BRANCH OF INDUSTRIAL BANK OF KOREA "PHNOM PENH"

Industrial
Bank of Korea

ANNUAL REPORT 2023

“Ensuring a prosperous 2024 through solid achievements that enhance value for customers, shareholders, and society.”

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BRANCH GENERAL INFORMATION

Branch	**Branch of Industrial Bank of Korea "Phnom Penh"**
Register no.	00035263
Registered office	Olympia City, S2-23, Preah Monireth Blvd, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Cambodia, 120307.
Head office	Industrial Bank of Korea, Republic of Korea
Executive management	• Mr. Chang Young Kyu — General Manager • Mr. Shin Youngjin — Deputy General Manager (resigned on 19 July 2023) • Mr. Lee Junhyeong — Head of Operation (appointed on 24 July 2023) • Ms. Lee Jihye — Head of Internal Audit (resigned on 5 January 2024) • Ms. Baek Young Mi — Head of Managerial (appointed on 23 Jan 2024) • Mr. Jo Daehoon — Head of Credit Operations • Mr. Teang Pholline — Head of Risk and Compliance • Ms. Soung Borath — Head of General Administration
Auditors	Ernst & Young (Cambodia) Ltd.

IBK:
YOUR FINANCIAL PARTNER FOR A BETTER FUTURE

Since its establishment in 1961, the Industrial Bank of Korea (IBK) has been faithful to its mission as a government-owned bank in promoting the independent economic activities of small and medium enterprises (SMEs), which collectively form the bedrock of the country economy.

To that end, the bank will support SMEs to come to the center of future innovation drives, which will subsequently promote the dynamics of the economy and enhance inclusive finance for the underprivileged. Guided by this assertive direction in 2021, IBK provided COVID-stricken SMEs with practical assistance, supported innovative startups with opportunities for growth, and implemented an all-out digital transformation to increase both customer convenience and employees' work efficiency.

IBK stands by companies as they change the world and keep societies moving forward. We sow the seed of innovation and hold steady to our simple but firm belief that we will carry on in the years ahead through our unwavering support of startups and SMEs.

MESSAGE FROM GENERAL MANAGER

To our valued customers,

On behalf of the entire team at IBK Phnom Penh Branch, I extend our deepest appreciation for your unwavering trust and support. Since our establishment in 2018, we've been dedicated to supporting Cambodia's thriving SME sector, aligning with our headquarters' mission of empowering small and medium-sized enterprises. Together, we've witnessed IBK Phnom Penh flourish alongside Cambodian SMEs for the past five years.

As a leading Korean government bank with over six decades of expertise in SME financing, we entered the Cambodian market at a pivotal moment in 2018, joining hands with the Cambodian government to propel the nation's SME sector forward.

Looking back at 2023, we're proud of our achievements. We continued our upward trajectory, exceeding our goals and demonstrating unwavering commitment to our valued customers. These successes wouldn't be possible without your continued partnership. We are deeply grateful.

The Evolving Landscape and Our Commitment

The banking sector is experiencing a dynamic transformation, characterized by fierce competition and the need for continuous innovation. Recognizing these shifts, IBK is actively evolving to become a robust financial institution that prioritizes responsible practices and delivers exceptional value to both customers and society.

In 2024, our focus areas include:

- Empowering SMEs through Challenges: We remain steadfast in our commitment to supporting Cambodian SMEs as they navigate potential economic hurdles.
- Driving Industry Growth: We'll actively contribute to the advancement of key Cambodian industries by providing tailored financial solutions and fostering partnerships with key players.
- Enhancing Customer Experience: We'll prioritize continuous improvement by leveraging technology and innovation to deliver a seamless and value-driven banking experience for all our customers.

Building a Brighter Future Together

We're confident that by working together, we can create a thriving and sustainable financial ecosystem for both IBK Phnom Penh and the Cambodian economy at large. Thank you once again for your unwavering support. We look forward to serving you and contributing to Cambodia's continued success in the years to come.

Thank you.

Chang Young Kyu
General Manager
Branch of Industrial Bank of Korea “Phnom Penh”

IBK OVERVIEW

With a rich history dating back to 1961, the Industrial Bank of Korea (IBK) stands tall in Seoul, South Korea. Established under the IBK Act, its mission is clear: empower small and medium-sized enterprises (SMEs) through a robust credit system. Since its inception, IBK has placed its customers at the center of everything they do, believing their success is intertwined with the bank's own.

The Bank's common shares were listed on the KOSDAQ (Korea Securities Dealers Automated Quotations) market through an initial public offering of its common shares and was upgraded to the KOSPI (Korea Composite Stock Price Index) on November 30, 1994 and December 24, 2003 respectively. As of the end of 2023, The Korean government owns 59.5% of the Bank's ordinary and preferred share.

Today, IBK is providing a full range of banking services, including retails, corporate and investment banking, as well as credit card businesses. IBK also heads a group of subsidiaries that thoroughly meets various financial needs of its customers including, but not limited to, subsidiaries engaged in capital funds, securities brokerages, insurance, asset management, and micro-financing. IBK also assures informational security of its customers by operating integrated IT systems, and credit information security. With its one-stop services, IBK can deal with comprehensive financial services on a global standard

IBK Profile

(As of 31 December 2023)

Date of Establishment	August 1, 1961
No. of Subsidiaries	12
No. of Employees	13,720
Total Asset *	USD 346.3 billion
Total Loan *	USD 221.7 billion
Total Deposits *	USD 259.8 billion
Net Profit *	USD 2.07 billion

** The figures were extracted from IBK's Annual Report 2023 - consolidated financial statements in KRW and were converted and rounded to USD.*

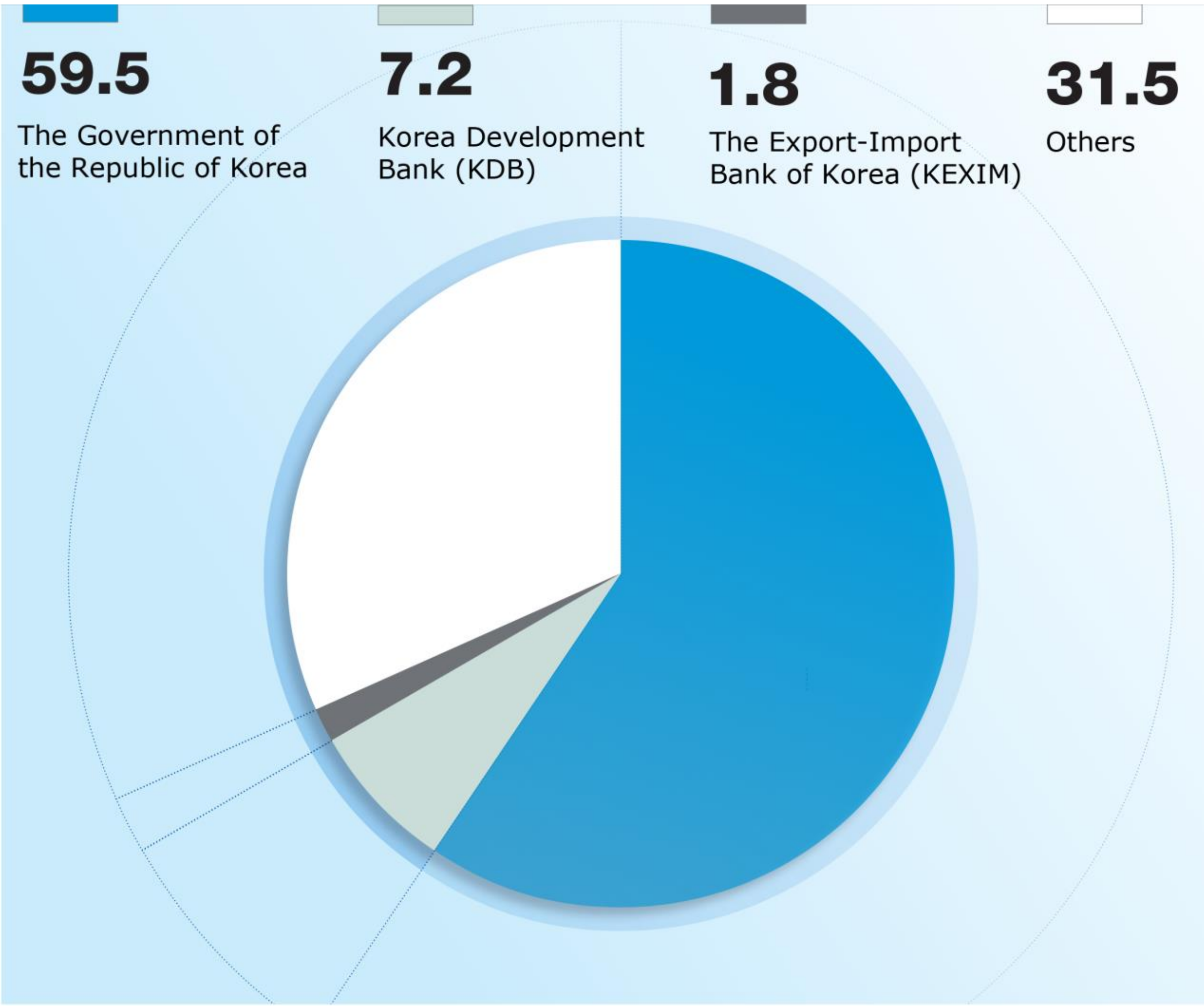
Credit Ratings

Rating Agency	2021	2022	2023
Moody's	Aa2	Aa2	Aa2
S&P	AA-	AA-	AA-
Fitch	AA-	AA-	AA-

IBK OVERVIEW (continued)

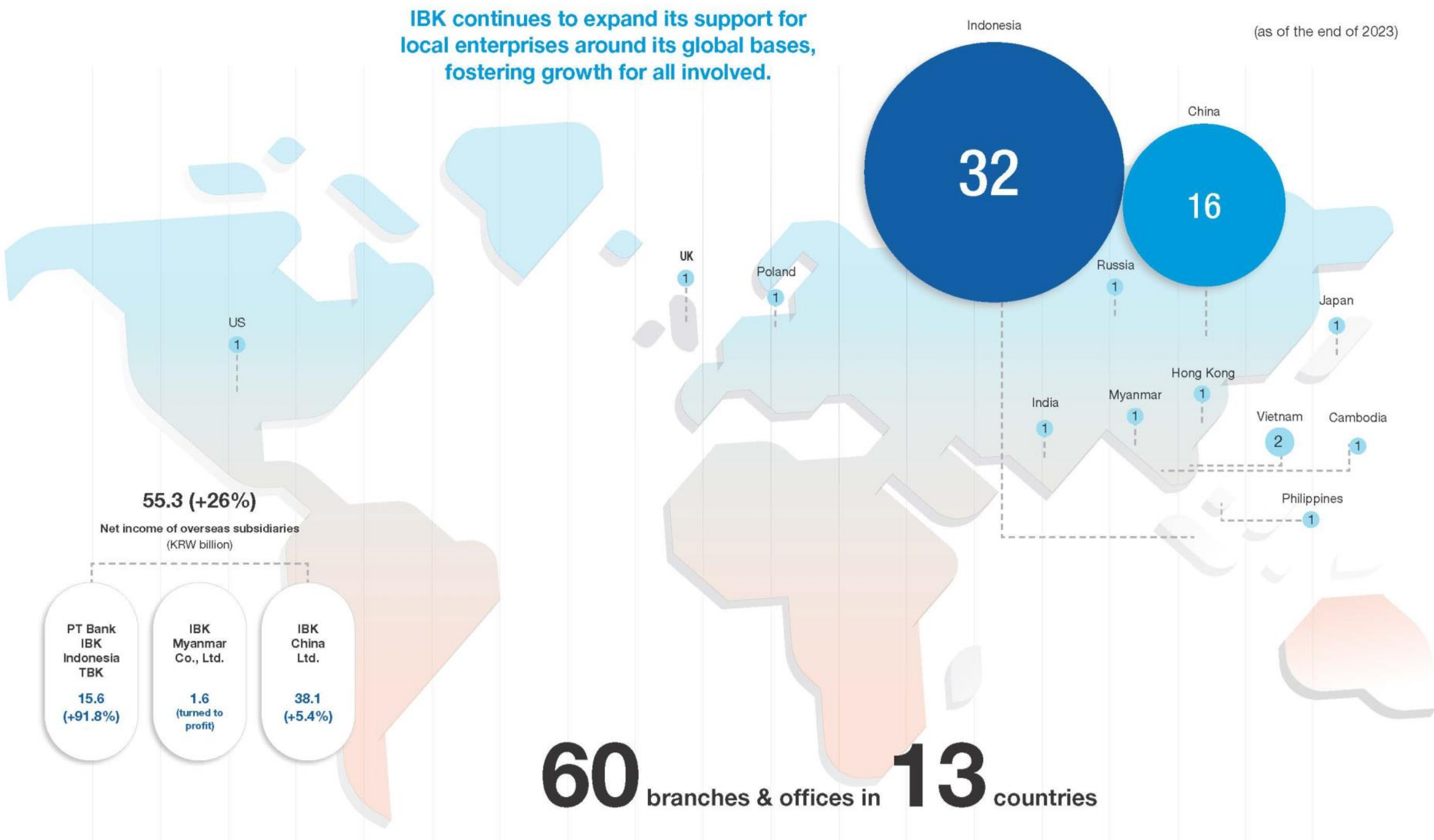
Share Ownership

Initially, IBK was wholly owned by the Korean government. This changed when IBK publicly offered its common shares in 1994. Since then, the government's share ownership has been gradually reduced through successive public offerings of new stocks. As of December 31, 2023, Korean government's direct stake in IBK amounts to 59.5%, Korea Development Bank's stake 7.2%, The Export-Import Bank of Korea 1.8%, and others owned 31.5%.



Global Network

As of the end of 2023, IBK operates 60 branches and offices in 13 countries, including 3 local subsidiaries (16 branches in China / 32 branches in Indonesia / 1 branch in Myanmar), 9 branches and 1 representative office.


IBK continues to expand its support for local enterprises around its global bases, fostering growth for all involved.
(as of the end of 2023)
Indonesia
32
China
16
Russia
1
Japan
1
US
1
UK
1
Poland
1
India
1
Myanmar
1
Hong Kong
1
Vietnam
2
Cambodia
1
Philippines
1
55.3 (+26%)
Net income of overseas subsidiaries
(KRW billion)
PT Bank IBK Indonesia TBK
15.6 (+91.8%)
IBK Myanmar Co., Ltd.
1.6 (turned to profit)
IBK China Ltd.
38.1 (+5.4%)
60 branches & offices in 13 countries

IBK PHNOM PENH BRANCH

In January 2015, IBK established a presence in Phnom Penh to conduct market research and pursue a banking license from the National Bank of Cambodia. After receiving initial approval in April 2018, final approval was granted on October 22nd, 2018, culminating in the branch's grand opening on December 11th, 2018.

By entering the Cambodian market, IBK brings over six decades of SME financing expertise and a diverse financial product portfolio to empower local companies in achieving their business objectives. While our initial footprint consists of a single branch, it serves as a springboard for our future expansion plans. We aim to establish a nationwide presence, offering specialized and sophisticated financial services informed by our extensive experience.

Similar to our commitment in Korea, IBK will be a dedicated partner to under-financed startups and SMEs in Cambodia, providing the financial support they need to thrive.

Banking Products and Services

The Branch had started its operations back in December 2018 with the basic but useful banking products and services ranging from deposits and lending to remittance. As at the end of 2023, IBK Phnom Penh offers the following products and services:

Deposit Accounts

- Ordinary/Savings Deposit Account
- Current/Checking Account
- Fixed/Time Deposit
- Installment Savings Account
- Green Growth Account

Loan Products

- Individual loan (housing loan and personal loan)
- Commercial loan (operating loan and facility loan)

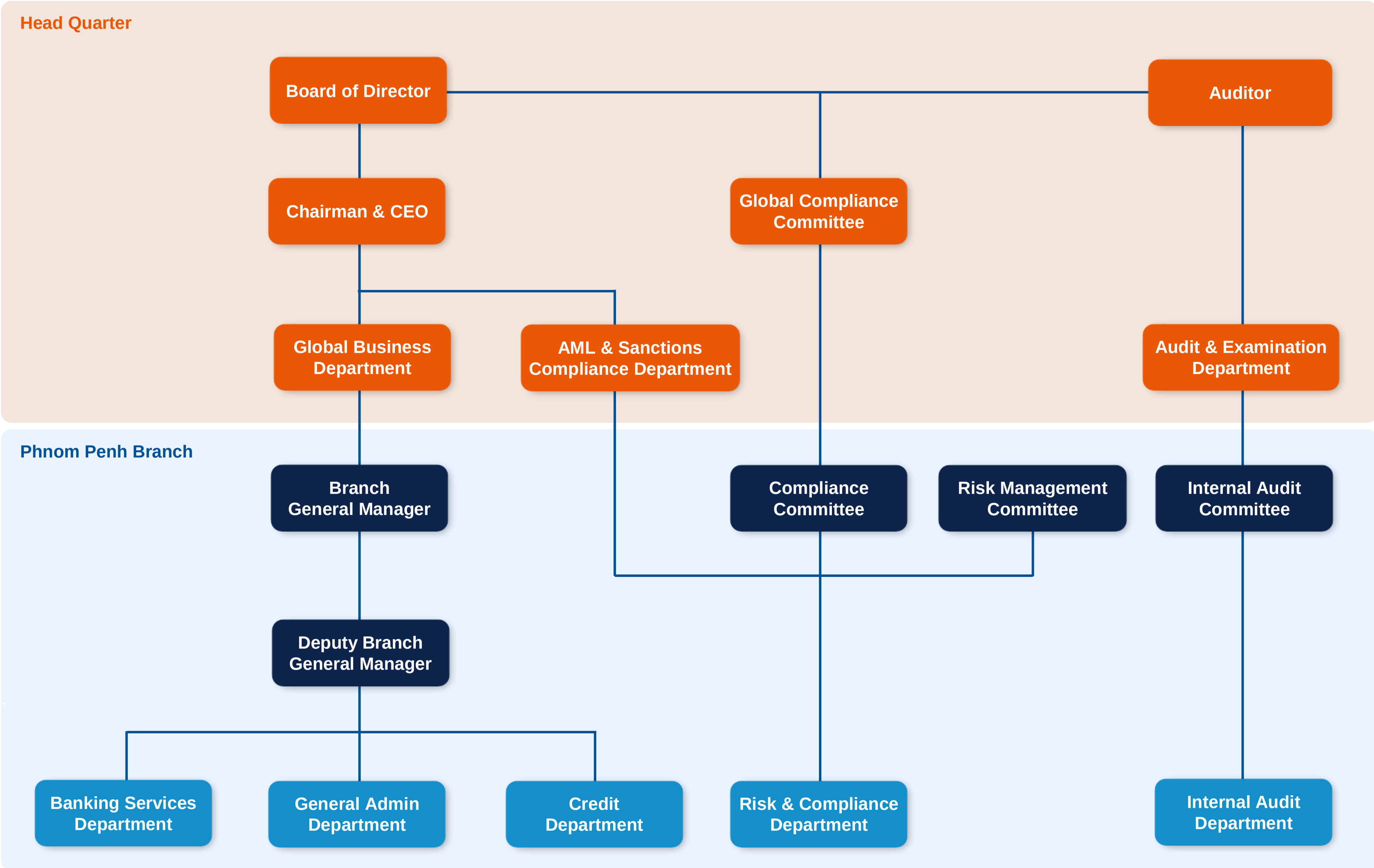
Remittance

- Local Transfer (FAST, Retail Fund Transfer)
- International Transfer

Below are the Branch’s correspondent bank:

1.	Bank Name	:	Industrial Bank of Korea
	SWIFT	:	IBKOKRSE
	Address	:	79, Eulji-ro, Jung-gu, Seoul, Republic of Korea.
2.	Bank Name	:	The Bank of New York Mellon
	SWIFT	:	IRVTUS3NXXX
	Address	:	240 Greenwich, Street NY10286, United States.

IBK PHNOM PENH ORGANIZATION CHART



IBK proudly performs its mission of supporting SMEs and microbusinesses each and every day as they help make the world a better place for everyone.

REPORT OF EXECUTIVE MANAGEMENT

The Executive Management ("the Management") submits this report, together with the financial statements of the Branch of Industrial Bank of Korea "Phnom Penh" ("the Branch") as at 31 December 2023 and for the year then ended.

THE BRANCH

Industrial Bank of Korea ("the Head Office") was established in 1961 in Seoul, Korea under the Industrial Bank of Korea Act to promote the independent economic activities of the small and medium enterprises. The Branch is one of the Head Office Oversea branch networks.

The Branch was incorporated in Cambodia under the registration No. 00035263 dated 26 July 2018, granted by the Ministry of Commerce as a branch office. On 22 October 2018, the Branch obtained licence from the National Bank of Cambodia ("the NBC") to carry out banking operations in Cambodia.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

The Branch's financial performance for the year ended 31 December 2023 are set out in the statement of comprehensive income.

HEAD OFFICE'S CAPITAL CONTRIBUTIONS

There are no changes in the head office's capital contribution to the Branch during the year (2022: US$ 60,000,000).

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

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

At the date of this report and based on the best of knowledge, the Management is not aware of any circumstances which would render the amount written off for bad loans or the amount of the allowance for expected credit losses in the financial statements of the Branch inadequate to any material extent.

ASSETS

Before the financial statements of the Branch were drawn up, the Management 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 Branch, have been written down to an amount which they might be expected to realise.

At the date of this report and based on the best of knowledge, the Management is not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Branch misleading in any material respect.

REPORT OF EXECUTIVE MANAGEMENT (continued)

VALUATION METHODS

At the date of this report, the Management are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Branch misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

(i) No charge on the assets of the Branch which has arisen since the end of the financial year which secures the liabilities of any other person, and

(ii) No contingent liability in respect of the Branch 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 Branch 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 Management, will or may have a material effect on the ability of the Branch to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Management is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Branch, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The Branch's financial performance for the year was not, in the opinion of the Management, materially affected by any items, transactions or events of a material and unusual nature.

There has not arisen in the interval between the end of the year and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the Management, to substantially affect the results of the operations of the Branch for the period in which this report is made.

EVENTS AFTER THE REPORTING PERIOD

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

THE BRANCH MANAGEMENT

The members of the Management of the Branch during the year and at the date of this report are:

Mr. Chang Young Kyu	General Manager
Mr. Shin Youngjin	Deputy General Manager (resigned on 19 July 2023)
Ms. Lee Jihye	Head of Internal Audit (resigned on 18 Jan 2024)
Ms. Baek Young Mi	Head of Managerial (appointed on 23 Jan 2024)
Mr. Jo Daehoon	Head of Credit Operations
Mr. Lee Junhyeong	Head of Operation (appointed on 24 July 2023)
Mr. Teang Pholline	Head of Risk and Compliance
Ms. Soung Borath	Head of General Administration

REPORT OF EXECUTIVE MANAGEMENT (continued)

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Branch.

MANAGEMENTS' INTERESTS

No members of the Management have interest in shares of the Branch.

MANAGEMENTS' BENEFITS

As at 31 December 2023 and for the year then ended, no arrangement existed, to which the Branch was a party, whose object was to enable the Management of the Branch to acquire benefits by means of the acquisition of shares in or debentures of the Branch or any other corporate body.

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

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management is responsible for ensuring that the financial statements give a true and fair view of the respective financial position of the Branch as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The Management oversees preparation of these financial statements which are 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 the disclosure requirements and guidelines of CIFRSs or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) maintain adequate accounting records and an effective system of internal controls;

(iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and

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

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

The Management confirms that the Branch has complied with the above requirements in preparing the financial statements.

REPORT OF EXECUTIVE MANAGEMENT (continued)

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the respective financial position of the Branch as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

On behalf of the Executive Management:

Chang Young Kyu
General Manager

Phnom Penh, Kingdom of Cambodia

27 March 2024

Reference: 6423552/67634577

INDEPENDENT AUDITOR'S REPORT

To: The Head Office of Branch of Industrial Bank of Korea "Phnom Penh"

Opinion

We have audited the financial statements of Branch of Industrial Bank of Korea "Phnom Penh" ("the Branch"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the Code of Ethics for Professional Accountants and Auditors issued by the Ministry of Economy and Finance of Cambodia, together with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The other information obtained at the date of the auditor's report is the Report of the Executive Management. The Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Executive Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Executive management are responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Hong Khav
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

27 March 2024

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023		2022	
		US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
ASSETS					
Cash on hand	5	408,049	1,666,880	399,904	1,646,405
Balances with the National Bank of Cambodia	6	1,340,094	5,474,284	1,067,188	4,393,613
Balances with other banks	7	24,866,892	101,581,254	34,287,906	141,163,309
Loans and advances to customers	8	153,478,771	626,960,780	123,925,182	510,199,974
Other assets	9	390,620	1,595,683	311,798	1,283,673
Statutory deposits	10	14,321,341	58,502,678	13,719,858	56,484,655
Property and equipment	11	237,038	968,300	299,326	1,232,325
Software costs	12	235,379	961,523	253,482	1,043,585
Right-of-use assets	13	560,443	2,289,410	773,116	3,182,919
Deferred tax assets	14	59,696	243,858	179,496	738,985
TOTAL ASSETS		**195,898,323**	**800,244,650**	**175,217,256**	**721,369,443**
LIABILITIES AND HEAD OFFICE'S EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	15	8,861,280	36,198,329	12,697,161	52,274,212
Deposits from customers	16	2,194,612	8,964,990	2,064,977	8,501,510
Borrowings	17	111,851,497	456,913,365	81,256,446	334,532,788
Other liabilities	18	3,598,910	14,701,547	11,165,425	45,968,055
Income tax payable	26	409,691	1,673,588	816,083	3,359,814
Lease liabilities	13	826,237	3,375,178	1,016,022	4,182,963
Total liabilities		**127,742,227**	**521,826,997**	**109,016,114**	**448,819,342**
HEAD OFFICE'S EQUITY					
Head office's capital contribution	19	60,000,000	245,100,000	60,000,000	247,020,000
Retained earnings		5,855,232	23,951,801	4,531,978	18,513,227
Regulatory reserve		2,300,864	9,399,029	1,669,164	6,871,948
Cumulative exchange differences on translation		-	(33,177)	-	144,926
Total head office's equity		**68,156,096**	**278,417,653**	**66,201,142**	**272,550,101**
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY		**195,898,323**	**800,244,650**	**175,217,256**	**721,369,443**

The accompanying notes on pages 21 to 75 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	*2023* *US$*	*2023* *KHR'000 (Note 2.3)*	*2022* *US$*	*2022* *KHR'000 (Note 2.3)*
Interest income	20	10,744,264	44,158,925	8,343,083	34,098,180
Interest expense	20	(5,766,463)	(23,700,163)	(2,217,753)	(9,063,957)
Net interest income		**4,977,801**	**20,458,762**	**6,125,330**	**25,034,223**
Net fee and commission income	21	86,161	354,122	29,108	118,964
Gain (loss) on foreign exchange		173,755	714,133	(142,328)	(581,695)
Total operating income		**5,237,717**	**21,527,017**	**6,012,110**	**24,571,492**
Depreciation and amortisation	22	(492,286)	(2,023,295)	(450,913)	(1,842,881)
Personnel expenses	23	(961,816)	(3,953,064)	(917,962)	(3,751,711)
Other operating expenses	24	(1,032,550)	(4,243,781)	(715,204)	(2,923,039)
(Provision for) reversal of expected credit losses	25	(139,522)	(573,435)	5,896	24,097
Profit before income tax		**2,611,543**	**10,733,442**	**3,933,927**	**16,077,958**
Income tax expense	26	(656,589)	(2,698,581)	(891,958)	(3,645,432)
Profit for the year		**1,954,954**	**8,034,861**	**3,041,969**	**12,432,526**
Other comprehensive income:					
Exchange difference on translation		-	(178,103)	-	160,084
Total comprehensive income for the year		**1,954,954**	**7,856,758**	**3,041,969**	**12,592,610**

The accompanying notes on pages 21 to 75 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Head office's capital contribution		Retained earnings		Regulatory reserve		Cumulative exchange differences on translation	Total	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
At 1 January 2023	**60,000,000**	**247,020,000**	**4,531,978**	**18,513,227**	**1,669,164**	**6,871,948**	**144,926**	**66,201,142**	**272,550,101**
Net profit for the year	-	-	1,954,954	8,034,861	-	-	-	1,954,954	8,034,861
Exchange difference on translation	-	(1,920,000)	-	-	-	(69,206)	(178,103)	-	(2,167,309)
Total comprehensive income for the year	**-**	**(1,920,000)**	**1,954,954**	**8,034,861**	**-**	**(69,206)**	**(178,103)**	**1,954,954**	**5,867,552**
Transfer from retained earnings to regulatory reserve	-	-	(631,700)	(2,596,287)	631,700	2,596,287	-	-	-
At 31 December 20223	**60,000,000**	**245,100,000**	**5,855,232**	**23,951,801**	**2,300,864**	**9,399,029**	**(33,177)**	**68,156,096**	**278,417,653**
At 1 January 2022	**60,000,000**	**244,440,000**	**1,855,748**	**7,575,476**	**1,303,425**	**5,310,153**	**(15,158)**	**63,159,173**	**257,310,471**
Net profit for the year	-	-	3,041,969	12,432,526	-	-	-	3,041,969	12,432,526
Exchange difference on translation	-	2,580,000	-	-	-	67,020	160,084	-	2,807,104
Total comprehensive income for the year	**-**	**2,580,000**	**3,041,969**	**12,432,526**	**-**	**67,020**	**160,084**	**3,041,969**	**15,239,630**
Transfer from retained earnings to regulatory reserve	-	-	(365,739)	(1,494,775)	365,739	1,494,775	-	-	-
At 31 December 2022	**60,000,000**	**247,020,000**	**4,531,978**	**18,513,227**	**1,669,164**	**6,871,948**	**144,926**	**66,201,142**	**272,550,101**

The accompanying notes on pages 21 to 75 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	*2023*		*2022*	
		US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Cash flows from operating activities					
Net cash used in operations	27	(23,784,757)	(97,755,351)	(40,601,624)	(165,938,840)
Income tax paid	26	(943,181)	(3,876,474)	(668,468)	(2,732,029)
Net cash used in operating activities		**(24,727,938)**	**(101,631,825)**	**(41,270,092)**	**(168,670,869)**
Cash flows from investing activities					
Purchases of property and equipment	11	(21,747)	(89,380)	(9,625)	(39,337)
Purchases of software	12	(19,250)	(79,118)	(57,200)	(233,776)
Net cash used in investing activities		**(40,997)**	**(168,498)**	**(66,825)**	**(273,113)**
Cash flows from financing activities					
Proceeds from borrowings	17	30,000,000	123,300,000	40,000,000	163,480,000
Principal element of lease payments		(348,010)	(1,430,321)	(322,083)	(1,316,353)
Net cash provided by financing activities		**29,651,990**	**121,869,679**	**39,677,917**	**162,163,647**
Net increase (decrease) in cash and cash equivalents		**4,883,055**	**20,069,356**	**(1,659,000)**	**(6,780,335)**
Cash and cash equivalents at beginning of year		15,139,626	62,329,840	16,798,626	68,437,602
Exchange difference on translation		-	(606,544)	-	672,573
Cash and cash equivalents at end of year	5	**20,022,681**	**81,792,652**	**15,139,626**	**62,329,840**

Additional information on operational cash flow from interest:

Interest received	11,159,930	45,867,312	7,192,598	29,396,148
Interest paid	(5,164,211)	(21,224,907)	(996,605)	(4,073,125)

The accompanying notes on pages 21 to 75 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

1. CORPORATE INFORMATION

Branch of Industrial Bank of Korea "Phnom Penh" ("the Branch") was incorporated in Cambodia under the registration No. 00035263 dated 26 July 2018, granted by the Ministry of Commerce as a Branch Office. On 22 October 2018, the Branch obtained licence from the National Bank of Cambodia ("the NBC") to carry out banking operations in Cambodia.

The Branch is one of the Industrial Bank of Korea ("the Head Office") Oversea branch network. The Head Office was established in 1961 in Seoul, Korea under the Industrial Bank of Korea Act to promote the independent economic activities of the small and medium enterprises.

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

The Branch's registered office is currently located at Olympia city, S2-23, Preah Monireth Blvd, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia.

The financial statements were authorised and approved for issue by the Branch Executive Management on xx 2023.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Branch have been prepared on historical cost basis, except for any financial assets and financial liabilities that have been measured at fair value.

2.1 Basis of preparation

The Branch's financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

2.2 Fiscal year

The Branch's fiscal year starts on 1 January and ends on 31 December.

2.3 Measurement and functional currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Branch transacts its business and maintains its accounting records primarily in United States dollar ("US$"), management has determined the US$ to be the Branch's measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Branch.

Presentation currency

The financial statements are presented in US$, which is the Branch's functional and presentation currency.

Transactions and balances

Transactions in currencies other than US$ are translated into US$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ which are outstanding at the reporting date are translated into US$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in profit or loss.

Translation of US$ into KHR

The translation of the US$ amounts into thousands KHR ("KHR'000") is presented in the financial statements to comply with the Law on Accounting and Audit dated 11 April 2016 using the closing and average rates for the year then ended.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.3 *Measurement and presentation currency* (continued)

Translation of US$ into KHR (continued)

Assets, liabilities and head office's capital contribution included in the statement of financial position are translated at the closing rate prevailing at the end of each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year then ended. All resulting exchange differences are recognized in the statement of comprehensive income. Such translation should not be construed as a representation that the US$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

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

	2023	*2022*
Closing rate	4,085	4,117
Average rate	4,110	4,087

2.4 *Amendments to CIFRSs issued and adopted or early adopted*

The Branch has applied the following amendments for the first time for their annual reporting period commencing on 1 January 2023:

- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

  The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

  - A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

  The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments have had an impact on the Branch's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Branch's financial statements.

- IFRS 17 Insurance Contracts

  IFRS 17 Insurance Contracts (IFRS 17) is effective for reporting periods beginning on or after 1 January 2023. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Limited scope exceptions apply.

  The Branch has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have a material impact on the financial statements for the year ended 31 December 2023.

The amendments listed above did not have any significant impact on the amounts recognised in prior, the current or future periods.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Standards and amendments to CIFRSs issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the financial statements.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

3.1 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, the non-restricted balances with the NBC and with other banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.2 Financial instruments

3.2.1 Financial assets

i) Classification

The Branch classifies all its financial assets to be measured at amortised cost, which include cash on hand, balances with the NBC, balances with other banks, loans and advances, and other financial assets.

The classification depends on the Branch's model for managing financial assets and the contractual terms of the financial assets cash flows.

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Branch reclassifies financial assets when and only when their business model for managing those assets changes.

ii) Recognition and derecognition

Financial assets are recognised when the Branch becomes a party to the contractual provision of the instruments. Regular way of purchases and sales of financial assets are recognised on trade date, being the date on which the Branch commits to purchase or sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all the risks and rewards of ownership. A gain or loss on derecognition of a financial asset measured at amortised cost is recognised in profit or loss when the financial asset is derecognised.

iii) Measurement

At initial recognition, the Branch measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

3.2.1 Financial assets (continued)

iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Branch's business model for managing the assets and the cash flow characteristics of the assets. Based on these factors, the Branch classifies its debt instruments as financial assets measured at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

iv) Impairment

The Branch assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and with the exposure arising from credit commitments. The Branch recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Branch applies a three-stage approach to measuring ECLs for the following categories:

- debt instruments measured at amortised cost; and
- credit commitments

The three-stage approach is based on the change in credit risk since initial recognition:

Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

ECL are recognised as credit impairment losses in profit or loss.

Please refer to Note 30 for credit risk in financial risk management for detailed measurement on ECL.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

3.2.2 Financial liabilities

Financial liabilities are recognised when the Branch becomes a party to the contractual provision of the instruments. Financial liabilities are measured at amortised cost. Financial liabilities of the Branch include deposits from banks and other financial institutions, deposits from customers, borrowings, lease liabilities and other financial liabilities.

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

3.2.3 Credit commitments

Credit commitments provided by the Branch are measured as the amount of the loss allowance. The Branch has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For credit commitments, the ECLs are recognised as provisions (presented with other liabilities). However, for contracts that include both a loan and an undrawn commitment and that the Branch cannot separately identify the ECLs on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognised as a provision.

3.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditures relating to an item of property and equipment that has already been recognised are added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Branch. All other subsequent expenditures are recognised as expenses in the period in which they are incurred.

Depreciation is calculated using the straight-line method for leasehold improvement and vehicles, and the reducing balance method for office equipment, computers and IT equipment, and furniture and fixtures to allocate the cost of assets less their residual values over the estimated useful lives.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.4 Property and equipment (continued)

The estimated useful lives are as follows:

Leasehold improvement	Shorter of lease period and its economic lives of 8 years
Vehicles	4 years
Office equipment	4 years
Computers and IT equipment	3 years
Furniture and fixtures	4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down to its recoverable value immediately if the asset's carrying amount is greater than its estimated recoverable value.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

3.5 Software costs

Software costs are stated at cost less accumulated amortization and accumulated impairment losses, if any.

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

Software are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 5 years.

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

3.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Any impairment loss is charged to profit or loss in the period in which it arises. Reversal of impairment losses is recognised in profit or loss 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, had no impairment loss been recognised.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.7 Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Branch 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.

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

3.8 Interest income and expense

Interest income and expense from financial instruments at amortised cost are recognised within "interest income" and "interest expense" respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest income is calculated by applying effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets ('POCI), for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial assets.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision).

3.9 Fee and commission income

Fees and commissions are recognised as income when all conditions precedent are fulfilled (performance obligations are satisfied and control is transferred over time or point in time).

Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

3.10 Leases

The Branch as a lessee

At an inception of contract, the Branch assesses whether the 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 a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Branch allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

The Branch as a lessee (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i) Lease liabilities

Lease liabilities include the net present value of the lease payments from fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Branch, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Branch uses its recent borrowing rate as a starting point, making specific adjustments to the lease such as term, country, currency and security.

Lease payments are allocated between principal and interest expense. The interest expense is charge to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration cots if any

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, except leases of vehicle which are using declining method. If the Branch is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Subsequently the right-of-use asset is measured at cost less depreciation and any accumulated impairment losses.

iii) Recognition exemptions

The Branch does not apply recognition exemption on short term lease while there are no lease for low-value assets.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Provisions

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

3.12 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period where the Branch operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.13 Regulatory reserves

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

(i) In case the regulatory allowance is lower than the allowance in accordance with CIFRS 9, the entity records the allowance based on CIFRS 9; and

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.13 Regulatory reserves (continued)

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

Classification	*Number of days past due*	*Allowance rate*
Standard	0 to 14 days (short-term) 0 to 29 days (long-term)	1%
Special mention	15 days to 30 days (short-term) 30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term) 90 days to 179 days (long-term)	20%
Doubtful	61 days to 90 days (short-term) 180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term) 360 days or more (long-term)	100%

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

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

3.14 Rounding of amounts

All KHR amounts disclosed in the financial statements and notes have been rounded off to the nearest KHR’000 units unless otherwise stated.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION

The preparation of financial statements in accordance with CIFRSs requires the use of judgments, estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of financial statements and the reported amounts and disclosures of revenues and expenses during the reporting period. The resulting accounting judgments and estimates will, by definition, seldom equal the related actual results.

Judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Judgments

The following are the critical judgements, apart from those involving estimation *(Note 4.2)*, that management has made in the process of applying the Branch’s accounting policies that have the most significant effect on the amounts recognised in the financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION (continued)

4.1 Judgments (continued)

(i) Significant increase in credit risk

As explained in Note 3, ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. CIFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Branch takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(ii) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Branch determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Branch monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Branch's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(iii) Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Note 3.2 provides details of the characteristics considered in this judgement. The Branch monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

(iv) Models and assumptions used

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

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION (continued)

4.2 Estimation

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Branch based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Branch . Such changes are reflected in the assumptions when they occur.

(i) Taxes

Taxes are calculated on the basis of the tax laws and regulations and its current interpretation. However, these regulations are subject to periodic variation and the ultimate determination of tax expense will be made following inspection by the General Department of Taxation ("GDT"). The Branch's tax returns are subject to periodic examination by the GDT. As the application of tax laws and regulations to many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the GDT.

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

(ii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario:

When measuring ECL, the Branch uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Note 3.2 provides more details regarding the estimated forward-looking information.

(iii) Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Note 3.2 provides more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

(iv) Loss given default ("LGD")

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3.2 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

(v) Estimating the incremental borrowing rate for a lease Loss given default ("LGD")

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

5. CASH ON HAND

Cash on hand comprise:

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
US$	350,503	1,431,805	336,469	1,385,243
KHR	57,546	235,075	63,435	261,162
	408,049	**1,666,880**	**399,904**	**1,646,405**

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

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Cash on hand	408,049	1,666,880	399,904	1,646,405
Balances with the NBC (Note 6):				
Current accounts	1,139,103	4,653,236	867,790	3,572,691
Balances with other banks (Note 7):				
Current accounts	13,470,974	55,028,929	2,393,443	9,853,805
Saving accounts	856	3,497	1,612,888	6,640,260
Time deposits with original maturity of three months or less	5,003,699	20,440,110	9,865,601	40,616,679
	20,022,681	**81,792,652**	**15,139,626**	**62,329,840**

6. BALANCES WITH THE NBC

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Current accounts	1,139,103	4,653,236	867,790	3,572,691
Negotiable certificate deposits (NCDs) with original maturity more than three months	200,991	821,048	199,398	820,922
	1,340,094	**5,474,284**	**1,067,188**	**4,393,613**

Interest rates (per annum) applicable to Balances with the NBC are as follows:

	2023	*2022*
Current accounts	Nil	Nil
Savings account	Nil	Nil
NCDs	0.95% - 3.63%	0.86% - 2.21%

7. BALANCES WITH OTHER BANKS

Balances with other banks comprise:

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Local banks	24,809,616	101,347,281	34,163,741	140,652,122
Overseas banks	85,165	347,899	145,549	599,225
	24,894,781	**101,695,180**	**34,309,290**	**141,251,347**
Allowance for ECLs *(Note 30.1 (e))*	(27,889)	(113,926)	(21,384)	(88,038)
	24,866,892	**101,581,254**	**34,287,906**	**141,163,309**

(i) The gross carrying amount of Balances with other banks classified by type of accounts follows:

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Current accounts	13,470,974	55,028,929	2,393,443	9,853,805
Savings accounts	856	3,497	1,612,888	6,640,260
Time deposits with original maturity of:				
Three months or less	5,003,699	20,440,110	9,865,601	40,616,679
More than three months	6,419,252	26,222,644	20,437,358	84,140,603
	24,894,781	**101,695,180**	**34,309,290**	**141,251,347**

(ii) Movements of allowance for ECLs on Loans and advances to customers are as follows

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
At 1 January	21,384	88,038	55,290	225,251
Provision for the year *(Note 25)*	6,505	26,736	(33,906)	(138,574)
Exchange difference on translation	-	(848)	-	1,361
At 31 December	**27,889**	**113,926**	**21,384**	**88,038**

(iii) Interest rates (per annum) are as follows:

	2023	*2022*
Current accounts	Nil	Nil
Savings accounts	0.00% - 4.00%	0.25% - 1.00%
Time deposits	5.40% - 7.35%	4.10% - 6.25%

8. LOANS AND ADVANCES TO CUSTOMERS

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Commercial loans:				
Business operating loans	39,232,394	160,264,329	34,075,294	140,287,985
Consumer loans:				
Mortgage	17,853,386	72,931,082	16,844,725	69,349,733
Personal loans	96,591,340	394,575,625	73,070,495	300,831,228
Gross carrying amount	**153,677,120**	**627,771,036**	**123,990,514**	**510,468,946**
Allowance for ECLs *(Note 30.1 (e))*	(198,349)	(810,256)	(65,332)	(268,972)
Net carrying amount	**153,478,771**	**626,960,780**	**123,925,182**	**510,199,974**

(i) Movements of allowance for ECLs on Loans and advances to customers are as follows:

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
At 1 January	65,332	268,972	37,322	152,050
Provision for the year *(Note 25)*	133,017	546,699	28,010	114,477
Exchange difference on translation	-	(5,415)	-	2,445
At 31 December	**198,349**	**810,256**	**65,332**	**268,972**

(ii) The gross carrying amount of loans and advances to customers are analysed as follows:

(a) By maturity

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Less than 1 year	21,052,317	85,998,715	13,718,181	56,477,751
1-3 years	22,305,234	91,116,881	23,698,481	97,566,646
3-5 years	6,808,080	27,811,007	10,251,711	42,206,294
Later than 5 years	103,511,489	422,844,433	76,322,141	314,218,255
Gross carrying amount	**153,677,120**	**627,771,036**	**123,990,514**	**510,468,946**

(b) By exposure

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Large exposure	12,024,600	49,120,491	12,024,600	49,505,278
Non-large exposure	141,652,520	578,650,545	111,965,914	460,963,668
Gross carrying amount	**153,677,120**	**627,771,036**	**123,990,514**	**510,468,946**

The large exposure is defined by the NBC as the overall credit exposure to any individual beneficiary that exceeds 10% of the Branch's net worth.

8. LOANS AND ADVANCES TO CUSTOMERS (continued)

(ii) The gross carrying amount of loans and advances to customers are analysed as follows: (continued)

(c) By related parties

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Non-related parties	153,328,458	626,346,752	123,684,335	509,208,407
Related parties *(Note 29.c)*	348,662	1,424,284	306,179	1,260,539
Gross carrying amount	**153,677,120**	**627,771,036**	**123,990,514**	**510,468,946**

(d) By residency

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Residents	**153,677,120**	**627,771,036**	**123,990,514**	**510,468,946**

(e) Interest rates

Ranges of interest rate (per annum) applicable to Loans and advances to customers are as follows:

	2023	*2022*
Business operating loans	4.10% - 8.90%	4.10% - 8.90%
Mortgage	4.50% - 7.80%	4.50% - 7.70%
Personal loans	5.00% - 7.70%	5.00% - 7.70%

9. OTHER ASSETS

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Refundable deposits	182,367	744,969	180,789	744,308
Prepayments	128,005	522,900	130,665	537,948
Withholding tax ("WHT") credit (*)	56,750	231,824	-	-
Others	23,498	95,990	344	1,417
At the end of year	**390,620**	**1,595,683**	**311,798**	**1,283,673**
Within one year	17,846	72,901	23,046	94,880
Beyond one year	372,774	1,522,782	288,752	1,188,793
	390,620	**1,595,683**	**311,798**	**1,283,673**

(*) On 19 January 2023, the Branch submitted a request letter to the GDT for applying tax rate under Double Taxation Agreement ("DTA") between Royal Government of Cambodia and the Government of The Republic Of Korea. On 30 May 2023, the Branch received a letter from the GDT granting entitlement to benefit under DTA for the year 2023.

On 26 October 2023, the Branch filed a request to claim excess of WHT paid from January to April 2023 as WHT credit. This has been approved by GDT on 22 December 2023 allowing the Branch to use the WHT credit against WHT liability on interest in succeeding months.

10. STATUTORY DEPOSITS

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Reserve requirement (i)	8,321,341	33,992,678	7,719,858	31,782,655
Capital guarantee (ii)	6,000,000	24,510,000	6,000,000	24,702,000
	14,321,341	**58,502,678**	**13,719,858**	**56,484,655**

(i) Reserve requirement

Under NBC Prakas No. B7-023.005 dated 9 January 2023, commercial banks are required to maintain certain cash reserves with the NBC, computed at 7.0% of customer deposits and borrowings in KHR. Reserve requirement for customer deposits and borrowings in foreign currencies are in accordance with dates and rates as follows:

- From 1 January 2023 to 31 December 2023, reserve requirement shall be at the rate of 9%
- From 1 January 2024 onward, reserve requirement shall be at the rate of 12.5%

On 23 November 2023, the NBC responded a letter to the Association of Banks in Cambodia allowing commercial banks to maintain reserve requirement in foreign currencies at rate of 7% until 31 December 2024.

(ii) Capital guarantee

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a capital guarantee of 10% of registered capital with the NBC. This deposit is not available for use in the Branch's day-to-day operations but is refundable when the Branch voluntarily ceases to operate the business in Cambodia.

11. PROPERTY AND EQUIPMENT

	Leasehold improvements	*Vehicle*	*Office equipment*	*Computer and IT equipment*	*Furniture and fixtures*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Costs						
At 1 January 2023	569,632	63,490	272,374	454,084	144,510	1,504,090
Additions	-	-	-	21,747	-	21,747
At 31 December 2023	**569,632**	**63,490**	**272,374**	**475,831**	**144,510**	**1,525,837**
Less: accumulated depreciation						
As at 1 January 2023	279,075	63,490	271,745	447,824	142,630	1,204,764
Charge during the year	71,228	-	516	10,899	1,392	84,035
At 31 December 2023	**350,303**	**63,490**	**272,261**	**458,723**	**144,022**	**1,288,799**
Net book value						
At 31 December 2023	**219,329**	**-**	**113**	**17,108**	**488**	**237,038**
KHR'000 *(Note 2.3)*	**895,959**	**-**	**462**	**69,886**	**1,993**	**968,300**

11. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements	*Vehicle*	*Office equipment*	*Computer and IT equipment*	*Furniture and fixtures*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Costs						
At 1 January 2022	569,632	63,490	272,374	444,459	144,510	1,494,465
Additions	-	-	-	9,625	-	9,625
At 31 December 2022	**569,632**	**63,490**	**272,374**	**454,084**	**144,510**	**1,504,090**
Less: accumulated depreciation						
As at 1 January 2022	207,848	48,911	268,622	431,519	135,526	1,092,426
Charge during the year	71,227	14,579	3,123	16,305	7,104	112,338
At 31 December 2022	**279,075**	**63,490**	**271,745**	**447,824**	**142,630**	**1,204,764**
Net book value						
At 31 December 2022	**290,557**	**-**	**629**	**6,260**	**1,880**	**299,326**
KHR'000 *(Note 2.3)*	**1,196,223**	**-**	**2,590**	**25,772**	**7,740**	**1,232,325**

12. SOFTWARE COSTS

	Software *US$*	*Work in progress* *US$*	*Total* *US$*
Cost			
At 1 January 2023	-	253,482	253,482
Additions	-	19,250	19,250
Transfer	194,597	(194,597)	-
At 31 December 2023	**194,597**	**78,135**	**272,732**
Less: Accumulated depreciation			
At 1 January 2023	-	-	-
Amortization	37,353	-	37,353
At 31 December 2023	**37,353**	**-**	**37,353**
Net book value			
At 31 December 2023	**157,244**	**78,135**	**235,379**
KHR'000 *(Note 2.5)*	**642,342**	**319,181**	**961,523**

13. LEASES

The Branch as a lessee

The Branch entered into leases for its office, apartments and vehicles. Lease contract for its office is for a period of 8 years, while lease contracts for apartments and vehicles have terms from 1 to 3 years. The Branch has elected to recognise right-of-use assets and lease liabilities for short-term leases of apartments and vehicles.

Set out below are movements of the right-of-use assets and the carrying amount of lease liabilities:

	Right-of-use assets		
	Office and apartments *US$*	*Vehicles* *US$*	*Total* *US$*
At 1 January 2022	954,410	12,445	966,855
Additions	74,586	70,250	144,836
Depreciation expense	(319,885)	(18,690)	(338,575)
At 31 December 2022	**709,111**	**64,005**	**773,116**
Additions	158,225	-	158,225
Depreciation expense	(331,287)	(39,611)	(370,898)
At 31 December 2023	**536,049**	**24,394**	**560,443**
KHR'000 *(Note 2.3)*	**2,189,760**	**99,649**	**2,289,410**

13. LEASES (continued)

The Branch as a lessee (continued)

	Lease liabilities			
	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
At 1 January	1,016,022	4,182,963	1,193,188	4,861,048
Additions	158,225	650,305	144,917	592,276
Accretion of interest *(Note 20)*	33,290	136,822	37,734	154,219
Payments	(381,300)	(1,567,143)	(359,817)	(1,470,572)
Exchange difference on translation	-	(27,769)	-	45,992
At 31 December	**826,237**	**3,375,178**	**1,016,022**	**4,182,963**
Current	439,377	1,794,855	312,324	1,285,838
Non-current	386,860	1,580,323	703,698	2,897,125
	826,237	**3,375,178**	**1,016,022**	**4,182,963**
Maturity analysis – contractual undiscounted cash flows				
Less than one year	455,567	1,872,380	351,875	1,438,113
One to five years	405,920	1,668,331	679,455	2,776,933
Total undiscounted lease liabilities	**861,487**	**3,540,711**	**1,031,330**	**4,215,046**

The amounts recognized in the statement of comprehensive income are as follows:

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Amortisation of right-of-use assets *(Note 22)*	370,898	1,524,391	338,575	1,383,756
Finance cost on lease liabilities *(Note 20)*	33,290	136,822	37,734	154,219
Total amount recognized in the statement of comprehensive income	**404,188**	**1,661,213**	**376,309**	**1,537,975**

Maturity analysis of lease liabilities is included in note 30.3 liquidity risk.

14. DEFERRED TAX ASSETS

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Deferred tax assets	273,353	1,116,647	334,118	1,375,564
Deferred tax liabilities	(213,657)	(872,789)	(154,622)	(636,579)
	59,696	**243,858**	**179,496**	**738,985**

14. DEFERRED TAX ASSETS (continued)

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

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
At the beginning of year	179,496	738,985	172,433	702,492
(Debited) Credited to profit or loss	(119,800)	(492,378)	7,063	28,867
Exchange difference on translation	-	(2,749)	-	7,626
At the end of year	**59,696**	**243,858**	**179,496**	**738,985**

14. DEFERRED TAX ASSETS (continued)

(i) Deferred tax assets:

	Lease liabilities	*Accelerated depreciation*	*Unamortised loan fees*	*Allowance for ECLs*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
2023					
At 1 January 2023	203,205	57,852	56,133	16,928	334,118
Charged to profit or loss	(37,957)	4,091	(9,971)	(16,928)	(60,765)
At 31 December 2023	**165,248**	**61,943**	**46,162**	**-**	**273,353**
KHR'000 *(Note 2.3)*	**675,038**	**253,037**	**188,572**	**-**	**1,116,647**
2022					
At 1 January 2022	238,638	57,257	51,388	18,521	365,804
Charged to profit or loss	(35,433)	595	4,745	(1,593)	(31,686)
At 31 December 2022	**203,205**	**57,852**	**56,133**	**16,928**	**334,118**
KHR'000 *(Note 2.3)*	**836,595**	**238,177**	**231,100**	**69,692**	**1,375,564**

14. DEFERRED TAX ASSETS (continued)

(ii) Deferred tax liabilities

	Right-of-use assets US$	*Allowance for ECLs US$*	*Total US$*
2023			
At 1 January 2023	(154,622)	-	(154,622)
Charged to profit or loss	42,532	(101,567)	(59,035)
At 31 December 2023	**(112,090)**	**(101,567)**	**(213,657)**
KHR'000 *(Note 2.3)*	**(457,888)**	**(414,901)**	**(872,789)**
2022			
At 1 January 2022	(193,371)	-	(193,371)
Credited to profit or loss	38,749	-	38,749
At 31 December 2022	**(154,622)**	**-**	**(154,622)**
KHR'000 *(Note 2.3)*	**(636,579)**	**-**	**(636,579)**

15. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Deposits from banks and other financial institutions comprise of:

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Current accounts	14,339	58,575	10,171	41,874
Savings accounts	70,569	288,274	3,911,361	16,103,073
Time deposits	8,776,372	35,851,480	8,775,629	36,129,265
	8,861,280	**36,198,329**	**12,697,161**	**52,274,212**

(a) By residency

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Residents	**8,861,280**	**36,198,329**	**12,697,161**	**52,274,212**

(b) By related parties

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Non-related parties	**8,861,280**	**36,198,329**	**12,697,161**	**52,274,212**

(c) Interest rates

	2023	*2022*
Current accounts	Nil	Nil
Savings accounts	0.50%	0.50%
Time deposits	3.50%	2.50% - 3.50%

16. DEPOSITS FROM CUSTOMERS

Deposits from customers comprise of:

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Current accounts	5,068	20,703	20,231	83,291
Savings accounts	1,221,679	4,990,559	1,838,851	7,570,550
Instalment savings deposits	85,563	349,525	204,380	841,432
Time deposits	882,302	3,604,203	1,515	6,237
	2,194,612	**8,964,990**	**2,064,977**	**8,501,510**

(a) By residency

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Residents	**2,194,612**	**8,964,990**	**2,064,977**	**8,501,510**

(b) By related parties

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Non-related parties	2,171,666	8,871,256	2,044,593	8,417,589
Related parties *(Note 29.c)*	22,946	93,734	20,384	83,921
Gross carrying amount	**2,194,612**	**8,964,990**	**2,064,977**	**8,501,510**

(c) Interest rates

	2023	*2022*
Current accounts	Nil	Nil
Savings accounts	0.50%	0.50%
Instalment savings deposits	4.00% - 6.00%	2.70% - 3.50%
Time deposits	2.50% - 6.00%	2.70% - 5.00%

17. BORROWINGS

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Borrowings from:				
Head office	95,000,000	388,075,000	65,000,000	267,605,000
Industrial bank of Korea "Hong Kong Branch"	15,000,000	61,275,000	15,000,000	61,755,000
Accrued interest payable	1,851,497	7,563,365	1,256,446	5,172,788
Carrying amount	**111,851,497**	**456,913,365**	**81,256,446**	**334,532,788**

17. BORROWINGS (continued)

The movements of borrowings during the year are as follows:

	2023		2022	
	US$	KHR'000 (Note 2.3)	US$	KHR'000 (Note 2.3)
At 1 January	81,256,446	334,532,788	40,063,606	163,219,131
Additions from:				
Head office	30,000,000	123,300,000	25,000,000	102,175,000
Industrial Bank of Korea "Hong Kong Branch"	-	-	15,000,000	61,305,000
Interest expense	5,099,663	20,959,615	1,550,818	6,338,193
Interest paid	(4,504,612)	(18,513,955)	(357,978)	(1,463,056)
Exchange difference on translation	-	(3,365,083)	-	2,958,520
At 31 December	**111,851,497**	**456,913,365**	**81,256,446**	**334,532,788**

Interest rates (per annum) applicable to Borrowings are as follows:

	Term	2023	2022
Head office	12-27 months	5.35% - 5.83%	2.37% - 3.68%
Industrial bank of Korea "Hong Kong Branch"	12 months	6.05%	3.63% - 3.78%

18. OTHER LIABILITIES

	2023		2022	
	US$	KHR'000 (Note 2.3)	US$	KHR'000 (Note 2.3)
Payables to head office (*)	3,514,305	14,355,936	11,052,223	45,502,002
Other tax payables	70,546	288,180	46,843	192,853
Accrued expenses	9,460	38,644	27,060	111,406
Other accruals	4,599	18,787	39,299	161,794
	3,598,910	**14,701,547**	**11,165,425**	**45,968,055**

(*) This represents the outstanding balance payable to head office, in relation to settlement of remittance transactions.

19. HEAD OFFICE'S CAPITAL CONTRIBUTIONS

	2023		2022	
	US$	KHR'000 (Note 2.3)	US$	KHR'000 (Note 2.3)
At 1 January	60,000,000	247,020,000	60,000,000	244,440,000
Exchange difference on translation	-	(1,920,000)	-	2,580,000
At 31 December	**60,000,000**	**245,100,000**	**60,000,000**	**247,020,000**

20. NET INTEREST INCOME

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Interest income from financial assets measured at amortised cost:				
Loans and advances	9,245,249	37,997,973	6,640,379	27,139,229
Balances with other banks	1,412,078	5,803,641	1,664,637	6,803,371
Balances with the NBC	79,891	328,352	31,924	130,473
Other interest income	7,046	28,959	6,143	25,107
Total interest income	**10,744,264**	**44,158,925**	**8,343,083**	**34,098,180**
Interest expense on financial liabilities measured at amortised cost:				
Deposits from customers	12,537	51,527	15,939	65,143
Lease liabilities *(Note 13)*	33,290	136,822	37,734	154,219
Deposits from banks and other financial institutions	620,973	2,552,199	613,262	2,506,402
Borrowings and others	5,099,663	20,959,615	1,550,818	6,338,193
Total interest expense	**5,766,463**	**23,700,163**	**2,217,753**	**9,063,957**
Net interest income	**4,977,801**	**20,458,762**	**6,125,330**	**25,034,223**

21. NET FEE AND COMMISSION INCOME

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Fee and commission income from:				
Commission income and cable fee	75,417	309,964	44,845	183,281
Remittances	32,903	135,231	35,006	143,070
Others	347	1,427	416	1,700
	108,667	**446,622**	**80,267**	**328,051**
Fee and commission expense	(22,506)	(92,500)	(51,159)	(209,087)
Net fee and commission income	**86,161**	**354,122**	**29,108**	**118,964**

22. DEPRECIATION AND AMORTISATION

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Right-of-use assets *(Note 13)*	370,898	1,524,391	338,575	1,383,756
Property and equipment *(Note 11)*	84,035	345,383	112,338	459,125
Software costs *(Note 12)*	37,353	153,521	-	-
	492,286	**2,023,295**	**450,913**	**1,842,881**

23. PERSONNEL EXPENSES

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Salaries and wages	840,522	3,454,545	812,999	3,322,727
Other short-term benefits	121,294	498,519	104,963	428,984
	961,816	**3,953,064**	**917,962**	**3,751,711**

24. OTHER OPERATING EXPENSES

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Other tax expenses	686,727	2,822,449	392,999	1,606,187
Professional fees (*)	128,403	527,736	115,741	473,033
Cable and telecommunication	108,959	447,821	105,501	431,183
Marketing	31,855	130,924	32,693	133,616
Utilities	24,759	101,759	24,131	98,623
Repair and maintenance	22,504	92,491	18,967	77,518
Office supplies	5,780	23,756	4,315	17,635
Other expenses	23,563	96,845	20,857	85,244
	1,032,550	**4,243,781**	**715,204**	**2,923,039**

Other tax expenses include WHT borne on behalf of related parties with respecting to interest on borrowing, tax on salary and fringe benefit paid on behalf of Korean managements and other tax expenses.

(*) Auditor's remuneration recognized in the above professional fees is as follows:

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Audit services (excluding value-added tax)	42,000	172,620	40,000	164,400
Non-audit services	None	None	None	None

25. PROVISION FOR (REVERSAL OF) EXPECTED CREDIT LOSSES

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Provision for (reversal of) ECLs on:				
Loans and advances (*Note 8*)	133,017	546,699	28,010	114,477
Balances with other banks (*Note 7*)	6,505	26,736	(33,906)	(138,574)
	139,522	**573,435**	**(5,896)**	**(24,097)**

Reconciliation of ECLs is included in Note 30.1 (e) and (f).

26. INCOME TAX

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

a) *Income tax expense*

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Current income tax	536,789	2,206,203	899,021	3,674,299
Deferred income tax	119,800	492,378	(7,063)	(28,867)
	656,589	**2,698,581**	**891,958**	**3,645,432**

Reconciliation between accounting profit and income tax expense of the Branch is as follows:

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Profit before income tax	2,611,543	10,733,442	3,933,927	16,077,958
Tax calculated at 20%	522,309	2,146,688	786,785	3,215,592
Non-deductible expenses	134,280	551,893	105,173	429,840
Income tax expense	**656,589**	**2,698,581**	**891,958**	**3,645,432**

(b) *Income tax payable*

The movements of the Branch's income tax payable are as follows:

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
At 1 January	816,083	3,359,814	585,530	2,385,449
Current income tax	536,789	2,206,203	899,021	3,674,299
Income tax paid	(943,181)	(3,876,474)	(668,468)	(2,732,029)
Exchange difference on translation	-	(15,955)	-	32,095
At 31 December	**409,691**	**1,673,588**	**816,083**	**3,359,814**

27. CASH USED IN OPERATIONS

	2023		2022	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Profit before income tax	2,611,543	10,733,442	3,933,927	16,077,958
Adjustments for:				
Depreciation and amortisation *(Note 22)*	492,286	2,023,295	450,913	1,842,881
Provision for (reversal of) ECL *(Note 25)*	139,522	573,435	(5,896)	(24,097)
Changes in working capital:				
Statutory deposits	(601,483)	(2,472,095)	(3,157,949)	(12,906,538)
Time deposits with the NBC	(1,593)	(6,547)	(99,813)	(407,936)
Time deposits with other banks	14,018,106	57,614,416	12,335,142	50,413,725
Loans and advances to customers	(29,686,606)	(122,011,951)	(44,893,373)	(183,479,215)
Other assets	(78,822)	(323,958)	(11,714)	(47,875)
Deposits from banks and other financial institutions	(3,835,881)	(15,765,471)	3,892,808	15,909,906
Deposits from customers	129,635	532,800	171,241	699,862
Other liabilities	(6,971,464)	(28,652,717)	(13,216,910)	(54,017,511)
Net cash used in operations	**(23,784,757)**	**(97,755,351)**	**(40,601,624)**	**(165,938,840)**

28. COMMITMENTS AND CONTINGENCY

a) *Loan commitments*

During the year, the Branch has no loan commitments with its customers.

b) *Legal claims*

During the year, the Branch has no legal claim against borrowers.

c) *Tax contingency*

The taxation system in Cambodia has undergone numerous changes and is characterized by either often unclear, contradictory and/or differing interpretations existing among numerous taxation authorities and jurisdictions. 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. 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 since the incorporation of the Branch could be significant.

29. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions and relationship

Related parties and their relationship with the Branch are as follows:

Related party	*Relationship*
The Head Office	Branch and the Head Office
Industrial Bank of Korea "Hong Kong Branch"	Branch and affiliate
Key management personnel	The key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Branch either directly or indirectly. The key management personnel of the Branch include all Management of the Branch.

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Proceeds from borrowings (Note 17):				
Head office	30,000,000	123,300,000	25,000,000	102,175,000
Industrial Bank of Korea "Hong Kong Branch"	-	-	15,000,000	61,305,000
Interest expense on borrowings (Note 17):				
Head office	4,283,063	17,603,389	1,265,301	5,171,285
Industrial bank of Korea "Hong Kong Branch"	816,600	3,356,226	285,517	1,166,908
Interest paid to (Note 17):				
Head office	3,715,433	15,270,430	229,061	936,172
Industrial bank of Korea "Hong Kong Branch"	789,179	3,243,525	128,917	526,884
Interest expense on outstanding balances for remittance and reimbursements with head office	268,204	1,102,318	298,674	1,220,681

b) Outstanding borrowings and payables

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Borrowings				
Head office	95,000,000	388,075,000	65,000,000	267,605,000
Industrial Bank of Korea "Hong Kong Branch"	15,000,000	61,275,000	15,000,000	61,755,000
Accrued interest payable				
Head office	1,667,476	6,811,639	1,099,846	4,528,066
Industrial Bank of Korea "Hong Kong Branch"	184,021	751,726	156,600	644,722
Carrying amount *(Note 17)*	**111,851,497**	**456,913,365**	**81,256,446**	**334,532,788**
Payables to head office *(Note 18)*	**3,514,305**	**14,355,936**	**11,052,223**	**45,502,002**

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) *Loans to key management personnel*

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Outstanding loan balance	**348,662**	**1,424,284**	**306,179**	**1,260,539**
Interest income	**18,126**	**74,498**	**14,918**	**60,970**

Interest rates (per annum) are as follows:

	2023	*2022*
Interest rate on loans to key management personnel	4.50% - 6.00%	4.50% - 5.00%

d) *Deposits from key management personnel*

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Deposits	**22,946**	**93,734**	**20,384**	**83,921**
Interest expense	**181**	**744**	**100**	**409**

Interest rates (per annum) are as follows:

	2023	*2022*
Deposits from key management personnel	0.50 % to 3.5%	0.50 % to 3.5%

e) *Key management personnel compensation*

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Salaries and short-term benefits	**508,207**	**2,088,731**	**493,258**	**2,015,945**

30. FINANCIAL RISK MANAGEMENT

The Branch's activities expose them to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are the inevitable consequence of being in business.

The Branch does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage their risk exposure.

30. FINANCIAL RISK MANAGEMENT (continued)

The financial assets and liabilities held by the Branch are as follows:

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Financial assets				
Cash on hand	408,049	1,666,880	399,904	1,646,405
Balances with the NBC	1,340,094	5,474,284	1,067,188	4,393,613
Balances with other banks	24,866,892	101,581,254	34,287,906	141,163,309
Loans and advances- net	153,478,771	626,960,780	123,925,182	510,199,974
Other assets*	182,367	744,969	180,789	744,308
Total financial assets	**180,276,173**	**736,428,167**	**159,860,969**	**658,147,609**
Financial liabilities				
Deposits from banks and other financial institutions	8,861,280	36,198,329	12,697,161	52,274,212
Deposits from customers	2,194,612	8,964,990	2,064,977	8,501,510
Borrowings	111,851,497	456,913,365	81,256,446	334,532,788
Lease liabilities	826,237	3,375,178	1,016,022	4,182,963
Other liabilities**	3,528,364	14,413,367	11,118,582	45,775,202
Total financial liabilities	**127,261,990**	**519,865,229**	**108,153,188**	**445,266,675**

**Other assets include only refundable deposit.*

***Other liabilities include payables to head office, accrual expense and other accruals.*

30.1 Credit risk

Credit risk refers to risk of financial loss, should any of the Branch's customers, clients or market counterparties fail to fulfil their contractual obligations to the Branch. Credit risk arises from balances with the NBC and other banks, loans and advances, and other assets measured at amortised cost. Credit exposure arises principally in lending activities.

a) *Credit risk measurement*

Credit risk is managed on a group basis.

Balances with the NBC and other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month ECL. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows a three-stage approach in note 30.1 (c).

For loans and advances, the estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, of the associated loss ratios and of default correlations between counterparties. The Branch measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for the purposes of measuring ECL under CIFRS 9.

b) *Risk limit control and mitigation policies*

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

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

b) *Risk limit control and mitigation policies* (continued)

The Branch employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types as security for loans and advances are:

- mortgages over residential properties (land, building and other properties); and
- charges over business assets such as land and buildings

c) *ECL, write-off, and modification of financial assets policies*

The measurement of allowance for ECL under the CIFRS9's three-stage approach is to recognise lifetime ECL for financial instruments for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month ECL.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month ECL are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime ECL are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Branch in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk (SICR):

Following its head office, the Branch considers a financial instrument to have experienced a significant increase in credit risk when one of the following criteria have been met:

- Decline in credit rating at period end by more than certain levels compared to that at initial recognition
- More than 10 days past due
- Below certain levels in the early warning system
- Below certain level of asset quality
- Impairment of capital, adverse and disclaimer of audit opinion, times interest earned rate under 1 for 3 consecutive years, operating cash flows under 0 for 3 consecutive years among the companies required for external audit.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

c) ECL, write-off, and modification of financial assets policies (continued)

(ii) Definition of default and credit-impaired assets

Following its head office, the Branch defines a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

- The borrower/obligor is 90 days past due or more on its contractual payments.
- The loan is forced impaired due to various reasons, such as bankruptcy, significant financial difficulty, etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by the management.
- Restructuring and rescheduling of a loan facility involves any substantial modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of an obligor/counterparty.
- When an obligor/counterparty has multiple loans with the Branch and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts.

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- Loss Given Default (LGD) represents the Branch’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is a percentage loss per unit of exposure at the time of default (EAD). LGD is being the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- EAD is based on the amounts the Branch expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future year and for each collective segment. These three components are multiplied together. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

c) ECL, write-off, and modification of financial assets policies (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(iv) Forward-looking information incorporated in the ECL models

The head office of the Branch uses forward-looking information to measure ECLs. The head office calculates ECLs by estimating regression models and reflecting them in measurement components. To estimate the regression model, the head office sets risk components as dependent variable and set macroeconomic indexes announced by reputable external institutions such as interest rate, unemployment rate, GDP, and others as independent variables.

Due to insufficient default data to compute PD and LGD at the Branch level, the Branch proxies the head office's PD and LGD of products with similar credit risk characteristics while EAD is based on expected payment profile.

The Branch assesses that the proxied PD and LGD are the best reasonable and supportable information for its ECL calculation.

Other forward-looking considerations not otherwise analysed within above, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors.

The Branch periodically performs assessment on the appropriateness of the proxies used on its portfolio's circumstances.

(v) Grouping of exposure for ECL measured on collective basis

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Branch has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modelling team.

(vi) Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Branch Executive Management or within head office authorities.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

c) *ECL, write-off, and modification of financial assets policies* (continued)

(vi) Write off policy (continued)

The Branch may write-off loan or debt instruments that are still subject to enforcement activity. There is no asset written off during the year ended 31 December 2023 (2022: nil).

(vii) Modification of loans

The Branch sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Branch assess whether or not the new terms are substantially different to the original terms. The Branch do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Branch monitors the subsequent performance of modified assets. The Branch may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

d) *Maximum exposures to credit risk before collateral held or other credit enhancements of the Branch are as follows:*

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Balances with the NBC	1,340,094	5,474,284	1,067,188	4,393,613
Balances with other banks	24,894,781	101,695,180	34,309,290	141,251,347
Loans and advances	153,677,120	627,771,036	123,990,514	510,468,946
Other assets	182,367	744,969	180,789	744,308
Total gross credit exposure	**180,094,362**	**735,685,469**	**159,547,781**	**656,858,214**
Allowance on ECLs	(226,238)	(924,182)	(86,716)	(357,010)
Total net credit exposure	**179,868,124**	**734,761,287**	**159,461,065**	**656,501,204**

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

d) *Maximum exposures to credit risk before collateral held or other credit enhancements of the Branch are as follows:* (continued)

The above table represents a worst-case scenario of credit risk exposure to the Branch, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As shown above, 99% for the Branch (2022: 99%) of total maximum exposure is derived from Balances with other banks and loans and advances. While Balances with other banks are low credit risk, Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Branch's loans and advances due to the following:

- Almost all loans and advances are collateralised and loans to collateral value are only up to 60%.
- The Branch has a proper credit evaluation process in place for granting of loans and advances to customers.

e) *Credit quality of financial assets*

Loans and advances

The Branch assesses credit quality of loans, advances and financing using internal categories of monitoring. These techniques have been developed internally and combine delinquency status and statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit quality	*Description*
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment.
Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Default/Credit impaired	Obligors are assessed to be impaired.

Financial assets other than loans and advances

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other internationals rating agencies as defined below:

Credit quality	*Description*
Sovereign	Refer to financial assets issued by central banks or guarantees by central banks.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly exposed to default risk.
No rating	Refers to financial assets which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 *Credit risk* (continued)

e) *Credit quality of financial assets* (continued)

The following table shows an analysis of the credit exposure by credit quality and stages, together with the ECL allowance for:

	2023				*2022*			
	12-month ECL	*Lifetime ECL not Credit-Impaired*	*Lifetime ECL Credit-Impaired*	*Total*	*12-month ECL*	*Lifetime ECL not Credit-Impaired*	*Lifetime ECL Credit-Impaired*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Balances with the NBC								
Investment grade	1,340,094	-	-	1,340,094	1,067,188	-	-	1,067,188
Balances with other banks								
Investment grade	13,527,606	-	-	13,527,606	6,549,213	-	-	6,549,213
No rating	11,367,175	-	-	11,367,175	27,760,077	-	-	27,760,077
Gross carrying amount	**26,234,875**	**-**	**-**	**26,234,875**	**35,376,478**	-	-	**35,376,478**
Allowance on ECL for balances with other banks	(27,889)			(27,889)	(21,384)	-	-	(21,384)
Net carrying amount	**26,206,986**	**-**	**-**	**26,206,986**	**35,355,094**	-	-	**35,355,094**
KHR'000 *(Note 2.3)*	**107,055,538**	**-**	**-**	**107,055,538**	**145,556,922**	-	-	**145,556,922**

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

e) Credit quality of financial assets (continued)

The following table shows an analysis of the credit exposure by credit quality and stages, together with the ECL allowance for:

	2023				*2022*			
	12-month ECL	*Lifetime ECL not Credit-Impaired*	*Lifetime ECL Credit-Impaired*	*Total*	*12-month ECL*	*Lifetime ECL not Credit-Impaired*	*Lifetime ECL Credit-Impaired*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Loans and advances								
Standard monitoring	148,562,540	-	-	148,562,540	121,643,796	-	-	121,643,796
Special monitoring	-	5,114,580	-	5,114,580	-	2,346,718	-	2,346,718
Gross carrying amount	**148,562,540**	**5,114,580**	**-**	**153,677,120**	**121,643,796**	**2,346,718**	**-**	**123,990,514**
Allowance on ECL	(173,068)	(25,281)	-	(198,349)	(63,232)	(2,100)	-	(65,332)
Net carrying amount	**148,389,472**	**5,089,299**	**-**	**153,478,771**	**121,580,564**	**2,344,618**	**-**	**123,925,182**
KHR'000 *(Note 2.3)*	**606,170,993**	**20,789,786**	**-**	**626,960,780**	**500,547,182**	**9,652,792**	**-**	**510,199,974**

There is no credit exposure by credit quality and stages noted by the Branch for other assets.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

f) Allowance for ECL and gross carrying amounts of loans and advances

Movements of ECLs and gross carrying amounts of loans and advances are as follows:

	Stage 1 12-month ECL US$	*Stage 2* Lifetime ECL not Credit-Impaired US$	*Stage 3* Lifetime ECL Credit-Impaired US$	*Total* US$
Allowance for ECL				
At 1 January 2023	63,232	2,100	-	65,332
New financial assets originated	17,702	19	-	17,721
Changes due to transfer between stages:				
Transfer to stage 1	208	(208)	-	-
Transfer to stage 2	(289)	289	-	-
Net remeasurement of loss allowance (*)	92,286	23,081	-	115,367
Financial assets derecognised during the period other than write off	(71)	-	-	(71)
At 31 December 2023	**173,068**	**25,281**	**-**	**198,349**
In KHR'000 *(Note 2.3)*	**706,983**	**103,273**	**-**	**810,256**

	Stage 1 12-month ECL US$	*Stage 2* Lifetime ECL not Credit-Impaired US$	*Stage 3* Lifetime ECL Credit-Impaired US$	*Total* US$
Gross carrying amount				
At 1 January 2023	121,643,797	2,346,717	-	123,990,514
New financial assets originated	44,292,048	64,660	-	44,356,708
Changes due to transfer between stages:				
Transfer to stage 1	431,966	(431,966)	-	-
Transfer to stage 2	(3,808,244)	3,808,244	-	-
Net remeasurement of loss allowance (*)	(9,165,420)	(327,560)	-	(9,492,980)
Financial assets derecognised during the period other than write off	(4,831,607)	(345,515)	-	(5,177,122)
At 31 December 2023	**148,562,540**	**5,114,580**	**-**	**153,677,120**
In KHR'000 *(Note 2.3)*	**606,877,977**	**20,893,059**	**-**	**627,771,036**

(*) This is the impact of the measurement of ECL due to changes in PD, LGD, and credit rating of obligors during the year arising from regular refreshing of inputs to models.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

f) Allowance for ECL and gross carrying amounts of loans and advances (continued)

	Stage 1	*Stage 2*	*Stage 3*	
	12-month ECL	*Lifetime ECL not Credit-Impaired*	*Lifetime ECL Credit-Impaired*	*Total*
	US$	*US$*	*US$*	*US$*
Allowance for ECL				
At 1 January 2022	31,962	5,360	-	37,322
New financial assets originated	53,266	-	-	53,266
Changes due to transfer between stages:				
Transfer to stage 1	54	(54)	-	-
Transfer to stage 2	(74)	74	-	-
Net remeasurement of loss allowance (*)	(9,190)	(2,761)	-	(11,951)
Financial assets derecognised during the period other than write off	(12,786)	(519)	-	(13,305)
At 31 December 2022	**63,232**	**2,100**	**-**	**65,332**
In KHR'000 *(Note 2.3)*	**260,326**	**8,646**	**-**	**268,972**

	Stage 1	*Stage 2*	*Stage 3*	
	12-month ECL	*Lifetime ECL not Credit-Impaired*	*Lifetime ECL Credit-Impaired*	*Total*
	US$	*US$*	*US$*	*US$*
Gross carrying amount				
At 1 January 2022	73,236,840	5,860,301	-	79,097,141
New financial assets originated	63,797,336	-	-	63,797,336
Changes due to transfer between stages:				
Transfer to stage 1	3,295,536	(3,295,536)	-	-
Transfer to stage 2	(1,168,991)	1,168,991	-	-
Net remeasurement of loss allowance (*)	(1,009,631)	(156,485)	-	(1,166,116)
Financial assets derecognised during the period other than write off	(16,507,293)	(1,230,554)	-	(17,737,847)
At 31 December 2022	**121,643,797**	**2,346,717**	**-**	**123,990,514**
In KHR'000 *(Note 2.3)*	**500,807,512**	**9,661,434**	**-**	**510,468,946**

(*) This is the impact of the measurement of ECL due to changes in PD, LGD, and credit rating of obligors during the year arising from regular refreshing of inputs to models.

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

g) Concentration of financial assets with credit risk exposure

i. Geographical sector

The following table provides a breakdown of the Branch's main credit exposure at their carrying amount, as categorised by geographical region. The Branch allocated exposure to regions based on the country of domicile of the counterparties.

	Cambodia	*North America*	*Other Asia Pacific countries*	*Total*
	US$	*US$*	*US$*	*US$*
At 31 December 2023				
Balances with other banks	24,809,616	85,165	-	24,894,781
Loans and advances	153,677,120	-	-	153,677,120
Other assets	182,367	-	-	182,367
Total credit exposure	**178,669,103**	**85,165**	**-**	**178,754,268**
In KHR'000 *(Note 2.3)*	**729,863,286**	**347,899**	**-**	**730,211,185**
At 31 December 2022				
Balances with other banks	34,163,741	145,549	-	34,309,290
Loans and advances	123,990,514	-	-	123,990,514
Other assets	180,789	-	-	180,789
Total credit exposure	**158,335,044**	**145,549**	**-**	**158,480,593**
In KHR'000 *(Note 2.3)*	**651,865,376**	**599,225**	**-**	**652,464,601**

ii. Industry sector

The following table provides a breakdown of the Branch's main credit exposure at their carrying amounts, as categorised by industry sector.

	Financial institutions	*Mortgage*	*Personal and others*	*Total*
	US$	*US$*	*US$*	*US$*
At 31 December 2023				
Balances with other banks	24,894,781	-	-	24,894,781
Loans and advances	39,232,394	17,853,386	96,591,340	153,677,120
Other assets	182,367	-	-	182,367
Total credit exposure	**64,309,542**	**17,853,386**	**96,591,340**	**178,754,268**
In KHR'000 *(Note 2.3)*	**262,704,479**	**72,931,082**	**394,575,624**	**730,211,185**
At 31 December 2022				
Balances with other banks	34,309,290	-	-	34,309,290
Loans and advances	34,075,294	16,844,725	73,070,495	123,990,514
Other assets	180,789	-	-	180,789
Total credit exposure	**68,565,373**	**16,844,725**	**73,070,495**	**158,480,593**
In KHR'000 *(Note 2.3)*	**282,283,641**	**69,349,733**	**300,831,227**	**652,464,601**

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

h) Repossessed collateral

Repossessed collaterals are sold as soon as practicable. The Branch does not utilise the repossessed collaterals for its business use.

The Branch did not obtain assets by taking possession of collateral held as security as at 31 December 2023 and 31 December 2022.

30.2 Market risk

The Branch takes exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Branch does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge its risk exposure.

a) Foreign exchange risk

The Branch operates in Cambodia and transacts in US$, and is exposed to currency risks primarily with respect to Khmer Riel.

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

Management monitors foreign exchange risk against the Branch's functional currency. However, the Branch does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

The Branch's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The table below summarises the Branch's exposure to foreign currency exchange rate risk. Included in the table are the Branch's financial instruments at their carrying amounts by currency in US$ equivalent.

	In US$ equivalent		
	US$	*KHR*	*Total*
At 31 December 2023			
Financial assets			
Cash on hand	350,503	57,546	408,049
Balances with the NBC	1,012,008	328,086	1,340,094
Balances with other banks	24,730,691	136,201	24,866,892
Loans and advances	133,092,188	20,386,583	153,478,771
Other assets	182,367	-	182,367
Total financial assets	**159,367,757**	**20,908,416**	**180,276,173**
Financial liabilities			
Deposits from banks and other financial institutions	8,818,275	43,005	8,861,280
Deposits from customers	2,154,451	40,161	2,194,612
Borrowing	111,851,497	-	111,851,497
Lease liabilities	826,237	-	826,237
Other liabilities	3,528,364	-	3,528,364
Total financial liabilities	**127,178,824**	**83,166**	**127,261,990**
Net position	**32,188,933**	**20,825,250**	**53,014,183**
In KHR'000 *(Note 2.3)*	**131,491,791**	**85,071,146**	**216,562,938**

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

a) Foreign exchange risk (continued)

	In US$ equivalent		
	US$	*KHR*	*Total*
At 31 December 2022			
Financial assets			
Cash on hand	336,469	63,435	399,904
Balances with the NBC	620,883	446,305	1,067,188
Balances with other banks	33,770,502	517,404	34,287,906
Loans and advances	110,919,116	13,006,066	123,925,182
Other assets	180,789	-	180,789
Total financial assets	**145,827,759**	**14,033,210**	**159,860,969**
Financial liabilities			
Deposits from banks and other financial institutions	12,693,055	4,106	12,697,161
Deposits from customers	2,062,712	2,265	2,064,977
Borrowing	81,256,446	-	81,256,446
Lease liabilities	1,016,022	-	1,016,022
Other liabilities	11,118,582	-	11,118,582
Total financial liabilities	**108,146,817**	**6,371**	**108,153,188**
Net position	**37,680,942**	**14,026,839**	**51,707,781**
In KHR'000 *(Note 2.3)*	**155,132,438**	**57,748,496**	**212,880,934**

Sensitivity analysis

As shown in the table above, the Branch is primarily exposed to changes in US$/KHR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US$ denominated financial instruments.

	Impact on post tax profit		*Impact on other component of equity*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
2023				
USD/KHR exchange rate-increase by 5%	701,342	2,887,425	-	-
USD/KHR exchange rate-decrease by 5%	(701,342)	(2,887,425)	-	-
2022				
USD/KHR exchange rate-increase by 5%	1,041,263	4,253,559	-	-
USD/KHR exchange rate-decrease by 5%	(1,041,263)	(4,253,559)	-	-

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

b) Securities price risk

Securities price risk is the risk that changes in the market prices of securities will result in fluctuations in revenues or in the values of financial assets. As at 31 December 2023 and 31 December 2022, the Branch has no any investment in securities.

c) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase or decrease as a result of changes but may reduce losses in the event that unexpected movements arise. At this stage, the management of the Branch do not have a policy to set limits on the level of mismatch of interest rate repricing.

The table below summarises the exposures of the Branch to interest rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

c) Interest rate risk (continued)

	Up to 1 month	*1 to 3 months*	*4 to 12 months*	*1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
At 31 December 2023							
Financial assets							
Cash on hand	-	-	-	-	-	408,049	408,049
Balances with the NBC	101,540	-	99,451	-	-	1,139,103	1,340,094
Balances with other banks	19,876,336	4,990,556	-	-	-	-	24,866,892
Loans and advances	1,508,658	3,520	19,519,680	28,977,423	103,469,490	-	153,478,771
Other assets	-	-	-	182,367		-	182,367
	21,486,534	**4,994,076**	**19,619,131**	**29,159,790**	**103,469,490**	**1,547,152**	**180,276,173**
Financial liabilities							
Deposits from banks and other financial institutions	84,908	-	8,776,372	-	-	-	8,861,280
Deposits from customers	1,731,829	267,253	195,530	-	-	-	2,194,612
Borrowings	-	31,302,764	15,184,021	65,364,712	-	-	111,851,497
Lease liabilities	2,588	-	74,610	749,039	-	-	826,237
Other liabilities	3,528,364	-	-	-	-	-	3,528,364
	5,347,689	**31,570,017**	**24,230,533**	**66,113,751**	**-**	**-**	**127,261,990**
Total interest rate re-pricing gap	**16,138,845**	**(26,575,941)**	**(4,611,402)**	**(36,953,961)**	**103,469,490**	**1,547,152**	**53,014,183**
In KHR'000 *(Note 2.3)*	**65,927,182**	**(108,562,719)**	**(18,837,577)**	**(150,956,931)**	**422,672,867**	**6,320,116**	**216,562,938**

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

c) *Interest rate risk* (continued)

	Up to 1 month	*1 to 3 months*	*4 to 12 months*	*1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
At 31 December 2022							
Financial assets							
Cash on hand	-	-	-	-	-	399,904	399,904
Balances with the NBC	99,823	-	99,575	-	-	867,790	1,067,188
Balances with other banks	28,404,541	3,002,959	486,963	-	-	2,393,443	34,287,906
Loans and advances	2,478,814	-	11,230,178	33,900,480	76,315,710	-	123,925,182
Other assets	-	-	-	-	180,789	-	180,789
	30,983,178	**3,002,959**	**11,816,716**	**33,900,480**	**76,496,499**	**3,661,137**	**159,860,969**
Financial liabilities							
Deposits from banks and other financial institutions	3,911,470	-	8,775,520	-	-	10,171	12,697,161
Deposits from customers	1,838,851	-	205,895	-	-	20,231	2,064,977
Borrowings	15,205,854	10,145,492	55,905,100	-	-	-	81,256,446
Lease liabilities	-	5,197	70,806	940,019	-	-	1,016,022
Other liabilities	11,118,582	-	-	-	-	-	11,118,582
	32,074,757	**10,150,689**	**64,957,321**	**940,019**	**-**	**30,402**	**108,153,188**
Total interest rate re-pricing gap	**(1,091,579)**	**(7,147,730)**	**(53,140,605)**	**32,960,461**	**76,496,499**	**3,630,735**	**51,707,781**
In KHR'000 *(Note 2.3)*	**(4,494,031)**	**(29,427,204)**	**(218,779,871)**	**135,698,218**	**314,936,086**	**14,947,736**	**212,880,934**

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

c) *Interest rate risk* (continued)

Sensitivity

Profit or loss is sensitive to higher/lower interest income from financial instruments as a result of changes in interest rates.

	Impact on post tax profit	
	US$	*KHR'000 (Note 2.3)*
2023		
Interest rate increase by 100 basis point	(28,227)	(116,013)
Interest rate decrease by 100 basis point	28,227	116,013
2022		
Interest rate increase by 100 basis point	(88,949)	(363,535)
Interest rate decrease by 100 basis point	88,949	363,535

30.3 Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

a) *Liquidity risk management process*

Management monitors balance sheet liquidity and manage the concentration and profile of debt maturities. Monitoring and reporting, taking the form of daily cash position and projection for the next day, week and month respectively, are key periods for liquidity management. In addition, management monitors the movement of main depositors and projection of their withdrawals.

b) *Funding approach*

The Branch's main sources of liquidity arise from head office's capital contribution and customers' deposits. The sources of liquidity are regularly reviewed by management through review of maturity of term deposits and the key depositors.

c) *Non-derivative cash flows*

The table below presents the cash flows of the financial instruments by the Branch by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Branch manage the inherent liquidity risk based on expected undiscounted cash flows.

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

c) *Non-derivative cash flows* (continued)

	Up to 1 month	*1 to 3 months*	*4 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total contractual cash flows*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
At 31 December 2023						
Financial assets						
Cash on hand	408,049	-	-	-	-	408,049
Balances with the NBC	1,240,643	-	99,451	-	-	1,340,094
Balances with other banks	19,876,336	4,990,556	-	-	-	24,866,892
Loans and advances	1,508,658	3,520	19,519,680	28,977,423	103,469,490	153,478,771
Other assets	-	-	-	182,367	-	182,367
Total financial assets by remaining contractual maturities	**23,033,686**	**4,994,076**	**19,619,131**	**29,159,790**	**103,469,490**	**180,276,173**
Financial liabilities						
Deposits from banks and other financial institutions	84,908	-	8,776,372	-	-	8,861,280
Deposits from customers	1,731,829	267,253	195,530	-	-	2,194,612
Borrowings	-	31,302,764	15,184,021	65,364,712	-	111,851,497
Lease liabilities	2,588	-	74,610	749,039	-	826,237
Other liabilities	3,528,364	-	-	-	-	3,528,364
Total financial liabilities by remaining contractual maturities	**5,347,689**	**31,570,017**	**24,230,533**	**66,113,751**	**-**	127,261,990
Net liquidity (gap)/surplus	**17,685,997**	**(26,575,941)**	**(4,611,402)**	**(36,953,961)**	**103,469,490**	**53,014,183**
In KHR'000 *(Note 2.3)*	**72,247,298**	**(108,562,719)**	**(18,837,577)**	**(150,956,931)**	**422,672,867**	**216,562,938**

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

	Up to 1 month	*1 to 3 months*	*4 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total contractual cash flows*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
At 31 December 2022						
Financial assets						
Cash on hand	399,904	-	-	-	-	399,904
Balances with the NBC	967,613	-	99,575	-	-	1,067,188
Balances with other banks	30,797,984	3,002,959	486,963	-	-	34,287,906
Loans and advances	2,478,814	-	11,230,178	33,900,480	76,315,710	123,925,182
Other assets	-	-	-	-	180,789	180,789
Total financial assets by remaining contractual maturities	**34,644,315**	**3,002,959**	**11,816,716**	**33,900,480**	**76,496,499**	**159,860,969**
Financial liabilities						
Deposits from banks and other financial institutions	3,921,641	-	8,775,520	-	-	12,697,161
Deposits from customers	1,859,082	-	205,895	-	-	2,064,977
Borrowings	15,205,854	10,145,492	55,905,100	-	-	81,256,446
Lease liabilities	-	5,197	70,806	940,019	-	1,016,022
Other liabilities	11,118,582	-	-	-	-	11,118,582
Total financial liabilities by remaining contractual maturities	**32,105,159**	**10,150,689**	**64,957,321**	**940,019**	**-**	**108,153,188**
Net liquidity (gap)/surplus	**2,539,156**	**(7,147,730)**	**(53,140,605)**	**32,960,461**	**76,496,499**	**51,707,781**
In KHR'000 *(Note 2.3)*	**10,453,705**	**(29,427,204)**	**(218,779,871)**	**135,698,218**	**314,936,086**	**212,880,934**

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Branch cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

30.5 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Branch did not have financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

As at the balance sheet date, the fair values of financial instruments of the Branch approximate their carrying amounts.

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

(i) Balances with the NBC and other banks

The carrying amounts of Balances with the NBC and other banks approximate their fair values, since these accounts consist mostly of current, and short-term deposits.

(ii) Loans and advances

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loan and advances to customers approximates their carrying value at reporting date.

30. FINANCIAL RISK MANAGEMENT (continued)

30.5 Fair value of financial assets and liabilities (continued)

(b) *Financial instruments not measured at fair value* (continued)

(iii) Deposits from banks and other financial institutions and customers

The fair values of deposits from customers and deposits from banks and other financial institutions approximate their carrying amounts. The estimated fair value of deposits with no stated maturities, which include non-interest earning deposits, is the amount repayable on demand.

Deposits with fixed interest are not quoted in the active market and are short-term. Their fair value approximates the carrying amount.

(iv) Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities are assumed to approximate their fair values due to most of these assets and liabilities are not materially sensitive to the shift in market interest rates.

30.6 Capital management

The Branch's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

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

The NBC requires all commercial banks to i) hold a minimum capital requirement, ii) maintain the Branch's net worth at least equal to the minimum capital, and iii) comply with solvency, liquidity and other prudential ratios.

The table below summarises the composition of the regulatory capital:

	2023		*2022*	
	US$	*KHR'000 (Note 2.3)*	*US$*	*KHR'000 (Note 2.3)*
Tier 1 capital				
Share capital	60,000,000	245,100,000	60,000,000	247,020,000
Retained earnings	5,855,232	23,951,801	4,531,978	18,513,227
Less: Software costs	(235,379)	(961,523)	(253,482)	(1,043,585)
Less: Loans to related parties	(348,662)	(1,424,284)	(306,179)	(1,260,539)
	65,271,191	**266,665,994**	**63,972,317**	**263,229,103**
Tier 2 complementary capital				
General provision	**1,736,768**	**7,094,699**	**1,552,097**	**6,389,984**

31. MATURITY PROFILE OF ASSETS AND LIABILITIES

The following table shows an analysis of assets and liabilities as to whether they are expected to be recovered or settled within one year or beyond one year from the end of reporting period:

	2023			*2022*		
	Within one year	*Beyond one year*	*Total*	*Within one year*	*Beyond one year*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Financial assets						
Cash on hand	408,049	-	408,049	399,904	-	399,904
Balances with the NBC	1,340,094	-	1,340,094	1,067,188	-	1,067,188
Balances with other banks	24,894,781	-	24,894,781	34,309,290	-	34,309,290
Loans and advances to customers	21,052,317	132,624,803	153,677,120	13,718,180	110,272,334	123,990,514
Other assets	-	182,367	182,367	-	180,789	180,789
	47,695,241	**132,807,170**	**180,502,411**	**49,494,562**	**110,453,123**	**159,947,685**
Non-financial assets						
Other assets	208,253	-	208,253	131,009	-	131,009
Statutory deposit	-	14,321,341	14,321,341	-	13,719,858	13,719,858
Property and equipment	-	237,038	237,038	-	299,326	299,326
Right-of-use asset	-	560,443	560,443	-	773,116	773,116
Software cost	-	235,379	235,379	-	253,482	253,482
Differed tax asset	-	59,696	59,696.00	-	179,496	179,496
	208,253	**15,413,897.00**	**15,622,150.00**	**131,009**	**15,225,278**	**15,356,287**
Total financial and non-financial assets	**47,903,494**	**148,221,067**	**196,124,561**	**49,625,571**	**125,678,401**	**175,303,972**
Allowance for ECLs			(226,238)			(86,716)
Total assets			**195,898,323**			**175,217,256**
In KHR'000 *(Note 2.3)*			**800,244,650**			**721,369,443**

31. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	31 December 2023			31 December 2022		
	Within one year	*Beyond one year*	*Total*	*Within one year*	*Beyond one year*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Financial liabilities						
Deposits from other financial institutions	8,861,280	-	8,861,280	12,697,161	-	12,697,161
Deposits from customers	2,194,612	-	2,194,612	2,064,977	-	2,064,977
Borrowings	46,486,785	65,364,712	111,851,497	81,256,446	-	81,256,446
Lease liability	77,198	749,039	826,237	76,003	940,019	1,016,022
Other liabilities	3,528,364	-	3,528,364	11,118,582	-	11,118,582
	61,148,239	**66,113,751**	**127,261,990**	**107,213,169**	**940,019**	**108,153,188**
Non-financial liabilities						
Other liabilities	70,546	-	70,546	46,843	-	46,843
Income tax liability	409,691	-	409,691	816,083	-	816,083
	480,237	**-**	**480,237**	**862,926**	**-**	**862,926**
Total liabilities	**61,628,476**	**66,113,751**	**127,742,227**	**108,076,095**	**940,019**	**109,016,114**
In KHR'000 *(Note 2.3)*			**521,826,997**			**448,819,342**

32. EVENTS AFTER REPORTING PERIOD

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2023 that had significant impact on the financial position of the Branch as at 31 December 2023.

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