contingent liabilities	68,091,762	277,405,838	100%	-	-
Commitments	1,670,227	6,804,505	-	-	100%
Total	69,761,989	284,210,343			

	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 and cash equivalents – gross	243,555,700	985,182,806	-	-	100%
Placement with other banks – gross	32,137,545	129,996,369	-	-	100%
Loans and advances to customers - gross	697,633,882	2,821,929,053	90%	-	10%
Other assets	26,611	107,642	-	-	100%
Total	973,353,738	3,937,215,870	-	-	100%
Off-balance sheet items					
Contingent liabilities	50,606,874	204,704,805	100%	-	-
Commitments	601,536	2,433,213	-	-	100%
Total	51,208,410	207,138,018			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2021	Cash equivalents in banks – gross	Placements with other banks – gross	Loans and advances to customers - gross	Other assets	Total
	US$	US$	US$	US$	US$
Financial institutions	305,823,615	8,383,560	74,136,457	-	388,343,632
Corporate business loans	-	-	634,524,455	-	634,524,455
Retail business loans	-	-	201,910,332	-	201,910,332
Credit cards	-	-	1,091,308	-	1,091,308
Others	-	-	-	112,043	112,043
Total	305,823,615	8,383,560	911,662,552	112,043	1,225,981,770
Total (KHR'000 – Note 5)	1,245,925,408	34,154,624	3,714,113,238	456,463	4,994,649,733

31 December 2020	Cash equivalents in banks – gross	Placements with other banks – gross	Loans and advances to customers - gross	Other assets	Total
	US$	US$	US$	US$	US$
Financial institutions	243,555,700	32,137,545	64,688,310	-	340,381,555
Corporate business loans	-	-	440,961,325	-	440,961,325
Retail business loans	-	-	191,380,796	-	191,380,796
Credit cards	-	-	603,451	-	603,451
Others	-	-	-	26,611	26,611
Total	243,555,700	32,137,545	697,633,882	26,611	973,353,738
Total (KHR'000 – Note 5)	985,182,806	129,996,369	2,821,929,053	107,642	3,937,215,870

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
By residency status:				
Residents	911,662,552	697,633,882	3,714,113,238	2,821,929,053
By relationship:				
Related parties	21,521,301	41,597,924	87,677,781	168,263,603
Non-related parties	890,141,251	656,035,958	3,626,435,457	2,653,665,450
	911,662,552	697,633,882	3,714,113,238	2,821,929,053
By exposure:				
Large exposures (*)	256,751,364	130,533,655	1,046,005,057	528,008,634
Non-large exposures	654,911,188	567,100,227	2,668,108,181	2,293,920,418
	911,662,552	697,633,882	3,714,113,238	2,821,929,052
By concession:				
Restructured (**)	46,135,195	13,464,878	187,954,784	54,465,432
Non-restructured	865,527,357	684,169,004	3,526,158,454	2,767,463,620
	911,662,552	697,633,882	3,714,113,238	2,821,929,052

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral

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

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

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

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

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

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

	Collateral/credit enhancement						
31 December 2021	Properties US$	Floating assets US$	Fixed deposits US$	Others US$	Unsecured credit exposure US$	Total US$	Total KHR'000 (Note 5)
Loans and advances to customers - gross	833,311,597	-	24,645,471	-	53,705,484	911,662,552	3,714,113,238
Contingent liabilities	63,997,919	-	4,093,843	-	-	68,091,762	277,405,838
Commitments	-	-	-	-	1,670,227	1,670,227	6,804,505
Others	-	-	-	-	112,043	112,043	456,463
	897,309,516	-	28,739,314	-	55,487,754	981,536,584	3,998,780,044
31 December 2020							
Loans and advances to customers - gross	628,288,268	-	-	-	69,345,614	697,633,882	2,821,929,053
Contingent liabilities	45,282,398	-	5,324,476	-	-	50,606,874	204,704,805
Commitments	-	-	-	-	601,536	601,536	2,433,213
Others	-	-	-	-	26,611	26,611	107,642
	673,570,666	-	5,324,476	-	69,973,761	748,868,903	3,029,174,713

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

B. Credit risk (continued)

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

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, interest, relevant fees, or capitalised interest;
- extending the loan term; 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 principal payment or interest, or both payments past due not over 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 based on the Bank's own valuation.

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.

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

Normal

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

B. Credit risk (continued)

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

Special mention

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

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

Substandard

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

Factors leading to a substandard classification include:

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

Doubtful

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

Loss

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

B. Credit risk (continued)

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

Recognition of ECL

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

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

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

Long-term facilities (more than one year)

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

Short-term facilities (one year or less)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

B. Credit risk (continued)

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

Recognition of ECL (continued)

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

	31 December 2021			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	904,445,306	-	-	904,445,306
Special Mention	3,098,431	-	-	3,098,431
Substandard	-	2,509,299	-	2,509,299
Doubtful	-	55,018	-	55,018
Loss	-	-	1,554,498	1,554,498
	907,543,737	2,564,317	1,554,498	911,662,552
Less: Impairment loss allowance	(3,599,263)	(1,224,057)	(2,596,029)	(7,419,349)
Carrying amount (US$)	903,944,474	1,340,260	(1,041,531)	904,243,203
Carrying amount (KHR'000)	3,682,669,787	5,460,219	(4,243,197)	3,683,886,809

	31 December 2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	693,118,187	-	-	693,118,187
Special Mention	961,860	-	-	961,860
Substandard	-	451,747	-	451,747
Doubtful	-	152,491	-	152,491
Loss	-	-	2,949,597	2,949,597
	694,080,047	604,238	2,949,597	697,633,882
Less: Impairment loss allowance	(4,151,645)	(96,725)	(2,567,629)	(6,815,999)
Carrying amount (US$)	689,928,402	507,513	381,968	690,817,883
Carrying amount (KHR'000)	2,790,760,386	2,052,890	1,545,061	2,794,358,337

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial risk management (continued)

B. Credit risk (continued)

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

Significant increase in credit risk

The Bank has supported and complied with the NBC regulations by offering loan restructuring facilities via either providing grace period or providing full moratorium to its impacted customers. Even though a portion of the Bank's loan portfolio has been restructured, most of these restructured customers still indicate positive business prospects for the Bank and are still able to service their regular interest payments.

From perspective of the Bank's Management, the extension of grace period and/or moratorium should not automatically result in significant increase in credit risk (SICR); thereby, all restructured loans should not necessarily be required to move between stages unless significant in credit risks exist.

For general treatment of staging transfer criteria for loan restructuring portfolio, the Bank determines that if the customer is offered grace period (i.e. service only interest payment or only principal payment) and customer is able to service payment regularly, no SICR exists.

While for customer who is offered full moratorium (i.e. delay all types of payments), individual assessment is to be performed and Credit Committee will then review and approve whether there is any SICR.

Incorporation of forward-looking information

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL

Impairment loss allowance

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

	2021			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	4,151,645	96,725	2,567,629	6,815,999
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(33,266)	33,266	-	-
- Transfer to Stage 3	(51,865)	(84,466)	136,331	-
Net remeasurement of loss allowance	(1,472,474)	1,188,942	1,112,200	828,668
New financial assets originated	2,075,986	1,849	9,483	2,087,318
Financial assets that been derecognised	(1,070,763)	(12,259)	(1,229,614)	(2,312,636)
Balance at 31 December (US$)	3,599,263	1,224,057	2,596,029	7,419,349
Balance at 31 December (KHR'000)	14,663,397	4,986,809	10,576,223	30,226,429

	2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	3,434,697	51,652	1,594,332	5,080,681
- Transfer to Stage 1	967	(967)	-	-
- Transfer to Stage 2	(3,000)	3,000	-	-
- Transfer to Stage 3	(693)	(4,947)	5,640	-
Net remeasurement of loss allowance	(1,362,283)	38,130	967,739	(356,414)
New financial assets originated	2,564,460	24,362	177	2,588,999
Financial assets that been derecognised	(482,503)	(14,505)	(259)	(497,267)
Balance at 31 December (US$)	4,151,645	96,725	2,567,629	6,815,999
Balance at 31 December (KHR'000)	16,793,404	391,253	10,386,059	27,570,716

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial risk management (continued)

C. Market risk

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

(i). Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

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

As at 31 December 2020	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash and cash equivalents–gross	20,328,732	-	-	-	-	-	223,226,968	243,555,700	0.78%
Placements with other banks–gross	20,130,809	5,400,589	3,001,662	3,604,485	-	-	-	32,137,545	0.40%
Loans and advances to customers–gross	29,151,155	65,077,056	130,149,808	60,445,580	173,018,836	239,791,447	-	697,633,882	11.51%
Other assets	-	-	-	-	-	-	26,611	26,611	-
	69,610,696	70,477,645	133,151,470	64,050,065	173,018,836	239,791,447	223,253,579	973,353,738	
Financial liabilities *(Restated)*									
Deposits from customers	468,216,217	82,795,337	36,413,758	48,748,337	3,422,674	-	-	639,596,323	1.44%
Deposits from banks and financial institutions	58,942,914	85,496,632	8,221,483	18,156,760	-	-	-	170,817,789	1.08%
Borrowings	2,989,297	-	3,542,419	-	-	-	-	6,531,716	3.55%
Lease liabilities	111,750	194,971	310,958	757,207	1,726,000	20,835	-	3,121,721	5.50%
Other liabilities	-	-	-	-	-	-	2,098,794	2,098,794	-
	530,260,178	168,486,940	48,488,618	67,662,304	5,148,674	20,835	2,098,794	822,166,343	
Interest sensitivity gap	(460,649,482)	(98,009,295)	84,662,852	(3,612,239)	167,870,162	239,770,612	221,154,785	151,187,395	
KHR'000 equivalents - Note 5	(1,863,327,155)	(396,447,598)	342,461,236	(14,611,507)	679,034,805	969,872,126	894,571,105	611,553,016	

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

	Profit or loss		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	US$	US$	US$	US$
31 December 2021				
Variable rate instruments	3,770,597	(3,770,597)	3,770,597	(3,770,597)
KHR'000 – Note 5	15,361,412	(15,361,412)	15,361,412	(15,361,412)
31 December 2020				
Variable rate instruments	3,834,702	(3,834,702)	3,834,702	(3,834,702)
KHR'000 – Note 5	15,511,370	(15,511,370)	15,511,370	(15,511,370)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk

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

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

Concentration of currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination			
	US$ equivalents			
31 December 2020	US$	KHR	Others	Total
Financial assets				
Cash equivalents in banks – gross	205,094,296	37,824,610	636,794	243,555,700
Placement with other banks – gross	32,137,545	-	-	32,137,545
Loans and advances to customers - gross	620,012,668	77,621,214	-	697,633,882
Other assets	26,611	-	-	26,611
	857,271,120	115,445,824	636,794	973,353,738
Financial liabilities *(Restated)*				
Deposits from customers	600,668,118	38,333,144	595,061	639,596,323
Deposits from banks and financial institutions	129,058,619	41,681,626	77,544	170,817,789
Borrowings	-	6,531,716	-	6,531,716
Lease liability	3,121,721	-	-	3,121,721
Other liabilities	2,098,794	-	-	2,098,794
	734,947,252	86,546,486	672,605	822,166,343
Net asset/(liability) position	122,323,868	28,899,338	(35,811)	151,187,395
KHR'000 – Note 5	494,800,046	116,897,822	(144,855)	611,553,013

Sensitivity analysis

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

	31 December 2021		31 December 2020	
	- 1% Depreciation	+ 1% Appreciation	- 1% Depreciation	+ 1% Appreciation
	US$	US$	US$	US$
USD	9,879,271	(9,879,271)	1,223,239	(1,223,239)
KHR	1,038,904	(1,038,904)	288,993	(288,993)
Others	2,581	(2,581)	(358)	358
	10,920,756	(10,920,756)	1,511,874	(1,511,874)
KHR'000 – Note 5	44,491,160	(44,491,160)	6,115,530	(6,115,530)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

D. Liquidity risk

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

Management of liquidity risk

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

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

As at 31 December 2021	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 months	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial liabilities								
Deposits from customers	579,622,004	115,113,335	77,543,731	51,892,489	45,651,110	-	-	869,822,669
Deposits from banks and financial institutions	73,574,916	31,428,605	60,503,148	18,110,058	26,296,186	-	-	209,912,913
Lease liabilities	116,258	204,889	326,267	751,049	2,303,980	3,448,606	-	7,151,049
Other liabilities	-	-	-	-	-	-	5,188,894	5,188,894
	653,313,178	146,746,829	138,373,146	70,753,596	74,251,276	3,448,606	5,188,894	1,092,075,525
(KHR'000 equivalents – Note 5)	2,661,597,887	597,846,581	563,732,197	288,250,150	302,499,698	14,049,621	21,139,554	4,449,115,688
As at 31 December 2020 (Restated)								
Financial liabilities								
Deposits from customers	468,216,217	82,795,337	36,413,758	48,748,337	3,422,674	-	-	639,596,323
Deposits from banks and financial institutions	58,942,914	85,496,632	8,221,483	18,156,760	-	-	-	170,817,789
Borrowings	2,989,297	-	3,542,419	-	-	-	-	6,531,716
Lease liabilities	111,750	194,971	310,958	757,207	1,726,000	20,835	-	3,121,721
Other liabilities	-	-	-	-	-	-	2,098,794	2,098,794
	530,260,178	168,486,940	48,488,618	67,662,304	5,148,674	20,835	2,098,794	822,166,343
(KHR'000 equivalents – Note 5)	2,144,902,420	681,529,672	196,136,460	273,694,020	20,826,386	84,278	8,489,622	3,325,662,858

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33. Financial risk management (continued)

E. Operational risk

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

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

F. Capital management

(i). Regulatory capital

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

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

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

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

(ii). Capital allocation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. Fair values of financial assets and liabilities

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

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

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

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

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

Balances with other banks

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

Financing, loans and advances and others

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

Deposits from banks, other financial institutions and customers

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

34. Fair values of financial assets and liabilities (continued)

Fair value hierarchy

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

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

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

35. Significant accounting policies

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

A. Basis of measurement

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

B. Foreign currency

Transactions in foreign currencies are translated into the functional currency 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 year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

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

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

(ii). Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Financial assets (continued)

Business model assessment

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Financial assets (continued)

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

In making the assessment, the Bank considers:

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

Non-recourse loans

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

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

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. 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 or loss.

Financial liabilities

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

(iv). Modifications of financial assets and financial liabilities

Financial assets

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

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

Financial assets (continued)

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

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

Financial liabilities

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

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

Interest rate benchmark reform

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

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

Interest rate benchmark reform (continued)

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

(v). Offsetting

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

(vi). Fair value measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vi). Fair value measurement (continued)

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

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

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

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

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

Determining whether credit risk has increased significantly

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

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than or equal to 30 days past due for long-term facilities or more than or equal to 14 days past due for short-term facilities on any material obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Measurement of ECL

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

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

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

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

Inputs, assumptions and techniques used for estimating impairment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

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

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

Restructured financial assets

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

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

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;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Credit-impaired financial assets (continued)

- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

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

D. Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

E. Share capital

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

F. General reserves and regulatory reserves

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

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

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

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

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

G. Placements with other banks

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

H. Statutory deposits

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

I. Loans and advances

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

J. Other assets

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

K. Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii). Subsequent costs

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

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

(iii). Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

K. Property and equipment (continued)

(iii). Depreciation (continued)

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

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

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

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

L. Intangible assets

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

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

M. Leases

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

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

M. Leases (continued)

- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of the asset if either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

Leases in which the Bank is a lessee

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

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

The Bank 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

M. Leases (continued)

Leases in which the Bank is a lessee (continued)

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

- Building and office branches 3 – 15 years

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

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

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

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

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

Short-term leases and leases of low-value assets

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

N. Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

O. Employee benefits

(i). Short-term employee benefits

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

(ii). Employee saving plan

An employee saving plan is an employment benefit plan under which an entity pays fixed contributions into a separate bank account. Obligations for contributions to saving plan are recognised as an expense in profit or loss in the periods during which services are rendered by employees at a rate of 5% on gross salary per month.

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

(iii). Other long-term employee benefits

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

P. Provisions

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

Q. Interest

Effective interest rate (EIR)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

Q. Interest (continued)

Effective interest rate (EIR) **(continued)**

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

Presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

R. Fee and commission

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

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

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

S. Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35. Significant accounting policies (continued)

T. Income tax

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

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

(i). Current tax

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

(ii). Deferred tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. Significant accounting policies (continued)

U. 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.

V. 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.

36. New standards, amendments and interpretations not yet adopted

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

A. 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 periods 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 period 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 period presented.

The Bank accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Bank will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2021, the taxable temporary difference in relation to the right-of-use asset is US$6,821,459 (Note 13) and the deductible temporary difference in relation to the lease liability is US$9,856,181 (Note 17), resulting in a net deferred tax liability of US$109,289 (Note 20(A)). Under the amendments, the Bank will present a separate deferred tax liability of US$1,364,292 and a deferred tax asset of US$1,255,003. There will be no impact on retained earnings on adoption of the amendments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

36. New standards, amendments and interpretations not yet adopted (continued)

B. Other standards

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

- Onerous contracts – cost of fulfill a contract (Amendments to CIAS 37);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to CIFRS 16);
- Annual Improvements to CIFRS Standard 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 Estimates (Amendments to CIAS 8).

The management does not expect that the adoption of the standards listed above will have a material impact on the financial statement of the Banks.

37. Restatement of comparative information

During the preparation of the financial statements for the year ended 31 December 2021, the management has identified an error in the prior year's financial statements relating to the classification of deposits from other banks. In prior year financial statements, the deposits from other banks that were transferred through the National Bank of Cambodia ("NBC")'s accounts were classified as Borrowings instead of Deposits from other banks and financial institutions. The Bank's management decide to restate the comparative information as at 31 December 2020 to correct this error.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. Restatement of comparative information (continued)

A summary of the line items affected by the restatements of the comparative information and correction of those errors is as follows:

	31 December 2020				1 January 2020			
	As previously reported	Adjustments	As restated		As previously reported	Adjustments	As restated	
	US$	US$	US$	KHR'000 (Note 4)	US$	US$	US$	KHR'000 (Note 4)
Statement of financial position								
LIABILITIES AND SHAREHOLDERS' EQUITY								
Liabilities								
Deposits from customers	639,596,323	-	639,596,323	2,587,167,127	537,274,878	-	537,274,878	2,189,395,128
Deposits from other banks and financial institutions	124,617,173	46,200,616	170,817,789	690,957,957	32,596,349	-	32,596,349	132,830,122
Borrowings	52,732,332	(46,200,616)	6,531,716	26,420,791	18,654,968	-	18,654,968	76,018,995
Lease liabilities	3,121,721	-	3,121,721	12,627,361	3,651,878	-	3,651,878	14,881,403
Other liabilities	1,946,167	-	1,946,167	7,872,246	5,341,267	-	5,341,267	21,765,663
Provision for employee benefits	152,627	-	152,627	617,376	152,627	-	152,627	621,955
Current income tax liability	1,461,051	-	1,461,051	5,909,951	351,400	-	351,400	1,431,955
Provision for off-balance sheet commitment	652,428	-	652,428	2,639,071	293,309	-	293,309	1,195,234
Total liabilities	824,279,822	-	824,279,822	3,334,211,880	598,316,676	-	598,316,676	2,438,140,455

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. Restatement of comparative information (continued)

A summary of the line items affected by the restatements of the comparative information and correction of those errors is as follows: (continued)

	As previously reported	Adjustments	As restated	
	US$	US$	US$	KHR'000
	2020			
Statement of profit and loss and other comprehensive income				
Interest expense (Note 25)				
Deposits from other banks and financial institutions	-	972,005	972,005	3,962,864
Borrowings	1,468,553	(972,005)	496,548	2,024,428
Statement of cash flows				
Cash flows from operating activities				
Net interest income	3,941,920	-	3,941,920	16,071,208
Adjustments for:				
Depreciation and amortisation	2,297,932	-	2,297,932	9,368,669
Net interest income	(32,330,207)	-	(32,330,207)	(131,810,254)
Income tax expense	3,270,445	-	3,270,445	13,333,604
Loss on property and equipment written off and disposal	35,596	-	35,596	145,125
Impairment loss on financial instruments	2,339,029	-	2,339,029	9,536,221
	(20,445,285)	-	(20,445,285)	(83,355,427)
Changes in				
Loans and advances to customers	(190,096,623)	-	(190,096,623)	(775,023,932)
Statutory deposits	16,329,822	-	16,329,822	66,576,684
Other assets	(1,755,373)	-	(1,755,373)	(7,156,656)
Deposits from customers, other banks and financial institutions	194,342,269	34,077,364	228,419,633	931,266,844
Other liabilities	(3,395,101)	-	(3,395,101)	(13,841,827)
Cash (used in)/generated from operations	(5,020,291)	34,077,364	29,057,073	118,465,686

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

37. Restatement of comparative information (continued)

A summary of the line items affected by the restatements of the comparative information and correction of those errors is as follows: (continued)

	As previously reported	Adjustments	As restated	
	US$	US$	US$	KHR'000
	2020			
Statement of cash flows (continued)				
Cash flows from operating activities (continued)				
Interest received	42,634,265	-	42,634,265	173,819,898
Interest paid	(10,059,742)	-	(10,059,742)	(41,013,568)
Income taxes paid	(1,351,228)	-	(1,351,228)	(5,508,957)
Net cash generated from operating activities	26,203,004	34,077,364	60,280,368	245,763,059
Cash flows from financing activities				
Payment of lease liabilities	(1,088,869)	-	(1,088,869)	(4,439,319)
Proceeds from borrowings	46,200,616	(46,200,616)	-	-
Repayments to borrowings	(12,123,252)	12,123,252	-	-
Net cash (generated from)/used in financing activities	32,988,495	(34,077,364)	(1,088,869)	(4,439,319)

BRANCH DIRECTORY

PHNOM PENH BRANCHES

Kramoun Sar Branch (Premier Branch)
No. 20FE-E0 E1 E2 E3 & 20HG-E0 E1 E2 E3 Corner of Street Kramoun Sar and Street 67, Sangkat Phsar Thmei Ti Muoy, Khan Doun Penh, Phnom Penh

Independence Monument Branch (Premier Branch)
No.100, Preah Sihanouk Blvd., Sangkat Chakto Mukh, Khan Doun Penh, Phnom Penh

Olympic Market Branch (Premier Branch)
No. 359, 361 & 363, Preah Sihanouk Blvd., Sangkat Veal Vong, Khan Prampir Meakkakra, Phnom Penh

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

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

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

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

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

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

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

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

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

PROVINCIAL BRANCHES

Siemreap Provincial Branch (Premier Branch)
No.566 568 570, Street Tep Vong, Phum Mondol 1, Sangkat Svay Dankum, Krong Siemreap, Siemreap Province

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

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

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

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