



Mega International Commercial Bank Co.
Ltd., Phnom Penh Branch

Annual Report

2023

Address: No. 139, Street 274 corner 41, Phum Phum 5, Sangkat Boeung Kengkang Ti Muoy, Khan Boeung Kengkang, Phnom Penh.

Contents	Page
Message from GM.....	1
Financial Highlight of 2023.....	2
Bank Marketing Strategies.....	3
Bank Profile.....	4
Background	
Corporate Governance.....	6
Organization Chart	
Overview of Business Operations.....	7
Business Scope	
Independent Auditor’s Report.....	8
Statement of Financial Position.....	11

Corporate information

Branch Mega International Commercial Bank Co., Ltd Phnom Penh Branch

Registration No 00003224

Registered office No. 139, Street 274 corner street 41, Phum5, Sangkat Boeung Keng kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia

Executive management

Mr. Huang Yao Tsung	General Manager
Ms. Fan Hui Lan	Deputy General Manager
Mr. Chen Hung Chih	Deputy General Manager
Mr. Lin Zen Te	Sub Branch General Manager
Mr. Chien Hsueh Yuan	Sub Branch General Manager
Mr. Lan Chien Ming	Sub Branch General Manager
Mr. Lin Yi Chao	Sub Branch General Manager
Mr. Lee Wei Yeh	Sub Branch General Manager

Auditors KPMG Cambodia Ltd

Address of Sub-branches:

Airport Sub-branch No. 601, Russia Street, Sangkat Kakab, Khan Posenchey, Phnom Penh.

Olympic Sub-branch No.38B-38BZ, Monireth Boulevard (Street 217), Sangkat Toul Svay Prey2, Khan Chamkamorn, Phnom Penh.

Tuol Kork Sub-branch No.2A-2B, Sangkat Beoung Kok1, Khan Tuol Kork, Phnom Penh.

Chamkar Mon Sub-branch No.462AB, Preah Monivong Boulevard(93), Phum 12, Sangkat Toul Basak, Khan Chamkar Mon, Phnom Penh, Cambodia.

Ta Khmau Sub-Branch No. 368 & 369, Street No. 21, Phum Thmei 1, Sangkat Ta Khmao, Krong Ta Khmau, Kandal Province, Cambodia.

RESPONSIBILITIES OF THE EXECUTIVE MANAGEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The Executive 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 preparing these financial statement, The Executive Management is required to:

- i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) Comply with Cambodian International Financial Reporting Standards (“CIFRSs”), or if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Oversea the Branch’s financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- iv) Assess 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 the Executive Management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so; and
- v) Control and direct the Branch in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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:



Huang Yao Tsung
Vice President & General Manager



Phnom Penh, Kingdom of Cambodia

29 February 2024

The mission of the Branch is to be a reliable partner for clients, especially companies under development. We will accomplish the goal by providing quality and easy financial services access to our clients. Besides, we will continue to support more Taiwanese businessmen to invest in Cambodia, encourage local merchants to expand their business and pursue district development. In terms of business development, the Branch will continue to strengthen legal compliance and pay attention to money laundering prevention as a strong function of internal control. Moreover, to create an operational environment for sustainable development, the branch shall abide by the business philosophies of honesty, transparency and responsibility, base policies on principle of good faith and establish good corporate governance and risk control and management mechanism.

As a result, The Branch's total revenues 33,204,273 USD, representing an increase of 2,964,763 USD over 2022, and net (loss)/profit for the year is -196,400 USD, representing loss in 2023.

To adapt the development trends and classification principles of international sustainable finance initiatives and green finance and inclusive finance related policies, the Branch shall proactively offer low-carbon credit, investment, and related sustainable financial products, support companies with environmental protection, social responsibility, or sustainable governance, and assist customers in developing green energy industries and transforming into green economies in order to build a sustainable society.

Operating Results in 2023 (In USD)

The branch's financial performance for the year ended 31 December 2023 are set out in the statement of comprehensive income. The paid-up capital of the branch as at 31 December 2023 was US\$90 million or KHR360 billion (2022: US\$90 million or KHR 360 billion).

Item \ Year	2023	2022	Change
Total Assets	508,064,641	582,658,417	-12.80 %
Total Equities	115,868,237	116,064,637	-0.17 %
Total Revenues	33,204,273	30,239,510	9.80 %
Total Loans	395,209,905	440,637,658	-10.31 %
Total Deposits	370,870,872	428,220,395	-13.39 %
Profit before Tax	(68,570)	15,228,314	-99.55 %

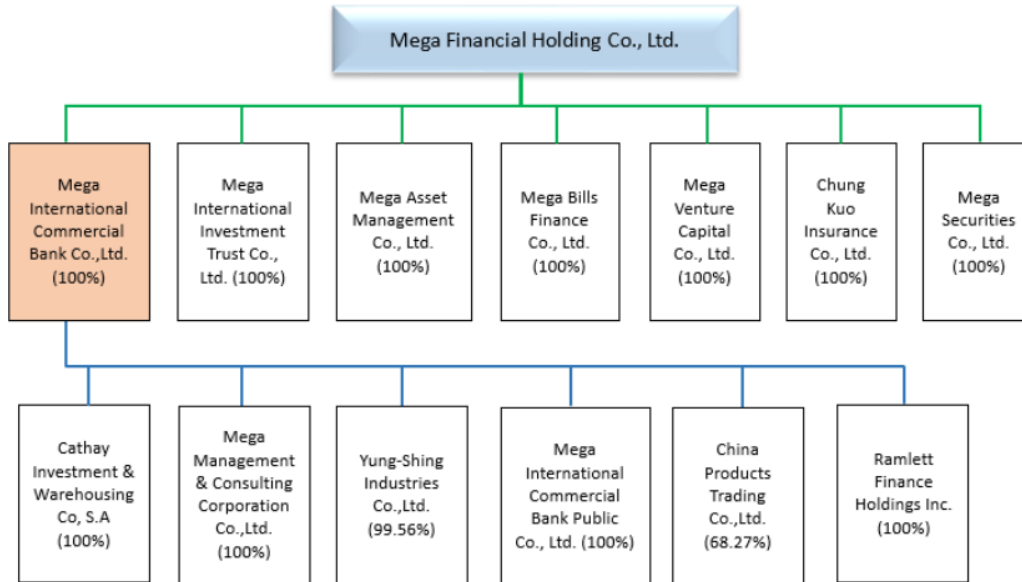
Bank Marketing Strategies

Marketing strategy is process of identifying the most profitable markets now and in future; assessing the present and future needs of customers; setting business development goals and making plans to meet them; and managing services and promoting them to achieve the plan. Mega Bank is the most internationalized and experienced bank in Taiwan. The Bank has kept working on corporate finance and international trade finance for decades, and is one of the most professional players in these areas. The Bank would leverage the professional niche to cope with below challenges:

- 1- Improving liquidity management by maintaining diversified funding sources.
 - Maintain and grow customer deposits;
 - Increase liquidity ratio to strengthen the soundness of banking operation;
 - Explore potential funding from other banks; and
 - Purchase Negotiable Certificate of Deposit (NCD).
- 2- Safe and sound loan portfolio
 - The Branch will follow the policies, procedures and guidelines implemented by Head Office related environmental, social and governance (ESG), sustainable development goals (SDGs), the Equator Principles (EPs) and climate-related risk management to avoid major potential risks or negative impacts on the environment and society before entering into business relationships.
 - Proactively follow the international sustainable finance initiatives and Green Finance-related policies by the competent authorities. Through its core businesses, the Bank aspires to positively impact society to steer towards sustainability, promoting sustainable products and services while increasing opportunities to engage with existing customers. Furthermore, the Bank aims to support customers through low-carbon transformation with sustainable financial products, including green credits, renewable energy financing, and sustainability-linked loans.
 - Strictly control and review credit facilities offered to customer in order to avoidance high ratio of non-performing loans
- 3- Strengthening the implementation of regulatory requirement.
 - Promote national currency both deposit and loan.
 - Maintain the minimum registered capital as required by the Prakas of NBC regulated.
 - Focus more on AML/CFT to combat Money Laundering activity.
 - Implementation of the Cambodia Sustainable Finance Principles (CSFP) and sustainable reporting standards (IFRS S1 & IFRS S2) in 2024.

Background

- **Licensing details**
 - Date licensed in 02-Oct-2007
 - Operations commencement date 03-Oct-2011
 - Type of license licensed from Ministry of Commerce.
- **Group Structure**



- **Service Network**

Phnom Penh Branch	
Address	No.139,St.274 Independent Monument, BKK I, BKK, Phnom Penh, Cambodia
Tel	855-23-988101
Fax	855-23-217982
SWIFT Code	ICBCKHPP
Phnom Penh Airport Sub-Branch	
Address	NO.601, Confederation De La Russie Blvd., Phum Porbrork Khangchoeung, Sangkat Karkarb, Khan Porsenchey, Phnom Penh, Cambodia.
Tel	855-23-890588
Fax	855-23-890582
SWIFT Code	ICBCKHPPPPA

Background (Continued)

○ Service Network (Continued)

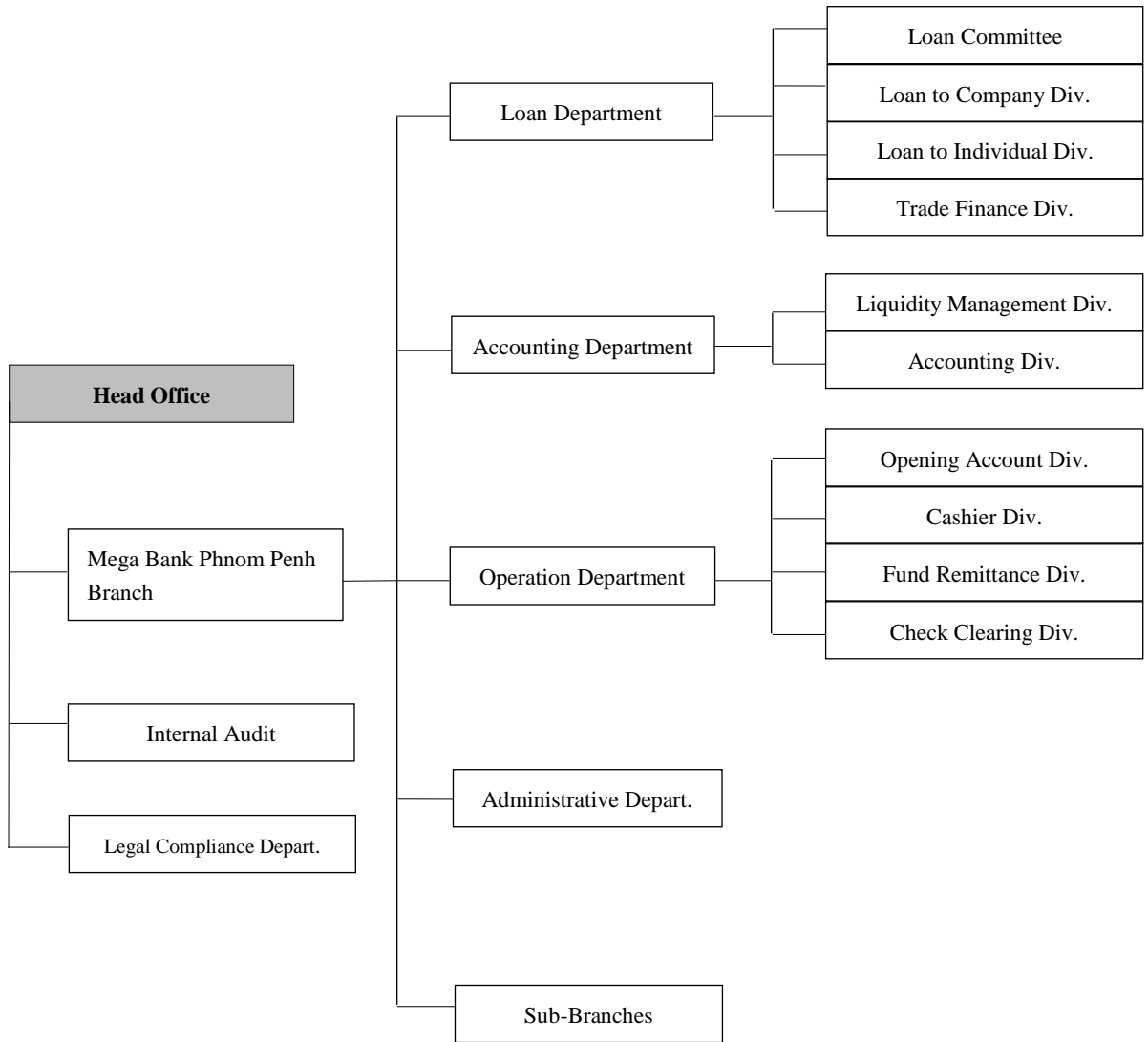
Olympic Sub-Branch	
Address	No. 38B, Preah Monireth Blvd. (Street 217) , Phum 10, Sangkat Toul Svay Prey 2, Khan Chamkarmorn, Phnom Penh, Cambodia.
Tel	855-23-988130
Fax	855-23-988134
SWIFT Code	ICBCKHPPOLY
Tuol Kouk Sub-Branch	
Address	No. 2A-2B, Street 315, Phum 8, Sangkat Boeng Kak 1, Khan Tuol Kouk, Phnom Penh, Cambodia.
Tel	855-23-884558
Fax	855-23-884589
SWIFT Code	ICBCKHPPTKK
Chamkar Mon Sub-Branch	
Address	No.462AB, Preah Monivong Boulevard(93), Phum 12, Sangkat Toul Basak, Khan Chamkar Mon, Phnom Penh, Cambodia.
Tel	855-23-902035
SWIFT Code	ICBCKHPPCKM
Ta Khmau Sub-Branch	
Address	No. 368 & 369, Street No. 21, Phum Thmei 1, Sangkat Ta Khmao, Krong Ta Khmau, Kandal Province, Cambodia
Tel	855-23-425261
SWIFT Code	ICBCKHPPTKM

Mega International Commercial Bank Co., Ltd. Phnom Penh Branch (hereafter referred to as “the Branch”) is an overseas branch of Mega International Commercial Bank Co., Ltd. (hereafter referred to as “the Bank”) in Taiwan. The Branch was opened on October 3, 2011 to provide services which are comprised of deposits taking, loans granting, trade finance, remittance, global E-banking, etc.

The mission of the Branch is to be a reliable partner for clients, especially companies under development. We will accomplish the goal by providing quality and easy access financial services to our clients. Besides, we will continue to support more Taiwanese businessmen to invest in Cambodia, encourage local merchants to expand their business and pursue district development.

The accomplishments that the Branch has achieved are supported by National Bank of Cambodia (NBC), Cambodia’s other relevant ministries, and our Head Office as well as our staff and clients.

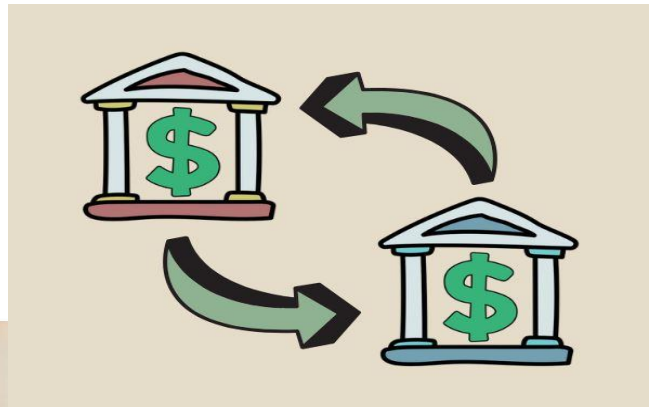
Organization Chart



Business Activities

Business Scope: Services of Mega Bank Phnom Penh Branch

- Deposits
- Loans
- Global E-Banking
- Import and Export Trade Finance
- Remittance
- Foreign Exchange





INDEPENDENT AUDITOR’S REPORT
To the Head Office of Mega International Commercial Bank Co., Ltd
Phnom Penh Branch

Opinion

We have audited the accompanying financial statements of Mega International Commercial Bank Co., Ltd, Phnom Penh Branch (“the Branch”), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in head office's equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

The Executive Management is responsible for overseeing the Branch's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

For KPMG Cambodia Ltd



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

29 February 2024

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	31 December 2023		31 December 2022	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
ASSETS					
Cash on hand	6	7,071,612	28,887,535	6,134,930	25,257,507
Balances with the National Bank of Cambodia	7	78,035,361	318,774,450	116,739,256	480,615,517
Balances with other banks	8	18,205,374	74,368,953	9,371,470	38,582,342
Loans and advances to other financial institutions	9	57,261,137	233,911,745	76,415,768	314,603,717
Loans and advances to customers	10	337,948,768	1,380,520,718	364,221,890	1,499,501,521
Investment securities	11	5,047,253	20,618,028	6,021,552	24,790,730
Other assets	12	390,124	1,593,657	305,827	1,259,090
Property and equipment	13	1,126,772	4,602,863	876,567	3,608,826
Intangible assets	14	349,921	1,429,427	198,372	816,698
Right-of-use assets	15	2,201,615	8,993,597	2,154,762	8,871,155
Deferred tax assets, net	22D	426,704	1,743,086	218,023	897,601
TOTAL ASSETS		508,064,641	2,075,444,059	582,658,417	2,398,804,704
LIABILITIES AND HEAD OFFICE'S EQUITY					
Liabilities					
Deposits from other financial institutions	16	36,194,673	147,855,239	84,997,557	349,934,942
Deposits from customers	17	91,836,019	375,150,138	81,137,189	334,041,807
Deposits from the Head Office	18	242,840,180	992,002,135	262,085,649	1,079,006,617
Borrowings	19	17,617,289	71,966,626	32,538,043	133,959,123
Lease liabilities	20	2,209,864	9,027,294	2,209,818	9,097,821
Current income tax liability	22C	25,585	104,515	2,712,659	11,168,017
Provision for off-balance sheet items	32A	110	449	1,448	5,961
Other liabilities	21	1,472,684	6,015,915	911,417	3,752,304
Total liabilities		392,196,404	1,602,122,311	466,593,780	1,920,966,592
Head Office's equity					
Branch's capital	23	90,000,000	360,000,000	90,000,000	360,000,000
Retained earnings		21,363,654	87,718,434	20,319,417	83,457,636
Regulatory reserves	24	4,504,583	18,240,609	5,745,220	23,308,611
Currency translation reserves		-	7,362,705	-	11,071,865
Total Head Office's equity		115,868,237	473,321,748	116,064,637	477,838,112
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY		508,064,641	2,075,444,059	582,658,417	2,398,804,704

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

as at 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Operating income					
Interest income	25	32,175,883	132,242,879	29,430,060	120,280,655
Interest expense	26	(21,347,165)	(87,736,848)	(8,760,455)	(35,803,979)
Net interest income		10,828,718	44,506,031	20,669,605	84,476,676
Fees and commission income	27	601,753	2,473,205	1,044,092	4,267,204
Fees and commission expense	27	(17,427)	(71,625)	(18,120)	(74,056)
Net fees and commission income		584,326	2,401,580	1,025,972	4,193,148
Other operating income/(loss)		426,637	1,753,478	(234,642)	(958,982)
Total operating income		11,839,681	48,661,089	21,460,935	87,710,842
Personnel expenses	28	(3,635,733)	(14,942,863)	(3,237,546)	(13,231,851)
Depreciation and amortisation	29	(1,088,493)	(4,473,706)	(1,001,751)	(4,094,156)
Other operating expenses	30	(2,322,964)	(9,547,383)	(1,941,445)	(7,934,687)
Impairment losses on financial instruments	31	(4,861,061)	(19,978,960)	(51,879)	(212,029)
(Loss)/Profit before income tax		(68,570)	(281,823)	15,228,314	62,238,119
Income tax expense	22B	(127,830)	(525,381)	(3,092,068)	(12,637,282)
Net (loss)/profit for the year		(196,400)	(807,204)	12,136,246	49,600,837
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation difference		-	(3,709,160)	-	5,053,010
Total comprehensive income for the year		(196,400)	(4,516,364)	12,136,246	54,653,847

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

STATEMENT OF CHANGES IN HEAD OFFICE'S EQUITY

for the year end 31 December 2023

	Branch's capital		Retained earnings		Regulatory reserves		Currency translation reserves		Total	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
As at 1 January 2023	90,000,000	360,000,000	20,319,417	83,457,636	5,745,220	23,308,611	-	11,071,865	116,064,637	477,838,112
Transaction recognised directly in equity										
Transfer from regulatory reserves to retained earnings (Note 24)	-	-	1,240,637	5,068,002	(1,240,637)	(5,068,002)	-	-	-	-
	-	-	1,240,637	5,068,002	(1,240,637)	(5,068,002)	-	-	-	-
Total Comprehensive loss:										
Net loss for the year	-	-	(196,400)	(807,204)	-	-	-	-	(196,400)	(807,204)
Other comprehensive income - Currency translation difference	-	-	-	-	-	-	-	(3,709,160)	-	(3,709,160)
	-	-	(196,400)	(807,204)	-	-	-	(3,709,160)	(196,400)	(4,516,364)
As at 31 December 2023	<u>90,000,000</u>	<u>360,000,000</u>	<u>21,363,654</u>	<u>87,718,434</u>	<u>4,504,583</u>	<u>18,240,609</u>	<u>-</u>	<u>7,362,705</u>	<u>115,868,237</u>	<u>473,321,748</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

STATEMENT OF CHANGES IN HEAD OFFICE'S EQUITY

for the year end 31 December 2023

	Branch's capital		Retained earnings		Regulatory reserves		Currency translation reserves		Total	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
As at 1 January 2022	90,000,000	360,000,000	29,152,414	119,547,172	4,775,977	19,318,238	-	6,018,855	123,928,391	504,884,265
Transaction recognised directly in equity										
Dividends (Note 23B)	-	-	(20,000,000)	(81,700,000)	-	-	-	-	(20,000,000)	(81,700,000)
Transfer from retained earnings to regulatory reserves (Note 24)	-	-	(969,243)	(3,990,373)	969,243	3,990,373	-	-	-	-
	-	-	<u>(20,969,243)</u>	<u>(85,690,373)</u>	<u>969,243</u>	<u>3,990,373</u>	-	-	<u>(20,000,000)</u>	<u>(81,700,000)</u>
Total Comprehensive income:										
Net profit for the year	-	-	12,136,246	49,600,837	-	-	-	-	12,136,246	49,600,837
Other comprehensive income - Currency translation difference	-	-	-	-	-	-	-	5,053,010	-	5,053,010
	-	-	<u>12,136,246</u>	<u>49,600,837</u>	-	-	-	<u>5,053,010</u>	<u>12,136,246</u>	<u>54,653,847</u>
As at 31 December 2022	<u>90,000,000</u>	<u>360,000,000</u>	<u>20,319,417</u>	<u>83,457,636</u>	<u>5,745,220</u>	<u>23,308,611</u>	-	<u>11,071,865</u>	<u>116,064,637</u>	<u>477,838,112</u>

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

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash flows from operating activities					
Net (loss)/profit for the year		(196,400)	(807,204)	12,136,246	49,600,837
<i>Adjustment for:</i>					
Depreciation and amortisation	29	1,088,493	4,473,706	1,001,751	4,094,156
Income tax expense	22B	127,830	525,381	3,092,068	12,637,282
Interest income	25	(32,175,883)	(132,242,879)	(29,430,060)	(120,280,655)
Interest expense	26	21,347,165	87,736,848	8,760,455	35,803,979
Unrealised exchange gain/(loss) on borrowing	19	162,578	668,196	(353,201)	(1,443,532)
Impairment losses on financial instruments	31	4,861,061	19,978,960	51,879	212,029
		(4,785,156)	(19,666,992)	(4,740,862)	(19,375,904)
<i>Changes in:</i>					
Reserve requirements		2,645,436	10,872,742	(1,255,679)	(5,131,960)
Negotiable certificate of deposits		(8,918,029)	(36,653,099)	3,510,022	14,345,460
Loans and advances to other financial institutions		19,140,744	78,668,458	3,378,697	13,808,735
Loans and advances to customers		21,791,673	89,563,776	(32,616,823)	(133,304,956)
Other assets		(174,546)	(717,384)	15,110	61,755
Deposits from other financial institutions		(48,662,388)	(200,002,415)	(12,726,082)	(52,011,497)
Deposits from customers		10,462,637	43,001,438	(2,010,391)	(8,216,468)
Deposits from the Head Office		(20,875,000)	(85,796,250)	60,125,000	245,730,875
Other liabilities		561,267	2,306,807	(125,146)	(511,472)
Cash (used in)/generated from operation		(28,813,362)	(118,422,919)	13,553,846	55,394,568
Interest received		31,872,617	130,996,456	28,743,329	117,473,986
Interest paid		(20,153,324)	(82,830,162)	(7,169,012)	(29,299,752)
Income tax paid	22C	(3,023,585)	(12,426,934)	(3,638,881)	(14,872,107)
Net cash (used in)/generated from operating activities		(20,117,654)	(82,683,559)	31,489,282	128,696,695
Cash flows from investing activities					
Purchase of property and equipment	13	(564,460)	(2,319,931)	(333,001)	(1,360,975)
Purchase of intangible assets	14	(316,192)	(1,299,549)	(5,471)	(22,360)
Acquisition of investment securities	11	-	-	(5,970,267)	(24,400,481)
Proceeds from investment securities	11	970,267	3,987,797	-	-
Net cash generated from/(used in) investing activities		89,615	368,317	(6,308,739)	(25,783,816)

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash flows from financing activities					
Proceeds from borrowings	19	40,973,236	168,400,000	51,162,222	209,100,000
Repayment of borrowings	19	(55,498,783)	(228,100,000)	(54,367,507)	(222,200,001)
Payment of lease liabilities	20	(682,800)	(2,806,308)	(632,000)	(2,582,984)
Dividend payment	23B	-	-	(20,000,000)	(81,740,000)
Net cash used in financing activities		<u>(15,208,347)</u>	<u>(62,506,308)</u>	<u>(23,837,285)</u>	<u>(97,422,985)</u>
Net (decrease)/increase in cash and cash equivalents		(35,236,386)	(144,821,550)	1,343,258	5,489,894
Cash and cash equivalents at 1 January		63,536,675	261,580,491	62,193,417	253,375,981
Currency translation difference		-	(1,152,260)	-	2,714,616
Cash and cash equivalents at 31 December	34	<u>28,300,289</u>	<u>115,606,681</u>	<u>63,536,675</u>	<u>261,580,491</u>

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

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

1. Statement of compliance

The financial statements of the Branch have been prepared with Cambodian International Financial Reporting Standards (“CIFRSs”).

The financial statements were authorised for issue by the Executive Management on 29 February 2024.

2. Functional and presentation 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 presentation currency as it reflects the economic substance of the underlying events and circumstances of the Branch.

These financial statements are presented in US\$, which is the Branch’s functional currency. All amounts have been rounded to the nearest Dollar, except when otherwise indicated.

3. Use of judgments and estimates

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

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

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

- Note 38C(ii): classification of financial assets: assessment of the business model within which the financial assets are held and assessment of whether the contractual terms of the financial asset are SPPI (“Solely Payment of Principal and Interest”) on the principal amount outstanding.
- Note 38C(vii): establishing the criteria for determining whether credit risk on the financial assets have increased significantly since its initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses (“ECL”) and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

financial year are included in the following notes:

- Note 38C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 38C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 38C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

4. Transaction of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars (“US\$”) which is the Branch’s functional currency. The translations of US\$ amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS 21 – The Effects of Changes in Foreign Exchange Rates.

Assets and liabilities are translated at the closing rate as at the reporting date and Head Office’s equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR at the average rate for the year, which has been deemed to approximate the exchange rate at the date of transaction as exchange rates have not fluctuated significantly during the year. Exchange differences arising from the translation are recognised as “Currency Translation Difference” in the other comprehensive income.

The Branch uses the following exchange rates:

Financial year end		Closing rate	Average rate
31 December 2023	US\$1 =	KHR4,085	KHR4,110
31 December 2022	US\$1 =	KHR4,117	KHR4,087

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

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

5. CASH ON HAND

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
US\$	6,632,883	27,095,327	5,648,315	23,254,113
KHR	438,729	1,792,208	486,615	2,003,394
	<u>7,071,612</u>	<u>28,887,535</u>	<u>6,134,930</u>	<u>25,257,507</u>

6. BALANCES WITH NATIONAL BANK OF CAMBODIA

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current accounts	2,315,242	9,457,764	43,525,539	179,194,644
Settlement accounts	699,972	2,859,385	2,615,057	10,766,190
Negotiable certificates of deposits (A)	42,157,690	172,214,164	35,090,767	144,468,688
Reserve requirements (B)	23,862,457	97,478,137	26,507,893	109,132,995
Capital guarantee (C)	9,000,000	36,765,000	9,000,000	37,053,000
	<u>78,035,361</u>	<u>318,774,450</u>	<u>116,739,256</u>	<u>480,615,517</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

6. BALANCES WITH NATIONAL BANK OF CAMBODIA (continued)

A. Negotiable certificate of deposits (“NCDs”)

The Branch has pledged some of Negotiable Certificates of Deposits (“NCDs”) balance amounting to US\$41,800,000 (31 December 2022: US\$31,649,259) with the National Bank of Cambodia as collateral for Liquidity Providing Collateralised Operation (“LPCO”). As at 31 December 2023, the Branch had not yet utilised the overdraft on settlement clearing facility yet.

NCDs mature from ninety days to twelve months and earn interest at rates from 1.00% to 1.58% (2022: 0.44% to 3.42%) per annum.

B. Reserve requirements

Pursuant to the National Bank of Cambodia’s Prakas No. B7-020-230, bank and financial institutions are required to maintain the reserve requirements, which is calculated at 7% for both KHR and other currencies of the total daily average amount of deposits from customers, and borrowings from banks and financial institutions, at the National Bank of Cambodia.

Subsequently, on 9 January 2023, the National Bank of Cambodia announced the increase of the Reserve Requirements Rate (“RRR”) to 9% and 12.5% for foreign currencies deposits and borrowings, which is effective from 1 January 2023 to 31 December 2023, and from 1 January 2024 onward, respectively. However, the Reserve Requirement Rate for local currency deposits and borrowings still maintain at 7%.

C. 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.

D. Interest rates (per annum)

Annual interest rates applicable to the Balances with the National Bank of Cambodia at the year end were as follows:

	31 December 2023	31 December 2022
Current accounts	Nil	Nil
Settlement accounts	Nil	Nil
NCDs	1.00% - 1.58%	0.44% - 3.42%
Reserve requirements	Nil	Nil
Capital guarantee	<u>1.18% - 1.34%</u>	<u>0.08% - 0.65%</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

7. BALANCES WITH OTHER BANKS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current and savings accounts with:				
Local banks	345,065	1,409,590	937,143	3,858,218
Overseas banks	17,868,398	72,992,407	8,441,477	34,753,561
	<u>18,213,463</u>	<u>74,401,997</u>	<u>9,378,620</u>	<u>38,611,779</u>
Less: Impairment loss allowance	<u>(8,089)</u>	<u>(33,044)</u>	<u>(7,150)</u>	<u>(29,437)</u>
	<u>18,205,374</u>	<u>74,368,953</u>	<u>9,371,470</u>	<u>38,582,342</u>

The movement of impairment loss allowance on balances with other banks was as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	7,150	29,437	9,140	37,236
Allowance for the year (Note 31)	939	3,859	(1,990)	(8,133)
Currency translation difference	-	(252)	-	334
At 31 December	<u>8,089</u>	<u>33,044</u>	<u>7,150</u>	<u>29,437</u>

Current and savings accounts maintained with local and overseas banks do not earn interest (2022:Nil).

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

8. LOANS AND ADVANCES TO OTHER FINANCIAL INSTITUTIONS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Loans and advances to other financial institutions at amortised cost	57,386,332	234,423,166	76,607,479	315,392,992
Accrued interest receivables	141,163	576,651	188,328	775,346
	57,527,495	234,999,817	76,795,807	316,168,338
Unamortised loan processing fees	(154,577)	(631,447)	(234,980)	(967,413)
	57,372,918	234,368,370	76,560,827	315,200,925
Less: Impairment loss allowance	(111,781)	(456,625)	(145,059)	(597,208)
Loans and advances to other financial institutions	57,261,137	233,911,745	76,415,768	314,603,717

The movement of impairment loss allowance on loans and advances to other financial institutions was as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	145,059	597,208	115,137	469,068
Allowance for the year (Note 31)	(33,278)	(136,773)	29,922	122,291
Currency translation difference	-	(3,810)	-	5,849
At 31 December	111,781	456,625	145,059	597,208

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

8. LOANS AND ADVANCES TO OTHER FINANCIAL INSTITUTIONS

Loans and advances to other financial institutions are analysed as follows:

A. By account types:

	31 December 2023			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$ KHR'000 (Note 5)	
Term loans	<u>57,372,918</u>	<u>(111,781)</u>	<u>57,261,137</u>	<u>233,911,745</u>

	31 December 2022			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$ KHR'000 (Note 5)	
Term loans	<u>76,560,827</u>	<u>(145,059)</u>	<u>76,415,768</u>	<u>314,603,717</u>

B. Interest rates (per annum)

Annual interest rates applicable to Loans and advances to other financial institutions at the year end were as follows:

	31 December 2023	31 December 2022
Term loans	<u>6.375% - 8.883%</u>	<u>6.375% - 8.5%</u>

For additional analysis loans and advances to other financial institutions, refer to Note 36B.

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

9. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Loans and advances to customers	343,793,666	1,404,397,126	365,610,490	1,505,218,387
Accrued interest receivable	1,664,648	6,800,087	1,340,324	5,518,114
	<u>345,458,314</u>	<u>1,411,197,213</u>	<u>366,950,814</u>	<u>1,510,736,501</u>
Unamortised loan processing fees	(1,038,364)	(4,241,717)	(1,063,515)	(4,378,491)
	<u>344,419,950</u>	<u>1,406,955,496</u>	<u>365,887,299</u>	<u>1,506,358,010</u>
Less: Impairment loss allowance	(6,471,182)	(26,434,778)	(1,665,409)	(6,856,489)
Loans and advances to customers	<u><u>337,948,768</u></u>	<u><u>1,380,520,718</u></u>	<u><u>364,221,890</u></u>	<u><u>1,499,501,521</u></u>

The movement of impairment loss allowance on loans and advances to customers is as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	1,665,409	6,856,489	1,654,201	6,739,215
Allowance for the year (Note 31)	4,805,773	19,751,727	11,208	45,807
Currency translation difference	-	(173,438)	-	71,467
At 31 December	<u><u>6,471,182</u></u>	<u><u>26,434,778</u></u>	<u><u>1,665,409</u></u>	<u><u>6,856,489</u></u>

Loans and advances to customers are analysed as follows:

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

A. By account types

	31 December 2023			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$	KHR'000 (Note 5)
Term loans	341,274,987	(6,470,730)	334,804,257	1,367,675,390
Overdrafts	897,299	(128)	897,171	3,664,944
Staff loans	2,247,664	(324)	2,247,340	9,180,384
	<u>344,419,950</u>	<u>(6,471,182)</u>	<u>337,948,768</u>	<u>1,380,520,718</u>
	31 December 2022			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$	KHR'000 (Note 5)
Term loans	361,497,555	(1,664,432)	359,833,123	1,481,432,967
Overdrafts	2,668,950	(592)	2,668,358	10,985,630
Staff loans	1,720,794	(385)	1,720,409	7,082,924
	<u>365,887,299</u>	<u>(1,665,409)</u>	<u>364,221,890</u>	<u>1,499,501,521</u>

B. Interest rate (per annum)

Annual interest rates applicable to loans and advances to customers at the year end were as follows:

	31 December 2023	31 December 2022
Term loans	4.50% - 10.62%	4.03% - 11.25%
Overdrafts	6.00% - 7.33%	6.25% - 7.65%
Staff loans	<u>4.50% - 6.70%</u>	<u>4.50% - 6.40%</u>

For additional analysis loans and advances to customers, refer to Note 36B.

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

10. INVESTMENT SECURITIES

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Investment securities measured at amortised cost	5,057,260	20,658,907	6,032,843	24,837,215
Less: Impairment loss allowance	(10,007)	(40,879)	(11,291)	(46,485)
	<u>5,047,253</u>	<u>20,618,028</u>	<u>6,021,552</u>	<u>24,790,730</u>

Investment in corporate bonds is classified as measured at amortised cost. As at the reporting date, the Branch has invested in Corporate Bond issued by the Cambodia Airport Investment Co., Ltd. This corporate bond has maturity terms of 3 years which will be matured on 17 October 2025 and earn interest at 5.5% per annum.

The movement of impairment loss allowance on investment securities was as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	6,032,843	24,837,215	-	-
Changes from financing cash flows				
Acquisition of investment securities	-	-	5,970,267	24,400,481
Proceeds from investment securities	(970,267)	(3,987,797)	-	-
Changes from operating cash flows				
Interest income	290,467	1,193,819	63,159	258,131
Interest received	(295,783)	(1,215,668)	(583)	(2,383)
Currency translation difference	-	(168,662)	-	180,986
At 31 December	<u>5,057,260</u>	<u>20,658,907</u>	<u>6,032,843</u>	<u>24,837,215</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

STATEMENT OF CASH FLOWS

for the year then ended 31 December 2023

10. INVESTMENT SECURITIES (Continued)

The movement of impairment loss allowance on investment securities was as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	11,291	46,485	-	-
Allowance for the year (Note 31)	(1,284)	(5,277)	11,291	46,146
Currency translation difference	-	(329)	-	339
At 31 December	<u>10,007</u>	<u>40,879</u>	<u>11,291</u>	<u>46,485</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

11. OTHER ASSETS (Continue)

The movement of impairment loss allowance on other assets was as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Security deposits	250,820	1,024,600	246,770	1,015,952
Advance payments	177,246	724,050	4,047	16,661
Prepaid insurance	47,562	194,291	49,600	204,203
Other deposits	4,745	19,383	5,410	22,274
	<u>480,373</u>	<u>1,962,324</u>	<u>305,827</u>	<u>1,259,090</u>
Less: Impairment loss allowance	<u>(90,249)</u>	<u>(368,667)</u>	<u>-</u>	<u>-</u>
	<u>390,124</u>	<u>1,593,657</u>	<u>305,827</u>	<u>1,259,090</u>

The movement of impairment loss allowance on other assets was as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	-	-	-	-
Allowance for the year (Note 31)	90,249	370,923	-	-
Currency translation difference	-	(2,256)	-	-
At 31 December	<u>90,249</u>	<u>368,667</u>	<u>-</u>	<u>-</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

12. PROPERTY AND EQUIPMENT

	Leasehold improvements US\$	Machinery US\$	Furniture, fixtures and equipment US\$	Computer and IT equipment US\$	Motor vehicles US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
Cost								
At 1 January 2023	1,942,937	352,408	536,446	941,781	286,730	260,663	4,320,965	17,789,413
Additions	82,386	26,095	55,233	106,422	294,324	-	564,460	2,319,931
Transfers	196,002	32,045	11,003	21,613	-	(260,663)	-	-
Write-offs	-	-	(529)	-	(13,750)	-	(14,279)	(58,687)
Currency translation difference	-	-	-	-	-	-	-	(152,026)
At 31 December 2023	<u>2,221,325</u>	<u>410,548</u>	<u>602,153</u>	<u>1,069,816</u>	<u>567,304</u>	<u>-</u>	<u>4,871,146</u>	<u>19,898,631</u>
Less: Accumulated depreciation								
At 1 January 2023	1,713,715	294,415	458,456	734,086	243,726	-	3,444,398	14,180,587
Depreciation for the year (Note 29)	84,764	26,118	37,367	121,861	44,145	-	314,255	1,291,588
Write-offs	-	-	(529)	-	(13,750)	-	(14,279)	(58,687)
Currency translation difference	-	-	-	-	-	-	-	(117,720)
At 31 December 2023	<u>1,798,479</u>	<u>320,533</u>	<u>495,294</u>	<u>855,947</u>	<u>274,121</u>	<u>-</u>	<u>3,744,374</u>	<u>15,295,768</u>
Carrying amounts								
At 1 January 2023	<u>229,222</u>	<u>57,993</u>	<u>77,990</u>	<u>207,695</u>	<u>43,004</u>	<u>260,663</u>	<u>876,567</u>	<u>3,608,826</u>
At 31 December 2023	<u>422,846</u>	<u>90,015</u>	<u>106,859</u>	<u>213,869</u>	<u>293,183</u>	<u>-</u>	<u>1,126,772</u>	<u>4,602,863</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

12. PROPERTY AND EQUIPMENT (Continue)

	Leasehold improvements US\$	Machinery US\$	Furniture, fixtures and equipment US\$	Computer and IT equipment US\$	Motor vehicles US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
Cost								
At 1 January 2022	1,912,149	349,041	514,733	933,790	288,180	-	3,997,893	16,287,416
Additions	15,111	4,891	21,713	5,187	-	286,099	333,001	1,360,975
Transfers	19,182	-	-	6,254	-	(25,436)	-	-
Write-offs	(3,505)	(1,524)	-	(3,450)	(1,450)	-	(9,929)	(40,580)
Currency translation difference	-	-	-	-	-	-	-	181,602
At 31 December 2022	<u>1,942,937</u>	<u>352,408</u>	<u>536,446</u>	<u>941,781</u>	<u>286,730</u>	<u>260,663</u>	<u>4,320,965</u>	<u>17,789,413</u>
Less: Accumulated depreciation								
At 1 January 2022	1,645,578	274,691	424,550	587,453	230,509	-	3,162,781	12,885,170
Depreciation for the year (Note 29)	71,642	21,248	33,906	150,083	14,667	-	291,546	1,191,549
Write-offs	(3,505)	(1,524)	-	(3,450)	(1,450)	-	(9,929)	(40,580)
Currency translation difference	-	-	-	-	-	-	-	144,448
At 31 December 2022	<u>1,713,715</u>	<u>294,415</u>	<u>458,456</u>	<u>734,086</u>	<u>243,726</u>	<u>-</u>	<u>3,444,398</u>	<u>14,180,587</u>
Carrying amounts								
At 1 January 2022	<u>266,571</u>	<u>74,350</u>	<u>90,183</u>	<u>346,337</u>	<u>57,671</u>	<u>-</u>	<u>835,112</u>	<u>3,402,246</u>
At 31 December 2022	<u>229,222</u>	<u>57,993</u>	<u>77,990</u>	<u>207,695</u>	<u>43,004</u>	<u>260,663</u>	<u>876,567</u>	<u>3,608,826</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

13. INTANGIBLE ASSETS

	Software US\$	Software under development US\$	Total US\$	Total KHR'000 (Note 5)
Cost				
At 1 January 2023	699,027	19,959	718,986	2,960,065
Addition	206,981	109,211	316,192	1,299,549
Currency translation difference	-	-	-	(30,912)
At 31 December 2023	<u>906,008</u>	<u>129,170</u>	<u>1,035,178</u>	<u>4,228,702</u>
Less: Accumulated amortisation				
At 1 January 2023	520,614	-	520,614	2,143,367
Amortisation for the year (Note 29)	164,643	-	164,643	676,683
Currency translation difference	-	-	-	(20,775)
At 31 December 2023	<u>685,257</u>	<u>-</u>	<u>685,257</u>	<u>2,799,275</u>
Carrying amounts				
At 1 January 2023	<u>178,413</u>	<u>19,959</u>	<u>198,372</u>	<u>816,698</u>
At 31 December 2023	<u>220,751</u>	<u>129,170</u>	<u>349,921</u>	<u>1,429,427</u>
Cost				
At 1 January 2022	693,556	19,959	713,515	2,906,860
Addition	5,471	-	5,471	22,360
Currency translation difference	-	-	-	30,845
At 31 December 2022	<u>699,027</u>	<u>19,959</u>	<u>718,986</u>	<u>2,960,065</u>
Less: Accumulated amortisation				
At 1 January 2022	398,723	-	398,723	1,624,397
Amortisation for the year (Note 29)	121,891	-	121,891	498,169
Currency translation difference	-	-	-	20,801
At 31 December 2022	<u>520,614</u>	<u>-</u>	<u>520,614</u>	<u>2,143,367</u>
Carrying amounts				
At 1 January 2022	<u>294,833</u>	<u>19,959</u>	<u>314,792</u>	<u>1,282,463</u>
At 31 December 2022	<u>178,413</u>	<u>19,959</u>	<u>198,372</u>	<u>816,698</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

14. RIGHT-OF-USE ASSETS

Information about the Branch's leases is disclosed within this note and Note 20.

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Right-of-use assets	<u>2,201,615</u>	<u>8,993,597</u>	<u>2,154,762</u>	<u>8,871,155</u>

The Branch leases a number of branch and office premises. The leases typically run for a period of five to ten years, with an option to renew the lease after that date.

The Branch also leases car and photocopiers with contract term of one year. These leases are short-term and/or leases of low-value items. The Branch has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Branch is a lessee is presented below.

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Right-of-use assets				
Cost				
At 1 January	3,876,177	15,958,221	3,558,461	14,497,170
Additions	656,448	2,698,001	317,716	1,298,505
Derecognition	(193,767)	(796,382)	-	-
Currency translation difference	-	(135,605)	-	162,546
At 31 December	<u>4,338,858</u>	<u>17,724,235</u>	<u>3,876,177</u>	<u>15,958,221</u>
Less: Accumulated depreciation				
At 1 January	1,721,415	7,087,066	1,133,101	4,616,253
Depreciation for the year (Note 29)	609,595	2,505,435	588,314	2,404,438
Derecognition	(193,767)	(796,382)	-	-
Currency translation difference	-	(65,481)	-	66,375
At 31 December	<u>2,137,243</u>	<u>8,730,638</u>	<u>1,721,415</u>	<u>7,087,066</u>
Carrying amounts				
At 1 January	<u>2,154,762</u>	<u>8,871,155</u>	<u>2,425,360</u>	<u>9,880,917</u>
At 31 December	<u>2,201,615</u>	<u>8,993,597</u>	<u>2,154,762</u>	<u>8,871,155</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

15. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current deposits	611,542	2,498,149	1,012,069	4,166,688
Savings deposits	358,884	1,466,041	620,745	2,555,607
Term deposits	<u>35,224,247</u>	<u>143,891,049</u>	<u>83,364,743</u>	<u>343,212,647</u>
	<u>36,194,673</u>	<u>147,855,239</u>	<u>84,997,557</u>	<u>349,934,942</u>

Deposits from other financial institutions are analysed as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
A. By relationship:				
Related parties	-	-	-	-
Non-related parties	<u>36,194,673</u>	<u>147,855,239</u>	<u>84,997,557</u>	<u>349,934,942</u>
	<u>36,194,673</u>	<u>147,855,239</u>	<u>84,997,557</u>	<u>349,934,942</u>

B. By interest rate (per annum):

Annual interest rates applicable to deposits from other financial institutions at the year-end were as follows:

	31 December 2023	31 December 2022
Current deposits	Nil	Nil
Savings deposits	0.02%	0.02%
Term deposits	<u>5.10% - 5.80%</u>	<u>4.00% - 5.30%</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

16. DEPOSITS FROM CUSTOMERS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current deposits	6,685,425	27,309,961	11,606,159	47,782,556
Savings deposits	47,057,458	192,229,716	65,004,494	267,623,502
Term deposits	38,093,136	155,610,461	4,526,536	18,635,749
	<u>91,836,019</u>	<u>375,150,138</u>	<u>81,137,189</u>	<u>334,041,807</u>

Deposits from customers are analysed as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
A. By relationship:				
Related parties (Note 33C)	61,621	251,722	162,027	667,065
Non-related parties	<u>91,774,398</u>	<u>374,898,416</u>	<u>80,975,162</u>	<u>333,374,742</u>
	<u>91,836,019</u>	<u>375,150,138</u>	<u>81,137,189</u>	<u>334,041,807</u>
B. By customer type:				
Individuals	15,976,388	65,263,545	21,242,350	87,454,755
Business enterprises	<u>75,859,631</u>	<u>309,886,593</u>	<u>59,894,839</u>	<u>246,587,052</u>
	<u>91,836,019</u>	<u>375,150,138</u>	<u>81,137,189</u>	<u>334,041,807</u>
C. By residency status:				
Residents	78,803,319	321,911,558	64,986,013	267,547,415
Non-residents	<u>13,032,700</u>	<u>53,238,580</u>	<u>16,151,176</u>	<u>66,494,392</u>
	<u>91,836,019</u>	<u>375,150,138</u>	<u>81,137,189</u>	<u>334,041,807</u>

D. By interest rate (per annum):

Annual interest rates applicable to deposits from customers at the year end were as follows:

	31 December 2023	31 December 2022
Current deposits	Nil	Nil
Savings deposits	0.02% - 0.60%	0.02% - 0.60%
Term deposits	<u>1.20% - 5.90%</u>	<u>1.70% - 4.00%</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

17. DEPOSITS FROM HEAD OFFICE

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Deposits from the Head Office	<u>242,840,180</u>	<u>992,002,135</u>	<u>262,085,649</u>	<u>1,079,006,617</u>

Annual interest rates applicable to deposits from Head Office at the year end were as follows:

	31 December 2023	31 December 2022
Term deposits	<u>0.84% - 6.78%</u>	<u>0.84% - 5.70%</u>

18. BORROWINGS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Outstanding principal	17,282,742	70,600,000	31,649,259	130,300,000
Accrued interest payable	<u>334,547</u>	<u>1,366,626</u>	<u>888,784</u>	<u>3,659,123</u>
	<u>17,617,289</u>	<u>71,966,626</u>	<u>32,538,043</u>	<u>133,959,123</u>

Borrowings from the National Bank of Cambodia in the form of Liquidity-providing Collateralized Operation (“LPCO”) are secured by the Negotiable Certificate of Deposits with the National Bank of Cambodia (see Note 7). LPCO mature from ninety days to twelve months and bear interest rates ranging from 4.00% to 5.6% (2022: 5.08% to 6.25%) per annum.

The movement of borrowings to cash flows arising from financing and operating activities is as follow:

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

18. BORROWINGS (continue)

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	32,538,043	133,959,123	35,953,069	146,472,803
Changes from financing cash flows				
Proceeds from borrowings	40,973,236	168,400,000	51,162,222	209,100,000
Repayment of borrowings	(55,498,783)	(228,100,000)	(54,367,507)	(222,200,001)
Changes from operating cash flows				
Interest expense	1,691,465	6,951,921	1,915,877	7,830,189
Interest paid	(2,249,250)	(9,244,418)	(1,772,417)	(7,243,868)
Unrealised exchange gain/(loss)	162,578	-	(353,201)	-
At 31 December	<u>17,617,289</u>	<u>71,966,626</u>	<u>32,538,043</u>	<u>133,959,123</u>

19. LEASE LIABILITIES

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Present value of lease liabilities				
Current	610,650	2,494,505	610,360	2,512,852
Non-current	1,599,214	6,532,789	1,599,458	6,584,969
	<u>2,209,864</u>	<u>9,027,294</u>	<u>2,209,818</u>	<u>9,097,821</u>

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
A. Amounts recognised in profit or loss:				
Interest on lease liabilities	26,399	108,500	31,028	126,812
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>27,832</u>	<u>114,390</u>	<u>26,463</u>	<u>108,154</u>
	<u>54,231</u>	<u>222,890</u>	<u>57,491</u>	<u>234,966</u>
B. Amounts recognised in the statement of cash flows:				
Total cash outflow for leases	<u>682,800</u>	<u>2,806,308</u>	<u>632,000</u>	<u>2,582,984</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

20. OTHER LIABILITIES

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Accrued bonus	776,666	3,172,681	590,339	2,430,426
Pension fund	661	2,700	587	2,417
Accrued professional fees	9,438	38,554	9,438	38,856
Other tax payables	323,966	1,323,401	204,297	841,091
Others	361,953	1,478,579	106,756	439,514
	<u>1,472,684</u>	<u>6,015,915</u>	<u>911,417</u>	<u>3,752,304</u>

21. INCOME TAX

A. Applicable tax rate

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

On 3 May 2023, the Branch obtained a gold status certificate of tax compliance from the General Department of Taxation (“GDT”) for the fiscal years 2022 and 2023, respectively.

B. Income tax expense

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Current income tax	336,511	1,383,060	2,993,139	12,232,959
Deferred tax	(208,681)	(857,679)	98,929	404,323
Income tax expense	<u>127,830</u>	<u>525,381</u>	<u>3,092,068</u>	<u>12,637,282</u>

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

	2023			2022		
	%	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)
(Loss)/Profit before income tax		(68,570)	(281,823)		15,228,314	62,238,119
Income tax expense at applicable tax rate of 20%	20	(13,714)	(56,365)	20	3,045,663	12,447,625
Under provision of prior year income tax	-	-	-	0	2,658	10,863
Non-deductible expenses	(206)	141,544	581,746	1	123,354	504,148
Others	-	-	-	(1)	(79,607)	(325,354)
Income tax expense	<u>(186)</u>	<u>127,830</u>	<u>525,381</u>	<u>20</u>	<u>3,092,068</u>	<u>12,637,282</u>

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

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

21. INCOME TAX (continue)

C. Current Income tax liability

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	2,712,659	11,168,017	3,358,401	13,682,126
Current income tax expense	336,511	1,383,060	2,993,139	12,232,959
Income tax paid	(3,023,585)	(12,426,934)	(3,638,881)	(14,872,107)
Currency translation difference	-	(19,628)	-	125,039
At 31 December	<u>25,585</u>	<u>104,515</u>	<u>2,712,659</u>	<u>11,168,017</u>

D. Deferred tax assets-net

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Deferred tax assets	867,026	3,541,801	773,568	3,184,780
Deferred tax liabilities	<u>(440,322)</u>	<u>(1,798,715)</u>	<u>(555,545)</u>	<u>(2,287,179)</u>
Deferred tax assets – net	<u>426,704</u>	<u>1,743,086</u>	<u>218,023</u>	<u>897,601</u>

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

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Unamortised loan fees	238,588	974,632	259,699	1,069,181
Property and equipment	31,506	128,702	35,980	148,130
Intangible assets	48,845	199,532	35,925	147,903
Impairment loss allowance	106,115	433,480	(124,592)	(512,945)
Right-of-use assets	(440,322)	(1,798,715)	(430,953)	(1,774,234)
Lease liabilities	<u>441,972</u>	<u>1,805,455</u>	<u>441,964</u>	<u>1,819,566</u>
	<u>426,704</u>	<u>1,743,086</u>	<u>218,023</u>	<u>897,601</u>

The movement of deferred tax assets is as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	218,023	897,601	316,952	1,291,262
Charged to profit or loss	208,681	857,679	(98,929)	(404,323)
Currency translation difference	-	(12,194)	-	10,662
At 31 December	<u>426,704</u>	<u>1,743,086</u>	<u>218,023</u>	<u>897,601</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

22. BRANCH'S CAPITAL

A. Branch's capital

The details of equity invested by the Head Office are as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Registered, issued, and fully paid	<u>90,000,000</u>	<u>360,000,000</u>	<u>90,000,000</u>	<u>360,000,000</u>

There was no change in shareholders and shareholding structure of the Branch during the financial year.

B. Dividends

No dividend was declared or paid and the Executive Management does not recommend any dividend to be paid for the year (2022: US\$20,000,000).

23. Regulatory reserves

Regulatory reserves represented the variance between impairment losses on financial instruments in accordance with CIFRSs and the regulatory provision in accordance with the requirement of the National Bank of Cambodia.

As at 31 December 2023, the Branch transferred from regulatory reserves to retained earnings of US\$1,240,637 (2022: Transferred from retained earnings to regulatory reserves of US\$969,243).

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

23. Regulatory reserves (continued)

	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Other assets US\$	Off-balance sheet items US\$	Total US\$
31 December 2023							
Allowance per the National Bank of Cambodia	173,333	575,275	9,985,682	50,573	902	410,236	11,196,001
Allowance per CIFRS 9	(8,089)	(111,781)	(6,471,182)	(10,007)	(90,249)	(110)	(6,691,418)
Regulatory reserves (A)	<u>165,244</u>	<u>463,494</u>	<u>3,514,500</u>	<u>40,566</u>	<u>(89,347)</u>	<u>410,126</u>	<u>4,504,583</u>
31 December 2022							
Allowance per the National Bank of Cambodia	71,707	1,519,703	5,600,008	50,565	-	333,594	7,575,577
Allowance per CIFRS 9	(7,150)	(145,059)	(1,665,409)	(11,291)	-	(1,448)	(1,830,357)
Regulatory reserves (B)	<u>64,557</u>	<u>1,374,644</u>	<u>3,934,599</u>	<u>39,274</u>	<u>-</u>	<u>332,146</u>	<u>5,745,220</u>
Transfer from regulatory reserves to retained earnings (A – B)							<u>(1,240,637)</u>
In KHR'000 (Note 5)							<u>(5,068,002)</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

24. Interest income

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Loans and advances to other financial institutions	4,851,352	19,939,057	5,394,491	22,047,284
Loans and advances to customers	25,490,345	104,765,318	23,205,169	94,839,526
Balances with the National Bank of Cambodia	819,176	3,366,813	530,542	2,168,325
Balances with other banks	724,543	2,977,872	236,699	967,389
Investment securities	290,467	1,193,819	63,159	258,131
	<u>32,175,883</u>	<u>132,242,879</u>	<u>29,430,060</u>	<u>120,280,655</u>

25. Interest expense

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Deposits from other financial institutions	2,690,505	11,057,975	1,785,576	7,297,649
Deposits from customers	1,226,871	5,042,440	53,154	217,240
Deposits from the Head Office	15,711,925	64,576,012	4,974,820	20,332,089
Borrowings	1,691,465	6,951,921	1,915,877	7,830,189
Lease liabilities	26,399	108,500	31,028	126,812
	<u>21,347,165</u>	<u>87,736,848</u>	<u>8,760,455</u>	<u>35,803,979</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

26. Net fees and commission income

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Fees and commission income				
Remittance	540,098	2,219,803	952,875	3,894,400
Service charges	3,448	14,171	3,765	15,388
Trade finance	150	617	50	204
Others	58,057	238,614	87,402	357,212
	<u>601,753</u>	<u>2,473,205</u>	<u>1,044,092</u>	<u>4,267,204</u>
Fees and commission expense	<u>(17,427)</u>	<u>(71,625)</u>	<u>(18,120)</u>	<u>(74,056)</u>
Net fees and commission income	<u>584,326</u>	<u>2,401,580</u>	<u>1,025,972</u>	<u>4,193,148</u>

27. Personal expense

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Salaries and wages	2,743,904	11,277,446	2,430,180	9,932,146
Seniority indemnity	589,074	2,421,094	535,142	2,187,125
Pension fund	7,683	31,577	1,753	7,165
Other benefits	295,072	1,212,746	270,471	1,105,415
	<u>3,635,733</u>	<u>14,942,863</u>	<u>3,237,546</u>	<u>13,231,851</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

28. Depreciation and amortisation

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Property and equipment (Note 13)	314,255	1,291,588	291,546	1,191,549
Intangible assets (Note 14)	164,643	676,683	121,891	498,169
Right-of-use assets (Note 15)	609,595	2,505,435	588,314	2,404,438
	<u>1,088,493</u>	<u>4,473,706</u>	<u>1,001,751</u>	<u>4,094,156</u>

29. Other operating expense

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Other taxes	758,471	3,117,315	589,058	2,407,480
Telecommunication and postage	353,279	1,451,977	326,041	1,332,530
Repairs and maintenance	192,137	789,683	146,864	600,233
License and other expenses	165,841	681,607	149,169	609,654
Travelling	126,600	520,326	53,532	218,785
Security	126,384	519,438	123,972	506,674
Legal, audit and related professional fees	126,226	518,789	74,736	305,446
Utilities	104,713	430,370	95,492	390,276
Insurance	76,420	314,086	69,234	282,959
Marketing and public relations	49,209	202,249	42,450	173,493
Office supplies and stationaries	43,970	180,717	47,372	193,609
Lease of low-value assets (Note 20)	27,832	114,390	26,463	108,154
Freight costs	18,601	76,450	22,842	93,356
Others	153,281	629,986	174,220	712,038
	<u>2,322,964</u>	<u>9,547,383</u>	<u>1,941,445</u>	<u>7,934,687</u>

Information on External Auditor Fee

Accounting Firm	Name of CPA	Audit Period	US\$	KHR' 000
KPMG Cambodia Ltd	Guek Teav	1 Jan 2023 ~ 31 Dec 2023	86,900	357,159

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

30. Impairment losses on financial instruments

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Net impairment loss on balances with other banks (Note 8)	939	3,859	(1,990)	(8,133)
Net impairment loss on loans and advances to other financial institutions (Note 9)	(33,278)	(136,773)	29,922	122,291
Net impairment loss on loans and advances to customers (Note 10)	4,805,773	19,751,727	11,208	45,807
Net impairment loss on investment in debt instruments at amortised cost (Note 11)	(1,284)	(5,277)	11,291	46,146
Net impairment loss on other assets (Note 12)	90,249	370,923	-	-
Net impairment for off-balance sheet items (Note 32A)	(1,338)	(5,499)	1,448	5,918
	<u>4,861,061</u>	<u>19,978,960</u>	<u>51,879</u>	<u>212,029</u>

31. Commitments and contingencies

A. Lending commitments

In the normal course of business, the Branch makes various commitments and incurs certain contingencies with legal recourse to its customers.

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Unused portion of overdraft	4,312,635	17,617,114	10,182,448	41,921,137
Loan commitments	36,518,012	149,176,079	23,176,971	95,419,590
Guarantees	4,138,364	16,905,217	4,000,000	16,468,000
Letter of credits	203,871	832,813	-	-
Total exposure	45,172,882	184,531,223	37,359,419	153,808,727
Less: Impairment loss allowance	(110)	(449)	(1,448)	(5,961)
Total	<u>45,172,772</u>	<u>184,530,774</u>	<u>37,357,971</u>	<u>153,802,766</u>

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

31. Commitments and contingencies (continued)

A. Lending commitments (continued)

The movement of impairment loss allowance on off-balance sheet items was as follows:

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January	1,448	5,961	-	-
Allowance for the year (Note 31)	(1,338)	(5,499)	1,448	5,918
Currency translation difference	-	(13)	-	43
At 31 December	<u>110</u>	<u>449</u>	<u>1,448</u>	<u>5,961</u>

B. Taxation contingencies

On 7 July 2020, there is a notification letter from the General Department of Taxation (“GDT”) for the comprehensive tax audit of the Branch for the period from 1 January 2017 to 31 December 2019. Up to the date of these financial statements, the tax audit is still on-going.

The tax returns of the Branch are subject to periodic examination by the tax authorities. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements of the Branch could be changed at a later date, upon final determination by the tax authorities.

32. Related parties

A. Related parties and relationships

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

Related parties	Relationship
Mega Financial Holding Co., Ltd	Ultimate parent company – Head Office
Mega International Commercial Bank Co., Ltd	Immediate parent company
Board of Management	The Board of Managements are those person overseeing the activities of the Branch.
Key management personnel	The key management personnel are those participating in the administration, direction, management or the design and implementation of the internal controls of the Branch. The key management personnel of the Branch include all EXCOM members appointed by the Board of Management.

Mega International Commercial Bank Co., Ltd Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

32. Related parties (continued)

B. Transactions with related parties

	2023		2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Head Office</i>				
Interest income	724,279	2,976,787	236,696	967,377
Interest expense (Note 26)	15,711,925	64,576,012	4,974,820	20,332,089
IP VPN internet expense	272,863	1,121,467	260,850	1,066,094
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Key management personnel</i>				
Salary and remuneration	957,054	3,933,492	909,702	3,717,952
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

C. Balances with related parties

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<i>Balances with other banks</i>				
Head Office	16,315,312	66,648,050	2,107,929	8,678,344
Other branches	274,908	1,122,999	70,539	290,409
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	16,590,220	67,771,049	2,178,468	8,968,753
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Deposits from customers (Note 17)</i>				
Deposits from key management	61,621	251,722	162,027	667,065
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Deposits from the Head Office (Note 18)</i>				
Deposits	239,750,000	979,378,750	260,625,000	1,072,993,125
Interest payables	3,090,180	12,623,385	1,460,649	6,013,492
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	242,840,180	992,002,135	262,085,649	1,079,006,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

33. Cash and cash equivalents

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash on hand (Note 6)	7,071,612	28,887,535	6,134,930	25,257,507
Balances with the National Bank of Cambodia:				
Current accounts	2,315,242	9,457,764	43,525,539	179,194,644
Settlement accounts	699,972	2,859,385	2,615,057	10,766,190
Negotiable certificate of deposits with original maturity less than three months	-	-	1,882,529	7,750,371
Balances with other banks (Note 8)	<u>18,213,463</u>	<u>74,401,997</u>	<u>9,378,620</u>	<u>38,611,779</u>
Cash and cash equivalents in the statement of cash flows	<u>28,300,289</u>	<u>115,606,681</u>	<u>63,536,675</u>	<u>261,580,491</u>

34. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2023	Mandatorily at FVTPL	Amortised cost	Total carrying amount	
	US\$	US\$	US\$	KHR'000 (Note 5)
Financial assets				
Cash on hand	-	7,071,612	7,071,612	28,887,535
Balances with the National Bank of Cambodia	-	78,035,361	78,035,361	318,774,450
Balances with other banks	-	18,205,374	18,205,374	74,368,953
Loans and advances to other financial institutions	-	57,261,137	57,261,137	233,911,745
Loans and advances to customers	-	337,948,768	337,948,768	1,380,520,718
Investment securities	-	5,047,253	5,047,253	20,618,028
Other assets	-	342,562	342,562	1,399,366
Total financial assets	<u>-</u>	<u>503,912,067</u>	<u>503,912,067</u>	<u>2,058,480,795</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

34. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

31 December 2023	Mandatorily at FVTPL US\$	Amortised cost US\$	Total carrying amount	
			US\$	KHR'000 (Note 5)
Financial liabilities				
Deposits from other financial institutions	-	36,194,673	36,194,673	147,855,239
Deposits from customers	-	91,836,019	91,836,019	375,150,138
Deposits from the Head Office	-	242,840,180	242,840,180	992,002,135
Borrowings	-	17,617,289	17,617,289	71,966,626
Lease liabilities	-	2,209,864	2,209,864	9,027,294
Other liabilities	-	1,148,718	1,148,718	4,692,513
Total financial liabilities	-	391,846,743	391,846,743	1,600,693,945
31 December 2022	Mandatorily at FVTPL US\$	Amortised cost US\$	Total carrying amount	
			US\$	KHR'000 (Note 5)
Financial assets				
Cash on hand	-	6,134,930	6,134,930	25,257,507
Balances with the National Bank of Cambodia	-	116,739,256	116,739,256	480,615,517
Balances with other banks	-	9,371,470	9,371,470	38,582,342
Loans and advances to other financial institutions	-	76,415,768	76,415,768	314,603,717
Loans and advances to customers	-	364,221,890	364,221,890	1,499,501,521
Investment securities	-	6,021,552	6,021,552	24,790,730
Other assets	-	256,227	256,227	1,054,887
Total financial assets	-	579,161,093	579,161,093	2,384,406,221
Financial liabilities				
Deposits from other financial institutions	-	84,997,557	84,997,557	349,934,942
Deposits from customers	-	81,137,189	81,137,189	334,041,807
Deposits from the Head Office	-	262,085,649	262,085,649	1,079,006,617
Borrowings	-	32,538,043	32,538,043	133,959,123
Lease liabilities	-	2,209,818	2,209,818	9,097,821
Other liabilities	-	707,120	707,120	2,911,213
Total financial liabilities	-	463,675,376	463,675,376	1,908,951,523

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. Financial risk management

A. Introduction and overview

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

- *Credit risk;*
- *Liquidity risk;*
- *Market risk; and*
- *Operational risk.*

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

The Branch holds the following financial assets and liabilities:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Financial assets				
Cash on hand	7,071,612	28,887,535	6,134,930	25,257,507
Balances with the National Bank of Cambodia	78,035,361	318,774,450	116,739,256	480,615,517
Balances with other banks	18,205,374	74,368,953	9,371,470	38,582,342
Loans and advances to other financial institutions	57,261,137	233,911,745	76,415,768	314,603,717
Loans and advances to customers	337,948,768	1,380,520,718	364,221,890	1,499,501,521
Investment securities	5,047,253	20,618,028	6,021,552	24,790,730
Other assets	342,562	1,399,366	256,227	1,054,887
	<u>503,912,067</u>	<u>2,058,480,795</u>	<u>579,161,093</u>	<u>2,384,406,221</u>
Financial liabilities				
Deposits from other financial institutions	36,194,673	147,855,239	84,997,557	349,934,942
Deposits from customers	91,836,019	375,150,138	81,137,189	334,041,807
Deposits from the Head Office	242,840,180	992,002,135	262,085,649	1,079,006,617
Borrowings	17,617,289	71,966,626	32,538,043	133,959,123
Lease liabilities	2,209,864	9,027,294	2,209,818	9,097,821
Other liabilities	1,148,718	4,692,513	707,120	2,911,213
	<u>391,846,743</u>	<u>1,600,693,945</u>	<u>463,675,376</u>	<u>1,908,951,523</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. Financial risk management (continued)

A. Introduction and overview (continued)

Risk management functional and governance structure

The Branch's Executive Managements has overall responsibility for the establishment and oversight of the Branch's risk management framework.

A primary objective of the Branch in risk management is to comply with the NBC's regulations. On the other hand, the Branch has recognised the importance of achieving international best practices on risk management. The Branch has established a Risk and Compliance Management Meeting to formulate broad parameters of acceptable risk for the Branch and monitor the activities against these parameters.

B. Credit Risk

(i) Credit risk measurement

The Branch assesses the probability of default of individual counterparties using internal rating tool. Local credit committee is responsible for determining the risk rating policies.

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

(ii) 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. Large exposure is defined by the NBC as overall credit exposure to any individual beneficiary which exceeds 10% of the Branch's net worth.

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

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 to customers, which is common practice. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. *Financial risk management (continued)*

B. Credit risk (continued)

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

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

(iii) *Management of credit risk*

- Developing and maintaining the Branch's processes for measuring ECL: This includes processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Branch in the management of credit risk.
- 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 to customers, which is common practice. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:
 - Mortgages over residential properties (land, building and other properties);
 - Charges over business assets such as land and buildings; and
 - Cash in the form of margin deposits

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. *Financial risk management (continued)*

B. Credit risk (continued)

(iv) Concentration of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Branch's performance to developments affecting a particular industry or geographic location.

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. Financial risk management (continued)

B. Credit risk (continued)

(iv) Concentration of risks

Type of credit exposure

31 December 2023	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
On Balance sheet items					
Balances with the National Bank of Cambodia	78,035,361	318,774,450	-	-	100%
Balances with other banks	18,205,374	74,368,953	-	-	100%
Loans and advances to other financial institutions	57,261,137	233,911,745	-	-	100%
Loans and advances to customers	337,948,768	1,380,520,718	100%	-	-
Investment securities	5,047,253	20,618,028	99.06%	-	0.94%
Other assets	342,562	1,399,366	-	-	100%
Total	<u>496,840,455</u>	<u>2,029,593,260</u>			
Off-Balance sheet items					
Commitments	<u>45,172,772</u>	<u>184,530,774</u>	100%	-	-

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. *Financial risk management (continued)*

B. *Credit risk (continued)*

(d) Concentration of risks(continued)

Type of credit exposure(continued)

31 December 2022	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
On Balance sheet items					
Balances with the National Bank of Cambodia	116,739,256	480,615,517	-	-	100%
Balances with other banks	9,371,470	38,582,342	-	-	100%
Loans and advances to other financial institutions	76,415,768	314,603,717	-	-	100%
Loans and advances to customers	364,221,890	1,499,501,521	100%	-	-
Investment securities	6,021,552	24,790,730	83%	-	17%
Other assets	256,227	1,054,887	-	-	100%
Total	573,026,163	2,359,148,714			
Off-Balance sheet items					
Commitments	37,357,971	153,802,766	100%	-	-

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(d) Concentration of risks (continued)

Concentration by industrial sectors

31 December 2023	Balances with the National Bank of Cambodia US\$	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment debt securities US\$	Other assets US\$	Commitments US\$	Total US\$
Construction	-	-	-	99,077,222	5,047,253	-	3,397,655	107,522,130
Financial institutions	78,035,361	18,205,374	57,261,137	-	-	-	-	153,501,872
Wholesale and retail	-	-	-	64,466,456	-	-	21,519,416	85,985,872
Housing	-	-	-	27,686,753	-	-	3,027	27,689,780
Hotels and restaurants	-	-	-	12,151,972	-	-	851,999	13,003,971
Manufacturing	-	-	-	10,447,785	-	-	760,217	11,208,002
Personal	-	-	-	8,428,716	-	-	471,655	8,900,371
Transportation and storage	-	-	-	1,726,704	-	-	240,962	1,967,666
Others	-	-	-	113,963,160	-	342,562	17,927,841	132,233,563
Total (US\$)	78,035,361	18,205,374	57,261,137	337,948,768	5,047,253	342,562	45,172,772	542,013,227
Total (KHR'000 – Note 5)	318,774,450	74,368,953	233,911,745	1,380,520,718	20,618,028	1,399,366	184,530,774	2,214,124,034

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(d) Concentration of risks (continued)

Concentration by industrial sectors (continued)

31 December 2022	Balances with the National Bank of Cambodia US\$	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment debt securities US\$	Other assets US\$	Commitments US\$	Total US\$
Construction	-	-	-	123,987,400	5,045,216	-	1,305,514	130,338,130
Financial institutions	116,739,256	9,371,470	76,415,768	-	976,336	-	-	203,502,830
Wholesale and retail	-	-	-	68,313,701	-	-	19,981	68,333,682
Housing	-	-	-	34,095,401	-	-	-	34,095,401
Hotels and restaurants	-	-	-	18,838,125	-	-	-	18,838,125
Manufacturing	-	-	-	13,929,708	-	-	-	13,929,708
Personal	-	-	-	7,759,049	-	-	32,032,476	39,791,525
Transportation and storage	-	-	-	2,024,330	-	-	-	2,024,330
Others	-	-	-	95,274,176	-	256,227	4,000,000	99,530,403
Total (US\$)	116,739,256	9,371,470	76,415,768	364,221,890	6,021,552	256,227	37,357,971	610,384,134
Total (KHR'000 – Note 5)	480,615,517	38,582,342	314,603,717	1,499,501,521	24,790,730	1,054,887	153,802,766	2,512,951,480

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(d) Concentration of risks (continued)

Concentration risk by residency and relationship, and large-exposures for net loans and advances to customers:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
By residency status:				
Non-residents	-	-	-	-
Residents	344,419,950	1,406,955,496	365,887,299	1,506,358,010
	<u>344,419,950</u>	<u>1,406,955,496</u>	<u>365,887,299</u>	<u>1,506,358,010</u>
By relationship:				
External customers	342,172,286	1,397,773,789	364,166,505	1,499,273,501
Staff loans	2,247,664	9,181,707	1,720,794	7,084,509
	<u>344,419,950</u>	<u>1,406,955,496</u>	<u>365,887,299</u>	<u>1,506,358,010</u>
By exposure:				
Large exposures (*)	117,993,041	482,001,573	101,937,193	419,675,424
Non-large exposures	226,426,909	924,953,923	263,950,106	1,086,682,586
	<u>344,419,950</u>	<u>1,406,955,496</u>	<u>365,887,299</u>	<u>1,506,358,010</u>
By concession:				
Restructure (**)	21,679,220	88,559,614	15,409,814	63,442,204
Non-restructure	322,740,730	1,318,395,882	350,477,485	1,442,915,806
	<u>344,419,950</u>	<u>1,406,955,496</u>	<u>365,887,299</u>	<u>1,506,358,010</u>

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. **FINANCIAL RISK MANAGEMENT** (continued)

B. Credit risk (continued)

(e) Collateral

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

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

Balances with the National Bank of Cambodia, balances with other banks, investment in debt securities, and other assets

Collateral is generally not sought for these assets.

Loans and advances, contingent liabilities, and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage, real estate, industrial real estate and land. exposures are generally fully secured by residential properties with hard title. The Branch set Loan to Collateral Value ("LTV") < 70% as the maximum eligible ratio for the loan disbursement to customers.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(e) Collateral (continued)

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

	Collateral/credit enhancement			Unsecured credit exposure US\$	Total US\$
	Properties US\$	Fixed deposits US\$	Others US\$		
31 December 2023					
Loans and advances to other financial institutions	-	-	-	57,261,137	57,261,137
Loans and advances to customers	337,948,768	-	-	-	337,948,768
Commitments	40,830,537	4,342,235	-	-	45,172,772
	<u>378,779,305</u>	<u>4,342,235</u>	<u>-</u>	<u>57,261,137</u>	<u>440,382,677</u>
KHR'000 (Note 5)	<u>1,547,313,461</u>	<u>17,738,030</u>	<u>-</u>	<u>233,911,745</u>	<u>1,798,963,236</u>
31 December 2022					
Loans and advances to other financial institutions	-	-	-	76,415,768	76,415,768
Loans and advances to customers	364,221,890	-	-	-	364,221,890
Commitments	33,357,971	4,000,000	-	-	37,357,971
	<u>397,579,861</u>	<u>4,000,000</u>	<u>-</u>	<u>76,415,768</u>	<u>477,995,629</u>
KHR'000 (Note 5)	<u>1,636,836,287</u>	<u>16,468,000</u>	<u>-</u>	<u>314,603,717</u>	<u>1,967,908,004</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis

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

Normal:

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

Special Mention:

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

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

Substandard

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

Factors leading to a substandard classification include:

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis (continued)

Doubtful

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

Loss

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

Recognition of ECL

The Branch apply a three-Stage approach based on the change in credit quality since initial recognition:

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. **FINANCIAL RISK MANAGEMENT** (continued)

B. Credit risk (continued)

(f) *Credit quality analysis* (continued)

Recognition of ECL (continued)

Stage	Credit risk status	Default indicator
1	12-month ECL – not credit-impaired	0 to 29 days past due (“DPD”)
2	Lifetime ECL – not credit-impaired	Short term: 30 DPD Long term: 30 to 90 DPD
3	Lifetime ECL – credit-impaired	Short term: more than 31 DPD Long term: more than 90 DPD

The definition of default used for these purposes shall be applied consistently to all financial assets unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument.

The following tables set out information about the credit quality of financial assets measured at amortised cost without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to other financial institutions at amortised cost				
Normal	57,372,918	-	-	57,372,918
Less: Impairment loss allowance	(111,781)	-	-	(111,781)
Carrying amounts (US\$)	<u>57,261,137</u>	<u>-</u>	<u>-</u>	<u>57,261,137</u>
Carrying amounts (KHR'000)	<u>233,911,745</u>	<u>-</u>	<u>-</u>	<u>233,911,745</u>
	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to other financial institutions at amortised cost				
Normal	76,560,827	-	-	76,560,827
Less: Impairment loss allowance	(145,059)	-	-	(145,059)
Carrying amounts (US\$)	<u>76,415,768</u>	<u>-</u>	<u>-</u>	<u>76,415,768</u>
Carrying amounts (KHR'000)	<u>314,603,717</u>	<u>-</u>	<u>-</u>	<u>314,603,717</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Normal	313,448,693	1,244,224	-	314,692,917
Special mention	15,273,547	6,917,819	-	22,191,366
Substandard	197,992	917,160	339,679	1,454,831
Doubtful	-	-	-	-
Loss	-	-	6,080,836	6,080,836
	<u>328,920,232</u>	<u>9,079,203</u>	<u>6,420,515</u>	<u>344,419,950</u>
Less: Impairment loss allowance	<u>(101,403)</u>	<u>(246,602)</u>	<u>(6,123,177)</u>	<u>(6,471,182)</u>
Carrying amounts (US\$)	<u>328,818,829</u>	<u>8,832,601</u>	<u>297,338</u>	<u>337,948,768</u>
Carrying amounts (KHR'000)	<u>1,343,224,917</u>	<u>36,081,175</u>	<u>1,214,626</u>	<u>1,380,520,718</u>
	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Normal	345,241,878	-	-	345,241,878
Special mention	14,048,431	-	-	14,048,431
Substandard	4,223,526	-	851,061	5,074,587
Doubtful	-	-	142,420	142,420
Loss	-	-	1,379,983	1,379,983
	<u>363,513,835</u>	<u>-</u>	<u>2,373,464</u>	<u>365,887,299</u>
Less: Impairment loss allowance	<u>(163,463)</u>	<u>-</u>	<u>(1,501,946)</u>	<u>(1,665,409)</u>
Carrying amounts (US\$)	<u>363,350,372</u>	<u>-</u>	<u>871,518</u>	<u>364,221,890</u>
Carrying amounts (KHR'000)	<u>1,495,913,482</u>	<u>-</u>	<u>3,588,039</u>	<u>1,499,501,521</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks				
Normal	18,213,463	-	-	18,213,463
Less: Impairment loss allowance	(8,089)	-	-	(8,089)
Carrying amounts (US\$)	<u>18,205,374</u>	<u>-</u>	<u>-</u>	<u>18,205,374</u>
Carrying amounts (KHR'000)	<u>74,368,953</u>	<u>-</u>	<u>-</u>	<u>74,368,953</u>
	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks				
Normal	9,378,620	-	-	9,378,620
Less: Impairment loss allowance	(7,150)	-	-	(7,150)
Carrying amounts (US\$)	<u>9,371,470</u>	<u>-</u>	<u>-</u>	<u>9,371,470</u>
Carrying amounts (KHR'000)	<u>38,582,342</u>	<u>-</u>	<u>-</u>	<u>38,582,342</u>
	31 December 2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Investment securities at amortised cost				
Normal	5,057,260	-	-	5,057,260
Less: Impairment loss allowance	(10,007)	-	-	(10,007)
Carrying amounts (US\$)	<u>5,047,253</u>	<u>-</u>	<u>-</u>	<u>5,047,253</u>
Carrying amounts (KHR'000)	<u>20,618,028</u>	<u>-</u>	<u>-</u>	<u>20,618,028</u>

There is no investment securities at amortised cost as at 31 December 2021.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Investment securities at amortised cost				
Normal	6,032,843	-	-	6,032,843
Less: Impairment loss allowance	(11,291)	-	-	(11,291)
Carrying amounts (US\$)	<u>6,021,552</u>	<u>-</u>	<u>-</u>	<u>6,021,552</u>
Carrying amounts (KHR'000)	<u>24,790,730</u>	<u>-</u>	<u>-</u>	<u>24,790,730</u>

	31 December 2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Other assets				
Normal	342,562	-	90,249	432,811
Less: Impairment loss allowance	-	-	(90,249)	(90,249)
Carrying amounts (US\$)	<u>342,562</u>	<u>-</u>	<u>-</u>	<u>342,562</u>
Carrying amounts (KHR'000)	<u>1,399,366</u>	<u>-</u>	<u>-</u>	<u>1,399,366</u>

	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Other assets				
Normal	256,227	-	-	256,227
Less: Impairment loss allowance	-	-	-	-
Carrying amounts (US\$)	<u>256,227</u>	<u>-</u>	<u>-</u>	<u>256,227</u>
Carrying amounts (KHR'000)	<u>1,054,887</u>	<u>-</u>	<u>-</u>	<u>1,054,887</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans commitment and financial guarantee contracts				
Normal	45,172,882	-	-	45,172,882
Less: Impairment loss allowance	(110)	-	-	(110)
Carrying amounts (US\$)	<u>45,172,772</u>	<u>-</u>	<u>-</u>	<u>45,172,772</u>
Carrying amounts (KHR'000)	<u>184,530,774</u>	<u>-</u>	<u>-</u>	<u>184,530,774</u>

	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans commitment and financial guarantee contracts				
Normal	37,359,419	-	-	37,359,419
Less: Impairment loss allowance	(1,448)	-	-	(1,448)
Carrying amounts (US\$)	<u>37,357,971</u>	<u>-</u>	<u>-</u>	<u>37,357,971</u>
Carrying amounts (KHR'000)	<u>153,802,766</u>	<u>-</u>	<u>-</u>	<u>153,802,766</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(f) Credit quality analysis (continued)

Recognition of ECL (continued)

Incorporation of forward-looking information

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

The Branch's estimation of forward-looking impairment parameters is proxied from Head Office. On a frequency of a quarterly basis, the Head Office provides that Branch with an updated probability-weighted PD, having considered a range of forward-looking scenarios, i.e. economic growth rate, unemployment rate, price index, interest rate, exchange rate, house price index, etc. and performed an analysis on transition matrix and correlation under various macroeconomic scenarios.

Head Office shall adjust local oversea Branch based on correlation between regional GDP and Taiwan GDP, the latter categorized under Emerging and Developing Asia ("EDA") and Taiwanese GDP, sourced from Taiwan's economic outlook released by Taiwan Research Institute and World Economic Outlook released by IMF. Cambodia is within EDA, therefore the Head Office deemed the correlation coefficient between Taiwan and EDA, hence Taiwan and Cambodia is similar. Following the identified macroeconomic variable scenarios, the Head Office constructs a regression equation module to assess the economic impact on credit ratings. An average impairment parameter estimates are computed out of the regression equation module to historical default rates as rating transition ratio.

Then, through the construction of migration rate under various economic conditions, the Bank's internal rating model one-year historical average rating transition matrix is adjusted to derive 12-month PDs which will be considered as PD estimates that incorporated forward-looking information.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(g) Amount arising from ECL

Loss allowance

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

	2023			Total US\$
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	
Loans and advances to other financial institutions at amortised cost				
Balance at 1 January	145,059	-	-	145,059
Net remeasurement of loss allowance	(26,857)	-	-	(26,857)
New financial assets originated or purchased	1,566	-	-	1,566
Financial assets that have been derecognised	(7,987)	-	-	(7,987)
Balance at 31 December (US\$)	<u>111,781</u>	<u>-</u>	<u>-</u>	<u>111,781</u>
Balance at 31 December (KHR'000)	<u>456,625</u>	<u>-</u>	<u>-</u>	<u>456,625</u>

	2022			Total US\$
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	
Loans and advances to other financial institutions at amortised cost				
Balance at 1 January	115,137	-	-	115,137
Net remeasurement of loss allowance	1,281	-	-	1,281
New financial assets originated or purchased	56,257	-	-	56,257
Financial assets that have been derecognised	(27,616)	-	-	(27,616)
Balance at 31 December (US\$)	<u>145,059</u>	<u>-</u>	<u>-</u>	<u>145,059</u>
Balance at 31 December (KHR'000)	<u>597,208</u>	<u>-</u>	<u>-</u>	<u>597,208</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(g) Amount arising from ECL

Loss allowance (continued)

	2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Balance at 1 January	163,463	-	1,501,946	1,665,409
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(427)	427	-	-
- Transfer to Stage 3	(31,659)	-	31,659	-
Net remeasurement of loss allowance	(21,878)	54,135	4,585,905	4,618,162
New financial assets originated or purchased	20,526	192,040	20,950	233,516
Financial assets that have been derecognised	(28,621)	-	(17,284)	(45,905)
Balance at 31 December (US\$)	<u>101,404</u>	<u>246,602</u>	<u>6,123,176</u>	<u>6,471,182</u>
Balance at 31 December (KHR'000)	<u>414,235</u>	<u>1,007,369</u>	<u>25,013,174</u>	<u>26,434,778</u>

	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Balance at 1 January	150,344	61,099	1,442,758	1,654,201
- Transfer to Stage 1	59,537	(59,537)	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	(223)	-	223	-
Net remeasurement of loss allowance	(46,623)	-	58,965	12,342
New financial assets originated or purchased	60,644	-	-	60,644
Financial assets that have been derecognised	(60,216)	(1,562)	-	(61,778)
Balance at 31 December (US\$)	<u>163,463</u>	<u>-</u>	<u>1,501,946</u>	<u>1,665,409</u>
Balance at 31 December (KHR'000)	<u>672,977</u>	<u>-</u>	<u>6,183,512</u>	<u>6,856,489</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(g) Amount arising from ECL

Loss allowance (continued)

	2023			Total US\$
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	
Investment securities at amortised cost				
Balance at 1 January	11,291	-	-	11,291
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	(1,284)	-	-	(1,284)
Balance at 31 December (US\$)	10,007	-	-	10,007
Balance at 31 December (KHR'000)	40,879	-	-	40,879

	2022			Total US\$
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	
Investment securities at amortised cost				
Balance at 1 January	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	11,291	-	-	11,291
Balance at 31 December (US\$)	11,291	-	-	11,291
Balance at 31 December (KHR'000)	46,485	-	-	46,485

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(g) Amount arising from ECL

Loss allowance (continued)

	2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks				
Balance at 1 January	7,150	-	-	7,150
Net remeasurement of loss allowance	939	-	-	939
New financial assets originated or purchased	-	-	-	-
Balance at 31 December (US\$)	<u>8,089</u>	<u>-</u>	<u>-</u>	<u>8,089</u>
Balance at 31 December (KHR'000)	<u>33,044</u>	<u>-</u>	<u>-</u>	<u>33,044</u>
	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks				
Balance at 1 January	9,140	-	-	9,140
Net remeasurement of loss allowance	(1,990)	-	-	(1,990)
New financial assets originated or purchased	-	-	-	-
Balance at 31 December (US\$)	<u>7,150</u>	<u>-</u>	<u>-</u>	<u>7,150</u>
Balance at 31 December (KHR'000)	<u>29,437</u>	<u>-</u>	<u>-</u>	<u>29,437</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

(g) Amount arising from ECL

Loss allowance (continued)

	2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loan commitments and financial guarantee contracts				
Balance at 1 January	1,448	-	-	1,448
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	110	-	-	110
Financial assets that have been derecognised	(1,448)	-	-	(1,448)
Balance at 31 December (US\$)	<u>110</u>	<u>-</u>	<u>-</u>	<u>110</u>
Balance at 31 December (KHR'000)	<u>449</u>	<u>-</u>	<u>-</u>	<u>449</u>
	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loan commitments and financial guarantee contracts				
Balance at 1 January	-	-	-	-
Net remeasurement of loss allowance	1,448	-	-	1,448
New financial assets originated or purchased	-	-	-	-
Balance at 31 December (US\$)	<u>1,448</u>	<u>-</u>	<u>-</u>	<u>1,448</u>
Balance at 31 December (KHR'000)	<u>5,961</u>	<u>-</u>	<u>-</u>	<u>5,961</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. **FINANCIAL RISK MANAGEMENT** (continued)

C. **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 fulfill commitments to lend.

Management monitors the financial position liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

Financial assets

Analysis of financial assets into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Branch can be required to pay.

(i). Management of liquidity risk

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

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

The following tables set out the remaining contractual maturities of the Branch's financial liabilities and financial assets.

31 December 2023	Carrying amount US\$	Gross nominal Inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 months to 1 years US\$	> 1 - 5 years US\$	Over 5 years US\$
Financial liabilities by type							
Deposits from other financial institutions	36,194,673	(36,385,624)	(11,053,618)	(25,332,006)	-	-	-
Deposits from customers	91,836,019	(92,687,485)	(53,899,818)	(11,328,317)	(27,459,350)	-	-
Deposits from the Head Office	242,840,180	(248,515,558)	(9,953,614)	(51,286,861)	(177,514,624)	(9,760,459)	-
Borrowings	17,617,289	(17,696,245)	(12,764,226)	(4,932,019)	-	-	-
Lease liabilities	2,209,864	(2,209,867)	(53,821)	(107,865)	(448,964)	(1,599,217)	-
Other liabilities	1,148,718	(1,148,718)	(1,148,718)	-	-	-	-
Commitments	45,172,772	(45,172,882)	(1,800,345)	(9,450,813)	(23,189,965)	(15,010)	(10,716,749)
Total US\$	<u>437,019,515</u>	<u>(443,816,379)</u>	<u>(90,674,160)</u>	<u>(102,437,881)</u>	<u>(228,612,903)</u>	<u>(11,374,686)</u>	<u>(10,716,749)</u>
KHR'000 (Note 5)	<u>1,785,224,719</u>	<u>(1,812,989,908)</u>	<u>(370,403,944)</u>	<u>(418,458,744)</u>	<u>(933,883,709)</u>	<u>(46,465,592)</u>	<u>(43,777,920)</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

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

The following tables set out the remaining contractual maturities of the Branch's financial liabilities and financial assets. (continued)

31 December 2023	Carrying amount US\$	Gross nominal Inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 months to 1 years US\$	> 1 - 5 years US\$	Over 5 years US\$
Financial assets by type							
Cash on hand	7,071,612	7,071,612	7,071,612	-	-	-	-
Balances with the National Bank of Cambodia	78,035,361	78,204,703	3,015,214	24,033,584	18,293,449	-	32,862,456
Balances with other banks	18,205,374	18,205,374	18,205,374	-	-	-	-
Loans and advances to other financial institutions	57,261,137	66,137,697	559,814	-	1,601,475	63,976,408	-
Loans and advances to customers	337,948,768	445,685,363	5,785,483	19,871,509	62,261,013	111,451,643	246,315,715
Investment securities	5,047,253	5,275,753	-	-	-	5,275,753	-
Other assets	342,562	342,562	90,367	11,780	36,930	153,000	50,485
Total US\$	503,912,067	620,923,064	34,727,864	43,916,873	82,192,867	180,856,804	279,228,656
KHR'000 (Note 5)	2,058,480,795	2,536,470,716	141,863,324	179,400,426	335,757,862	738,800,044	1,140,649,060

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

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

The following tables set out the remaining contractual maturities of the Branch's financial liabilities and financial assets. (continued)

31 December 2022	Carrying amount US\$	Gross nominal Inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 months to 1 years US\$	> 1 - 5 years US\$	Over 5 years US\$
Financial liabilities by type							
Deposits from other financial institutions	84,997,557	(85,453,092)	(31,784,231)	(53,668,861)	-	-	-
Deposits from customers	81,137,189	(81,296,604)	(76,610,653)	(11,293)	(4,674,658)	-	-
Deposits from the Head Office	262,085,649	(264,537,256)	(149,386,439)	(98,932,050)	(16,218,767)	-	-
Borrowings	32,538,043	(33,279,433)	(3,122,586)	(6,509,607)	(23,647,240)	-	-
Lease liabilities	2,209,818	(2,281,000)	(54,400)	(108,800)	(471,600)	(1,420,920)	(225,280)
Other liabilities	707,120	(707,120)	(707,120)	-	-	-	-
Commitments	37,357,971	(38,881,678)	(2,130,364)	(9,714,931)	(24,759,080)	(1,462,303)	(815,000)
Total US\$	<u>501,033,347</u>	<u>(506,436,183)</u>	<u>(263,795,793)</u>	<u>(168,945,542)</u>	<u>(69,771,345)</u>	<u>(2,883,223)</u>	<u>(1,040,280)</u>
KHR'000 (Note 5)	<u>2,062,754,290</u>	<u>(2,084,997,765)</u>	<u>(1,086,047,280)</u>	<u>(695,548,796)</u>	<u>(287,248,627)</u>	<u>(11,870,229)</u>	<u>(4,282,833)</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

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

The following tables set out the remaining contractual maturities of the Branch's financial liabilities and financial assets. (continued)

31 December 2022	Carrying amount US\$	Gross nominal Inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 months to 1 years US\$	> 1 - 5 years US\$	Over 5 years US\$
Financial assets by type							
Cash on hand	6,134,930	6,134,930	6,134,930	-	-	-	-
Balances with the National Bank of Cambodia	116,739,256	117,071,584	49,318,584	8,488,793	23,756,314	-	35,507,893
Balances with other banks	9,371,470	9,371,470	9,371,470	-	-	-	-
Loans and advances to other financial institutions	76,415,768	91,857,010	-	738,036	4,498,571	86,620,403	-
Loans and advances to customers	364,221,890	481,431,624	9,076,757	12,830,517	78,574,215	124,941,180	256,008,955
Investment securities	6,021,552	6,814,699	-	-	1,264,699	5,550,000	-
Other assets	256,227	256,227	1,250	10,280	33,427	161,000	50,270
Total US\$	579,161,093	712,937,544	73,902,991	22,067,626	108,127,226	217,272,583	291,567,118
KHR'000 (Note 5)	2,384,406,221	2,935,163,868	304,258,614	90,852,416	445,159,789	894,511,224	1,200,381,825

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. **FINANCIAL RISK MANAGEMENT** (continued)

C. **Liquidity risk** (continued)

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

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

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial assets and liabilities	Undiscounted cash flows, which include estimated interest payments.
Derivative financial liabilities and derivative financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Issued financial guarantee contract and issued loan commitments	Earliest possible contractual maturity.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

(iii). Financial assets available to support future funding

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

	Encumbered		Unencumbered		US\$	Total KHR'000 (Note 5)
	Pledged as collateral US\$	Other (*) US\$	Available as collateral US\$	Other (**) US\$		
31 December 2023						
Cash on hand	-	-	-	7,071,612	7,071,612	28,887,535
Balances with the National Bank of Cambodia	41,800,000	9,000,000	-	27,235,361	78,035,361	318,774,450
Balances with other banks	-	-	-	18,205,374	18,205,374	74,368,953
Loans and advances to other financial institutions	-	-	-	57,261,137	57,261,137	233,911,745
Loans and advances to customers	-	-	-	337,948,768	337,948,768	1,380,520,718
Investment securities	-	-	-	5,047,253	5,047,253	20,618,028
Other assets	-	-	-	342,562	342,562	1,399,366
	<u>41,800,000</u>	<u>9,000,000</u>	<u>-</u>	<u>453,112,067</u>	<u>503,912,067</u>	<u>2,058,480,795</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

C. Liquidity risk (continued)

(iii). Financial assets available to support future funding

The following table sets out the availability of the Branch's financial assets to support future funding. (continued)

	Encumbered		Unencumbered		US\$	Total KHR'000 (Note 5)
	Pledged as collateral US\$	Other(*) US\$	Available as collateral US\$	Other (**) US\$		
31 December 2022						
Cash on hand	-	-	-	6,134,930	6,134,930	25,257,507
Balances with the National Bank of Cambodia	31,649,259	9,000,000	-	76,089,997	116,739,256	480,615,517
Balances with other banks	-	-	-	9,371,470	9,371,470	38,582,342
Loans and advances to other financial institutions	-	-	-	76,415,768	76,415,768	314,603,717
Loans and advances to customers	-	-	-	364,221,890	364,221,890	1,499,501,521
Investment securities	-	-	-	6,021,552	6,021,552	24,790,730
Other assets	-	-	-	256,227	256,227	1,054,887
	<u>31,649,259</u>	<u>9,000,000</u>	<u>-</u>	<u>538,511,834</u>	<u>579,161,093</u>	<u>2,384,406,221</u>

(*) Represents assets that are not pledged but that the Branch believes it is restricted from using to secure funding, for legal or other reasons.

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk

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

(i) Interest rate risk

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk (continued)

(i) Interest rate risk (continued)

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

31 December 2023	Carrying amount US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$
Financial assets								
Cash on hand	7,071,612	-	-	-	-	-	-	7,071,612
Balances with the National Bank of Cambodia	78,035,361	-	23,967,624	8,147,934	10,042,132	-	-	35,877,671
Balances with other banks	18,205,374	-	-	-	-	-	-	18,205,374
Loans and advances to other financial institutions	57,261,137	555,708	4,737,532	14,158,816	37,809,081	-	-	-
Loans and advances to customers	337,948,768	23,480,745	59,849,380	66,246,831	187,617,660	-	754,152	-
Investment securities	5,047,253	-	-	-	-	5,047,253	-	-
Other assets	342,562	-	-	-	-	-	-	342,562
	<u>503,912,067</u>	<u>24,036,453</u>	<u>88,554,536</u>	<u>88,553,581</u>	<u>235,468,873</u>	<u>5,047,253</u>	<u>754,152</u>	<u>61,497,219</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk (continued)

(i) Interest rate risk (continued)

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

31 December 2023	Carrying amount US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$
Financial liabilities								
Deposits from other financial institutions	36,194,673	10,065,350	25,158,897	-	-	-	-	970,426
Deposits from customers	91,836,019	47,214,310	11,209,783	22,194,378	4,532,123	-	-	6,685,425
Deposits from the Head Office	242,840,180	9,946,947	50,750,958	121,833,459	50,555,583	9,753,233	-	-
Borrowings	17,617,289	12,739,008	4,878,281	-	-	-	-	-
Lease liabilities	2,209,864	53,821	107,865	162,357	286,607	1,037,234	561,980	-
Other liabilities	1,148,718	-	-	-	-	-	-	1,148,718
	<u>391,846,743</u>	<u>80,019,436</u>	<u>92,105,784</u>	<u>144,190,194</u>	<u>55,374,313</u>	<u>10,790,467</u>	<u>561,980</u>	<u>8,804,569</u>
Interest sensitivity gap	<u>112,065,324</u>	<u>(55,982,983)</u>	<u>(3,551,248)</u>	<u>(55,636,613)</u>	<u>180,094,560</u>	<u>(5,743,214)</u>	<u>192,172</u>	<u>52,692,650</u>
KHR'000 (Note 5)	<u>457,786,849</u>	<u>(228,690,486)</u>	<u>(14,506,848)</u>	<u>(227,275,564)</u>	<u>735,686,278</u>	<u>(23,461,029)</u>	<u>785,023</u>	<u>215,249,475</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk (continued)

(i) Interest rate risk (continued)

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

	Carrying amount US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$
31 December 2022								
Financial assets								
Cash on hand	6,134,930	-	-	-	-	-	-	6,134,930
Balances with the National Bank of Cambodia	116,739,256	3,175,775	8,449,019	11,291,640	12,174,333	-	-	81,648,489
Balances with other banks	9,371,470	-	-	-	-	-	-	9,371,470
Loans and advances to other financial institutions	76,415,768	-	728,320	2,392,996	1,938,224	71,356,228	-	-
Loans and advances to customers	364,221,890	9,053,527	12,702,314	23,529,778	51,862,797	100,797,947	166,275,527	-
Investment securities	6,021,552	-	-	-	976,336	5,045,216	-	-
Other assets	256,227	-	-	-	-	-	-	256,227
	<u>579,161,093</u>	<u>12,229,302</u>	<u>21,879,653</u>	<u>37,214,414</u>	<u>66,951,690</u>	<u>177,199,391</u>	<u>166,275,527</u>	<u>97,411,116</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk (continued)

(i) Interest rate risk (continued)

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

31 December 2022	Carrying amount US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$
Financial liabilities								
Deposits from other financial institutions	84,997,557	30,742,474	53,243,014	-	-	-	-	1,012,069
Deposits from customers	81,137,189	67,706,732	11,250	300,951	4,214,335	-	-	8,903,921
Deposits from the Head Office	262,085,649	149,140,594	98,315,598	-	-	14,629,457	-	-
Borrowings	32,538,043	3,116,929	6,446,990	11,066,423	11,907,701	-	-	-
Lease liabilities	2,209,818	52,004	104,208	156,812	297,337	1,379,118	220,339	-
Other liabilities	707,120	-	-	-	-	-	-	707,120
	<u>463,675,376</u>	<u>250,758,733</u>	<u>158,121,060</u>	<u>11,524,186</u>	<u>16,419,373</u>	<u>16,008,575</u>	<u>220,339</u>	<u>10,623,110</u>
Interest sensitivity gap	<u>115,485,717</u>	<u>(238,529,431)</u>	<u>(136,241,407)</u>	<u>25,690,228</u>	<u>50,532,317</u>	<u>161,190,816</u>	<u>166,055,188</u>	<u>86,788,006</u>
KHR'000 (Note 5)	<u>475,454,697</u>	<u>(982,025,668)</u>	<u>(560,905,873)</u>	<u>105,766,669</u>	<u>208,041,549</u>	<u>663,622,590</u>	<u>683,649,210</u>	<u>357,306,221</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk (continued)

(i) Interest rate risk (continued)

The Branch does not account for any fixed rate liabilities at fair value through profit or loss, and the Branch does not have derivatives as at year end. Therefore, a change in interest rates at the reporting dates would not affect profit or loss. The Branch does not have variance rate instruments. Therefore, no cashflow sensitivity analysis was prepared.

(ii) Foreign currency exchange risk

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

Concentration of currency risk

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

31 December 2023	Denomination US\$ equivalents			
	KHR	US\$	Others	Total
Financial assets				
Cash on hand	438,729	6,632,883	-	7,071,612
Balances with the National Bank of Cambodia	742,248	77,293,113	-	78,035,361
Balances with other banks	207,260	17,721,425	276,689	18,205,374
Loans and advances to other financial institutions	35,032,257	22,228,880	-	57,261,137
Loans and advances to customers	14,766,421	323,182,347	-	337,948,768
Investment securities	-	5,047,253	-	5,047,253
Other assets	-	342,562	-	342,562
	<u>51,186,915</u>	<u>452,448,463</u>	<u>276,689</u>	<u>503,912,067</u>
Financial liabilities				
Deposits from other financial institutions	68,716	36,125,957	-	36,194,673
Deposits from customers	131,328	91,640,928	63,763	91,836,019
Deposits from the Head Office	-	242,840,180	-	242,840,180
Borrowings	17,617,289	-	-	17,617,289
Lease liabilities	-	2,209,864	-	2,209,864
Other liabilities	2,804	942,043	203,871	1,148,718
	<u>17,820,137</u>	<u>373,758,972</u>	<u>267,634</u>	<u>391,846,743</u>
Net asset position	<u>33,366,778</u>	<u>78,689,491</u>	<u>9,055</u>	<u>112,065,324</u>
KHR'000 (Note 5)	<u>136,303,288</u>	<u>321,446,571</u>	<u>36,990</u>	<u>457,786,849</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

31 December 2022	Denomination US\$ equivalents			Total
	KHR	US\$	Others	
Financial assets				
Cash on hand	486,615	5,648,315	-	6,134,930
Balances with the National Bank of Cambodia	2,883,740	113,855,516	-	116,739,256
Balances with other banks	205,830	9,093,511	72,129	9,371,470
Loans and advances to other financial institutions	41,614,515	34,801,253	-	76,415,768
Loans and advances to customers	18,259,949	345,961,941	-	364,221,890
Investment securities	976,336	5,045,216	-	6,021,552
Other assets	-	256,227	-	256,227
	<u>64,426,985</u>	<u>514,661,979</u>	<u>72,129</u>	<u>579,161,093</u>
Financial liabilities				
Deposits from other financial institutions	693,153	84,304,404	-	84,997,557
Deposits from customers	458,405	80,617,784	61,000	81,137,189
Deposits from the Head Office	-	262,085,649	-	262,085,649
Borrowings	32,538,043	-	-	32,538,043
Lease liabilities	-	2,209,818	-	2,209,818
Other liabilities	2,816	704,304	-	707,120
	<u>33,692,417</u>	<u>429,921,959</u>	<u>61,000</u>	<u>463,675,376</u>
Net asset position	<u>30,734,568</u>	<u>84,740,020</u>	<u>11,129</u>	<u>115,485,717</u>
KHR'000 (Note 5)	<u>126,534,217</u>	<u>348,874,662</u>	<u>45,818</u>	<u>475,454,697</u>

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

D. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Branch as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2023		2022	
	- 1% Depreciation US\$	+ 1% Appreciation US\$	- 1% Depreciation US\$	+ 1% Appreciation US\$
KHR	<u>337,038</u>	<u>(330,364)</u>	<u>310,450</u>	<u>(304,303)</u>
KHR'000 (Note 5)	<u>1,376,800</u>	<u>(1,349,537)</u>	<u>1,278,123</u>	<u>(1,252,815)</u>

E. Operational risk (continued)

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

35. FINANCIAL RISK MANAGEMENT (continued)

F. Capital Management

(i). Regulatory capital

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

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

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

The below table summarises the composition of the regulatory capital:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Tier 1 capital				
Share capital	90,000,000	360,000,000	90,000,000	360,000,000
Retained earnings	20,319,417	83,457,636	29,152,414	119,547,172
Audited net (loss)/profit for the last financial year	(196,400)	(807,204)	12,136,246	49,600,837
Less: Intangible assets	(349,921)	(1,429,427)	(198,372)	(816,698)
	<u>109,773,096</u>	<u>441,221,005</u>	<u>131,090,288</u>	<u>528,331,311</u>
Tier 2 complementary capital				
General provision	3,731,629	15,243,704	4,203,917	17,307,526
Less: Equity participation in banking or financial institutions	-	-	-	-
	<u>3,731,629</u>	<u>15,243,704</u>	<u>4,203,917</u>	<u>17,307,526</u>
	<u>113,504,725</u>	<u>456,464,709</u>	<u>135,294,205</u>	<u>545,638,837</u>

(ii). Capital allocation

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

36. Fair values of financial instruments

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

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

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

The fair value of the Branch's financial instruments such as cash and cash equivalent, loans and advances, placements with other financial institutions, other assets, borrowings, and other liabilities are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

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

A. Balances with the National Bank of Cambodia, and balances with other banks

The fair values of balances with the National Bank of Cambodia, and balances with other banks with maturity of less than one year approximate their carrying amounts.

B. Loans and advances to other financial institutions, and loans and advances to customers measured at amortised cost

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

C. Investment securities measured at amortised cost

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

D. Deposits from other financial institutions, customers and Head Office

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

36. Fair values of financial instruments (continued)

E. Borrowings

Borrowings are not quoted in active market and their fair value approximates their carrying amount.

F. Other financial assets and liabilities

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

G. Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with CIFRS 13, the observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Branch's market assumptions. The fair value hierarchy is as follows:

Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

37. Significant accounting policies

The Branch has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

A. Basis of measurement

The financial statements have been prepared on a historical cost basis, except if mentioned otherwise.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies*

B. *Foreign currency transactions*

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

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

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

Foreign currency differences arising on translation are generally recognised in profit or loss.

C. *Financial assets and financial liabilities*

(i). *Recognition and initial measurement*

The Branch initially recognises loans and advances, deposits and borrowings on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Branch becomes a party to the contractual provisions of the instrument.

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(ii). **Classification**

Financial assets

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Branch may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(ii). **Classification** (continue)

Business model assessment

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

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(ii). **Classification** (continue)

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

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

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

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

Reclassifications

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

(iii). **Derecognition**

Financial assets

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(iii). *Derecognition (continued)*

Financial assets (continued)

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

Financial liabilities

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

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

Financial assets

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

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

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities (continue)**

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

Financial assets (continued)

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

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see Note 38T).

Financial liabilities

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

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

Interest rate benchmark reform

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

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

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

(v). **Offsetting**

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

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions.

(vi). **Fair value measurement**

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(vi). *Fair value measurement (continued)*

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

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

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

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

(vii). *Impairment*

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

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

No impairment loss is recognised on equity investments.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies*(continued)

C. **Financial assets and financial liabilities** (continue)

(vii). *Impairment* (contined)

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

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

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

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(vii). *Impairment (continued)*

Determining whether credit risk has increased significantly

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

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

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

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The 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.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held); or
- the Branch considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for short-term loans and 90 days past due for long-term loans; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(vii). *Impairment (continued)*

Measurement of ECL

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

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

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

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

Inputs, assumptions and techniques used for estimating impairment

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(vii). *Impairment (continued)*

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

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

The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

The Branch adopts the proxy models to estimate its PD. The proxied model from Head Office comes in multiple parameters, i.e. PD with external rating, PD with internal rating and PD without internal and external rating, in which these PD models had incorporated forward-looking information adjusted at Head Office level.

LGD is the magnitude of the likely loss if there is a default. The Branch uses LGD based on a proxied model from Head Office. The Branch further estimates LGD forward looking parameters based on the history of recovery rates of claims against defaulted counterparties. The forward looking LGD consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Branch derives the on balance sheet EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount and accrued interest at the time of default. Further, the branch derives the off balance sheet EAD exposure based on the credit conversion factor (CCF) by Head Office.

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(vii). *Impairment (continued)*

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities** (continue)

(vii). *Impairment (continued)*

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

Credit-impaired financial assets (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more for long term facilities or 30 days for short-term facilities is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECLs in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and The Branch cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Branch presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

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

Recoveries resulting from the Branch's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets/other income' in profit or loss.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. Financial assets and financial liabilities (continue)

(vii). Impairment (continued)

Write-off (continued)

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

D. Cash and cash equivalents

Cash and cash equivalents' include cash and bank balances, demand deposits and short-term highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

E. Deposits and placements with banks

Deposits and placements with banks are stated at amortised cost less allowance for impairment for any uncollectable amounts.

F. Statutory deposits

Capital guarantee and reserve requirements are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum share capital and total deposits from customers, respectively. Statutory deposit is stated at cost.

G. Loans and advances

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

H. Investment securities

The 'investment securities' caption in the statement of financial position includes debt investment securities measured at amortised cost (see Note 38C(ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

C. **Financial assets and financial liabilities (continue)**

I. **Other assets**

Other assets are carried at cost less impairment if any.

J. **Property and equipment**

(i). *Recognition and measurement*

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

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

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

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

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

(ii). *Subsequent costs*

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

(iii). *Depreciation*

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

J. **Property and equipment** (continued)

(iii). *Depreciation (continued)*

The estimated useful lives of property and equipment for the current and comparative periods are as follows

Leasehold improvement	5 years
Machinery	5 years
Furniture, fixtures and equipment	4 years
Computers and IT equipment	4 years
Motor vehicles	5 years

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

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

When assets are sold, their cost and accumulated depreciation are removed from the accounts. Any resulting gain or loss from their disposal is included in profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss in "other operating income". When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained profits.

Fully depreciated assets are related in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets.

K. **Intangible assets**

Intangible assets comprising acquired computer software licenses and related costs are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software and bring it to use.

Software is 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.

Software under development includes the costs of developing new software not fully completed as at reporting date. Software under development is not amortized until such time as the relevant software is completed and put into operational use.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

L. Leases

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

Leases in which the Branch is a lessee

At inception or on modification of a contract that contains a lease component, the Branch allocates consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of land and buildings, the Branch has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

- Building and office branches 3 – 10 years

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

L. **Leases (continued)**

Leases in which the Branch is a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following: (continued)

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Branch is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Branch is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Branch's estimate of the amount expected to be payable under a residual value guarantee, if the Branch changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The Branch determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustment to reflect the terms of the lease and type of asset leased. The Branch uses incremental borrowing rate ranging from 3% - 4% (2021: 3% - 4%) per annum.

Short-term leases and leases of low-value assets

The Branch has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of machinery. The Branch recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

M. **Deposits from other financial institutions, customers and Head Office**

Deposits from other financial institutions, customers and Head Office are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

N. Borrowings

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

O. Financial guarantees and loan commitments

‘Financial guarantees’ are contracts that require the Branch to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

‘Loan commitments’ are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with CIFRS 9 (see Note 38C(vii)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of CIFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with CIFRS 9 (see Note 38C(vii)) and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised (see Note 38U). Derecognition policies in Note 38C(iii)) are applied to loan commitments issued and held.

The Branch has issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

P. Employee Benefits

(i). Short-term employee benefits

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

(ii). Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

Q. Provisions

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

R. Share capital

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

S. Regulatory reserves

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

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

T. **Interest income and expense**

(i). **Effective interest rate**

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

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

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii). **Amortised cost and gross carrying amount**

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

(iii). **Calculation of interest income and expense**

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

T. **Interest income and expense (continued)**

(iii). Calculation of interest income and expense (continued)

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

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

(iv). Presentation

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

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

U. **Fee and commission**

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

Other fee and commission income, including account servicing fees, are recognized as the related services are performed.

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

V. **Impairment of non-financial assets**

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

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

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

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

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

W. **Income tax**

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

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. *Material accounting policies (continued)*

W. Income tax (continued)

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

X. Contingent liabilities

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

Mega International Commercial Bank Co., Ltd, Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2023 and for the year then ended

37. Material accounting policies (continued)

Y. Contingent assets

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

38. Change in accounting policies

The Branch also adopted Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and noted that there is no any update to the information disclosed in Note 38 Material accounting policies (2022: Significant accounting policies) as all accounting policies are in line with the amendments.

39. New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Branch have not early adopted the new or amended standards in preparing these financial statements.

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

- Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants (Amendments to CIAS1);
- Supplier Finance Arrangements (Amendments to CIAS7 and CIFRS7);
- Lack of Exchangeability (Amendments to CIAS21); and
- Lease liability in a Sale and Leaseback (Amendments to CIFRS 16).