TAIWAN COOPERATIVE BANK PHNOM PENH BRANCH

ANNUAL REPORT 2023

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ABOUT TAIWAN COOPERATIVE BANK, PHNOM PENH

Taiwan Cooperative Bank, Phnom Penh Branch (the Branch) is a branch of Taiwan Cooperative Bank, Ltd. incorporated in Taiwan, the Branch is registered in Cambodia with the Ministry of Commerce under the registration number Co. 0061Br/2012, dated 15 November 2012. On 6 March 2013, the Branch obtained a banking license from the National Bank of Cambodia ("the Central Bank") to carry out banking operations and officially commenced its commercial operations on 28 March 2013 in Cambodia with strong Capital base contributed by HQ of USD185 million to cover the bank's operation. The TCB has experience over the past 70 years of commercial bank in Taiwan, approximately 297 domestic and overseas branches as of December , 2023, with over 8,000 employees and 26 overseas branches (including the Department of Business, Offshore Banking Branch ,United Taiwan Bank, Manila Offshore Banking Branch, Los Angeles Branch, Seattle Branch, New York Branch, Hong Kong Branch, Suzhou Branch, Suzhou New District Sub-Branch, Tianjin Branch, Fuzhou Branch, Changsha Branch, Sydney Branch, Melbourne Branch, Houston Branch, Phnom Penh Branch, Tuek Thla Sub-Branch, Pur Senchey Sub-Branch, Siem Reap Sub-Branch, City Center sub-branch, Veng Sreng sub-branch, Sihanouk Ville sub-branch, Tuol Kouk sub-branch, Vientiane Capital Branch, Beijing Representative Office ,Yangon Representative Office ,and Prague Representative Office). Creating the most extensive network of branches among all Taiwan banks and positioning itself as a market leader in share of deposits and loans. According to the list of the world's top 1,000 banks by asset size, published in the July 2023 issue of The Banker magazine, TCB ranked 160th in the world and 3rd in Taiwan. In the global ranking of the top 500 banking brands, published in March 2024, TCB ranked 219th in the world. According to TCB's Articles of Incorporation, the Bank is in charge of carrying out the missions of operating a banking business, developing national economic construction, and providing financial adjustment for the farming and fishery industries.

In addition to providing financing for cooperative enterprises, the farming and fishery industries, and small and medium enterprises, TCB also offers deposits, loans, and foreign exchange services for business enterprises in general to facilitate funds utilization and promote overall economic development. This makes TCB a consolidated international bank for farming, fishery, cooperative, and business financing.

1 VISION

Our vision is to offer comprehensive products and financial services for customers in Cambodia that meet most of their banking needs and we strive to provide quality customer services to all.

2 MISSION

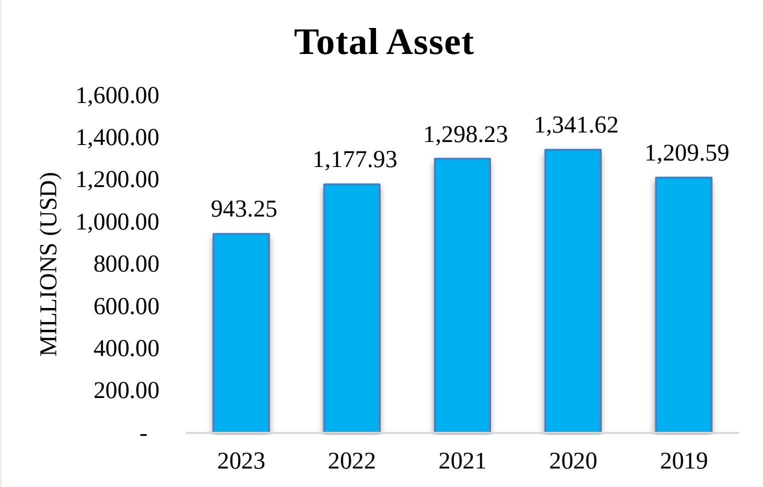
To be the preferred and most trusted financial partner of our customers, providing them with a full range of financial products and services through a personalized/ customer centric relationship, and to promote and contribute to develop Cambodia Economic by providing financing to the cooperative enterprises and small and middle-market businesses.

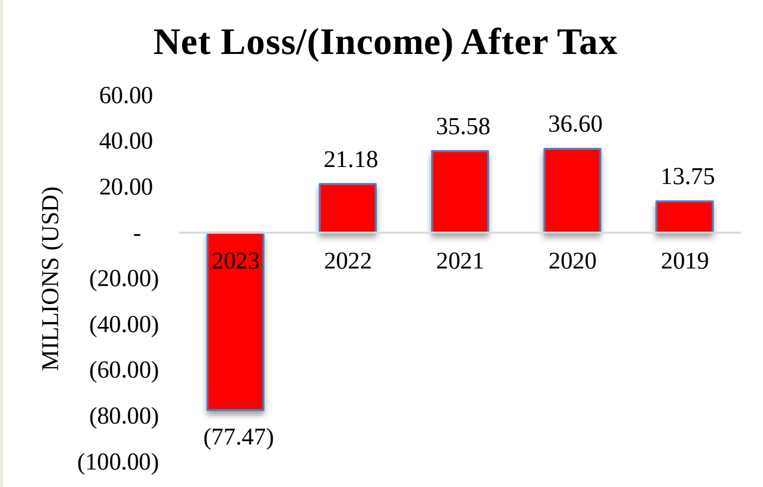
3 BUSINESS PHILOSOPHY

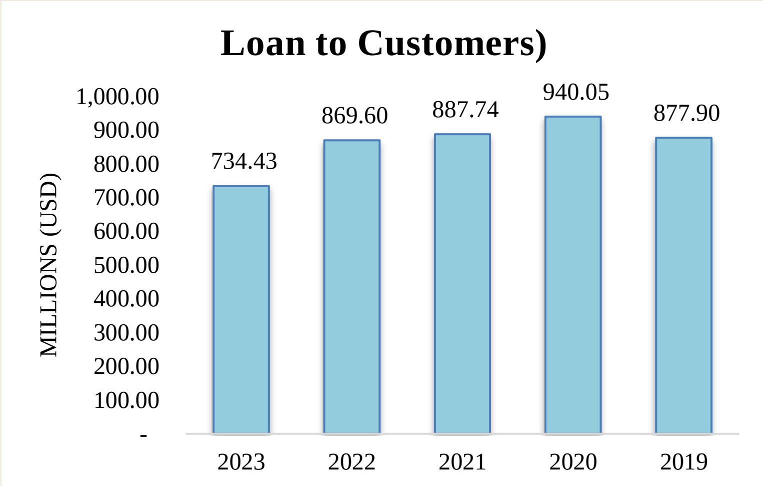
We commit to provide a solid foundation and comprehensive financial services instantly and no matter the economic environment, we are abided by our core values to be "proactive, agile and innovative" as we continue to increase and expand our service scope and quality. As one of the most trustworthy financial institutions in the market, we grow with our customers and provide whatever we can to help them turn their financial dreams into reality.

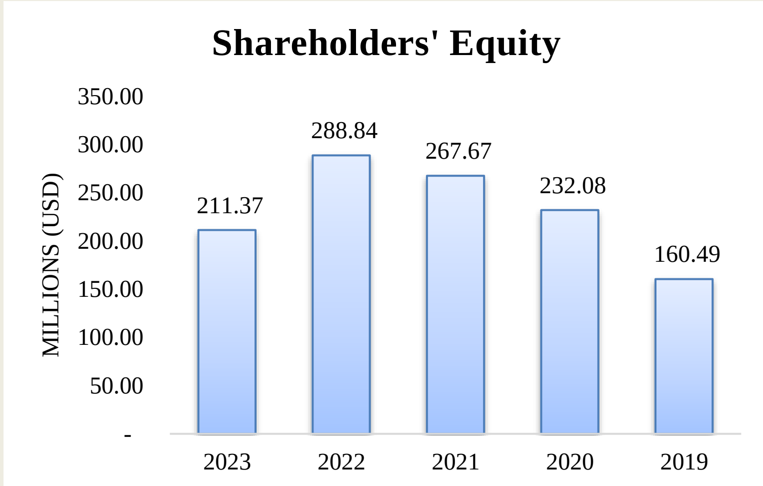

COOPERATIVE BANK

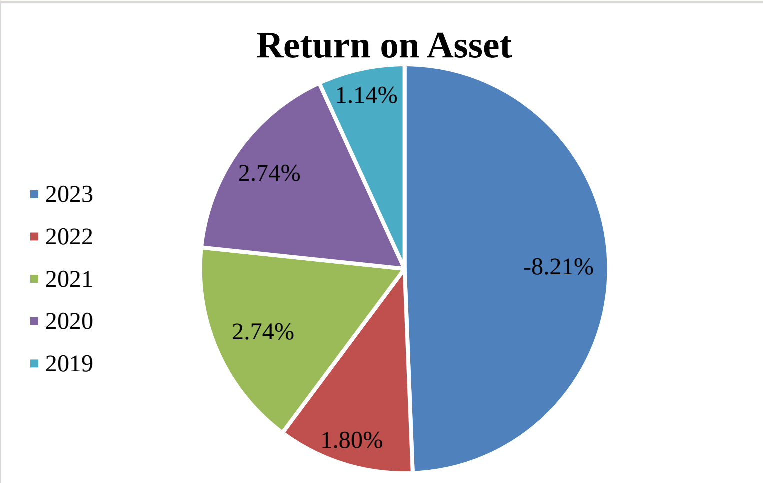
FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

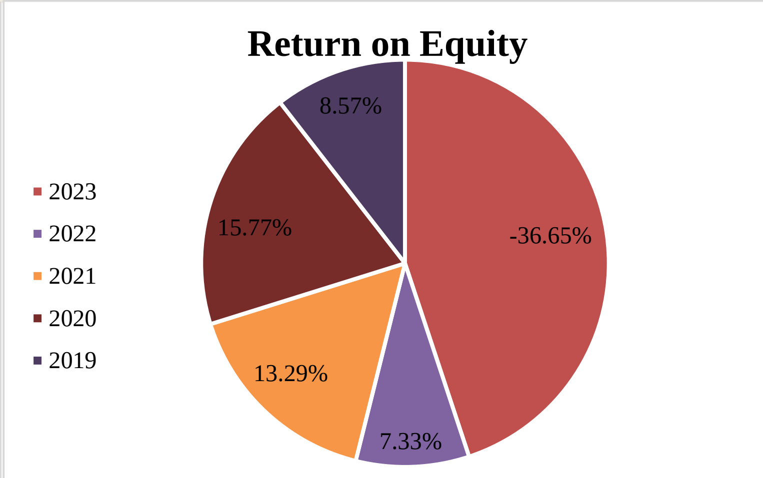


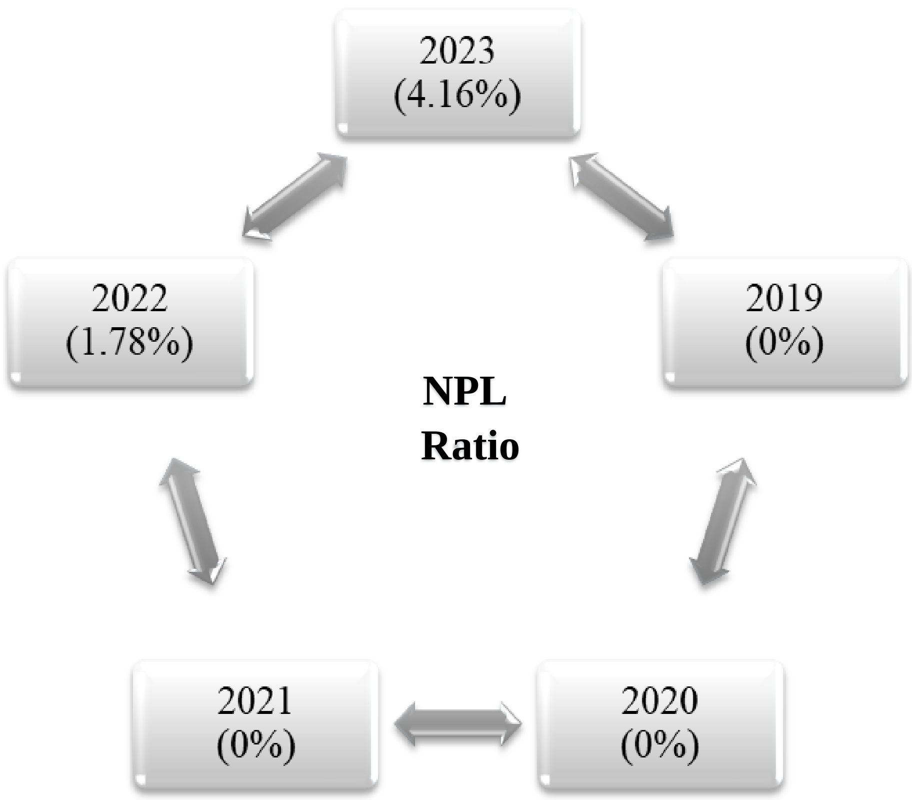












Profitability

Unit: USD					
Items	**2023**	**2022**	**2021**	**2020**	**2019**
Net Loss/(Income) Before Tax	(74,359,933.00)	26,963,084.00	43,477,935.00	46,684,829.00	17,719,793.00
Net Loss/(Income) After Tax	(77,469,796.00)	21,178,907.00	35,583,812.00	36,596,388.00	13,749,791.00

Financial Position

Unit: USD					
Items	**2023**	**2022**	**2021**	**2020**	**2019**
Total Asset	943,250,039.00	1,177,925,032.00	1,298,233,721.00	1,341,620,651.00	1,209,588,484.00
Loan to customers	734,426,418.00	869,595,196.00	887,742,695.00	940,046,644.00	877,898,152.00
Total Liabilities	731,875,338.00	889,080,535.00	1,030,568,131.00	1,109,538,873.00	1,049,103,094.00
Deposit from customers	36,332,369.00	27,571,959.00	35,565,712.00	40,084,724.00	42,526,451.00
Borrowing from HQ	615,000,000.00	810,000,000.00	913,000,000.00	936,000,000.00	888,000,000.00
Paid-Up Capital	185,000,000.00	185,000,000.00	185,000,000.00	150,000,000.00	115,000,000.00
Shareholder’s Equity	211,374,701.00	288,844,497.00	267,665,590.00	232,081,778.00	160,485,390.00

Financial Ratio

Unit: %					
Items	**2023**	**2022**	**2021**	**2020**	**2019**
Non-Performing Loans	4.16	1.78	0	0	0
Return on Asset	-8.21	1.80	2.74	2.74	1.14
Return on Equity	-36.65	7.33	13.29	15.77	8.57
Equity to total assets	22.41	24.52	20.62	17.35	13.98
Liquidity Coverage Ratio	185.24	143.05	148.59	124.34	171.49
Solvency Ratio	21.14	28.17	28.07	24.23	18.84
Loans to Deposit ratio	97.57	101.92	93.99	80.23	82.17

GM' S STATEMENT

Mr. LIN CHI JEN, General Manager

According to The International Monetary Fund, Global growth is projected at 3.1 percent in 2024 and 3.2 percent in 2025, with the 2024 forecast 0.2 percentage point higher than that in the October 2023 World Economic Outlook (WEO) on account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. The forecast for 2024–25 is, however, below the historical (2000–19) average of 3.8 percent, with elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth. Inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025, with the 2025 forecast revised down.

It is worth noting that Cambodia's economic activity picked up in the first quarter of 2024, driven by a revival of services and goods exports, and despite subdued domestic demand, according to the World Bank's Cambodia Economic Update. International tourist arrivals continued to improve in the first quarter to 84% of pre-pandemic levels. Exports of garments, travel goods, and footwear rebounded, while non-garment exports, especially of agricultural commodities, remained resilient. The Association of Southeast Asian Nations (ASEAN) region has emerged as Cambodia's second largest export market after the United States. Rising foreign investment in manufacturing and agriculture also contributed to the recovery.

In 2023, banking and financial institutions 's assets grew by 8.6%, Credit grew by 4.8% while deposit grew by 13.1%, which in 2023 the banking and FIs consists of 58 commercial banks, 9 specialized bank, and 83 Microfinance non-deposit taking institutions ,4 Microfinance deposit-taking institutions, 114 Rural Credit Institutions, 16 leasing institutions, 6 third-party processors, 33 payment service institutions, 1 credit bureau, 5 representative offices and 2,915 money changers which enlarged in both scope and scale for the banking system in Cambodia. Banks and financial institutions have contributed to promoting financial inclusion; this is reflected by the increase in the number of customer deposit accounts to 18.9 million and credit accounts to 3.9 million. Banking maintains firmly capital adequacy and liquidity, which Solvency and Liquidity Coverage Ratio retain 22.7% and 167.6% (Compared to minimum threshold 15% and 100%) respectively, Microfinance Institution maintain 25.4% and 333.3% respectively. However, Non-performing loan ratio continued to rise to 5.4% for the banking sector and 6.7% for the microfinance sector, according to NBC.

For the past 10 years in Cambodia, we have built trust, confident, reputation, good market prices as well as good services to our clients in financial sectors that contribute to help develop Cambodia economic. In 2023, our 8 offices together have a total asset of USD 943.25 million Audited, declined by 19.92%, decreased from USD 1,177.93 million in 2022, in which syndicate loan outstanding stand at USD 59.81 million in 2023. The net loss after tax was -77.47 million in 2023, while ROA and ROE stood at -8.21%, and -36.65% respectively. The loan portfolio stood at USD 734.43 million with declined rate 15.54% if compared to previous year amounting to USD 869.60 million with 2,182 borrowers, while Allowance for Expected Credit Loss during the year is USD 9.02 million and the branch's NPL is 4.16% in 2023. In addition, the branch's Paid-up capital is USD 185 million as well as loan portfolio in KHR has reached to 11.43%, equivalent to USD 85.11 million, which have complied with NBC regulation.

The customer deposit is regarded as one of the core deposits for banking operation, the customer deposit, as at 31-Dec-2023, stood at USD 713.34 million consists of 7,251 accounts. The liquidity Coverage Ratio (LCR) stood at 185.24%, which meet the mandatory requirement of 100%.

Moreover, we anticipate that the customer deposit and borrowing from HQ will further grow for the next three years ahead. The main source of fund is mainly from HQ borrowing that it helps contributing to Cambodia economic growth with our low cost of fund from HQ. The paid-up capital contributed by HQ amounting to USD185 million and total net worth achieved at USD 160.92 million in 2023, a decrease from USD 266.31 million in 2022, is a strong capital base and exceeds the NBC regulation, which provide us more chances in term of growth prospect to improve capital adequacy. In addition, as at December 2023, the branch's Capital Adequacy Ratio or Solvency Ratio stood at 21.14% which is lower than previous year of 28.17% in 2022, which comply with the minimum Capital Adequacy Ratio at 15% required by NBC regulation plus Capital Conservation Buffer 1.25% and 2.50% respectively.

We, TCB PP branch, do our best and actively expand the business based on the specific operational objective and strategies supported by HQ to achieve our goals. We continue to be optimistic about the economic development of Cambodia for next year to be better. We believe that sub-branches network together with E-banking service which had been successfully operating to provide for our customers to access to their accounts transfer money from Taiwan to Taiwan. Creating more convenient financial services network for existing clients and to attract potential customers to feedback to the needs of immense local customers.

Last but not least, we strongly believe that our sub-branches network will provide convenient access for existing clients and create potential to attract new customers. In return, our market share in profit, loans portfolio and deposits shall increase for years as planned. Further, we really appreciated for valuable customers, business partner, management team and my dedicated and committed staff who contribute to grow together. Further, highly appreciate to NBC officials and correspondent banks who give advises and support us for the past year.

CAMBODIA OUTLOOK 2024

Cambodia’s Economic Growth to Accelerate in 2024, Fueled by Manufacturing and Tourism.

Cambodia’s economy is forecast to grow at 5.8% in 2024 and 6.0% in 2025, fueled by a further rebound in tourism and strong manufacturing prospects, according to the latest edition of the Asian Development Bank’s (ADB) flagship economic report released.

"Despite global economic challenges, Cambodia’s economy performed well in 2023,” said ADB Country Director for Cambodia Jyotsana Varma. “We expect growth to be robust in 2024–2025, with the garments, footwear, and travel goods (GFT) sector poised for a significant upturn building on the positive momentum during the last quarter of 2023.”

The Asian Development Outlook (ADO) April 2024 estimates growth of 5.0% in 2023, driven by a robust recovery in tourism and solid activity in manufacturing outside the GFT sector. The report forecasts continuing economic expansion in 2024–2025, supported by stronger export-oriented manufacturing. It also expects inflation, which averaged 2.1% in 2023 mainly on falling global energy prices, to remain low at around 2.0% over the next 2 years.

The government aims for gradual fiscal consolidation from 2024 to rebuild pandemic-diminished reserves. Yet, challenges such as potential global economic slowdowns, rising private debt, fluctuating energy prices, and climate vulnerabilities could impact the outlook longer-term.

"These challenges add layers of complexity to Cambodia’s economic narrative,” said Ms. Varma. “But the country is moving ahead with cautious optimism."

The report also discusses Cambodia’s strategic preparations to graduate from the least-developed country (LDC) category, as designated by the United Nations, in 2027. It notes that graduation will improve the country’s international standing and investment attractiveness, but simultaneously pose challenges from reduced access to concessional financing and preferential trade treatments that propel sectors contributing to high growth and employment.

To effectively navigate this transition, the report stresses the importance of Cambodia enhancing its global economic integration, diversifying markets, focusing on higher value-added products, investing in sustainable infrastructure and human capital, and strengthening domestic resource mobilization.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.

Source: Asian Development Bank (ADB) Phnom Penh, Cambodia (11 April 2024)

CAMBODIA OUTLOOK 2024

STRATEGIC PLAN

The Taiwanese and local companies, in particular, the new coming companies want to purchase land, construct factories for business operation, which will be more inward remittance transactions and will be getting much more convenient to have our service. These customers place a premium on three things: competitive and fair pricing, minimum disruption of their daily lives, and service that emphasizes trust and communication.

Lending shall form the core business activities of the branch as interest income will be a major income contributor for the commercial banking activities to meet our target. It is anticipated that the average loans of 8 offices, and expectedly to disburse approximately USD 476 million for the next 3 years. To focus lending on the following market segments with stable and strong growth prospects of Cambodia Economic and loan portfolio, our target as following.

- 10%-Consumer and retail financing especially, home and property mortgages, personal loan, Loan size between USD30,000 to USD300,000
- 60%-Commercial lending to mid-market SME in wholesale, retail and services, manufacturing, agriculture, construction sectors. Loan size USD300,000 to USD5,000,000
- 30%-Corporate lending particularly to the large local corporations such as FIs, Rental and Operational Leasing Activities, large local and Taiwanese factories and other large business sectors. Loan size between USD1,000,000 to USD10,000,000

As of the end of 2023, the Branch has achieved 11.43% to comply with loan in KHR 10% of total loan portfolio. In order to keep comply with the regulations, the branch is looking for Bank and FI partners or borrowers to lend the loan in KHR, which the price considerably base on market and negotiable and bid LPCO in KHR and attract depositors by increasing deposit interest rate to support our loan in KHR.

Non-interest income shall increase in tandem as the bank grows and expands its scope of business activities with our sub-branches' networks. Our Non-interest income in 2023, achieved amounting to USD3,688,795, mainly it generated from remittance fees and other commission fees charges as well as bad debt recovery. Further, we expect to generate the remittance fees USD 600,000 to USD 800,000 annually for the next three years.

The Branch and sub-branches will continue to be prudent and selective in its lending activities and to institute stringent and effective credit supervision and control to maintain strong asset quality. The branch and sub-branches will also continue to apply stringent monitoring on compliance, risk management, AML/CFT compliance increase the frequency and standards.

AML/CFT and compliance matters are quite vital to pay more attention for the branch and shall be reviewed carefully by the branch in order to comply with NBC regulation. To let the staff, get awareness in AML/CFT, ongoing training for them will be conducted every month internally, while external training will be held as least annually and MLRO/compliance officer is required to attend training as least 15 hours annually, while all senior and staffs are required to attend training as at 6 hours annually. The Bank have improved our Transaction Monitoring System powered by SAS which validated by PWC~~.~~

Increase the amount and the proportion of the funds from HQ to support loan business activities and adjust the loan structure by expanding the loan portfolios and fully utilize the Credit Guarantee Fund to lower risk weight and enhance return on risk-weighted assets as set by HQ, and enhance efficiency in capital allocation by incorporation the return on RWA and average RWA into business assessment as guided by HQ to adjust the structure of loan asset.

Strengthen and pay more attention of Solvency Ratio, asset quality, liquidity position, good governance, and internal control in compliance to NBC law and regulations and other regulators. The compliance and internal audit officers to conveniently communicate with regulators to enhance implementation in law and regulations applicable to NBC and other regulators effectively. To maintain Capital adequacy ratio or Solvency Ratio above minimum requirement 15% plus Capital Buffer 1.25% and 2.5% respectively. Currently Bank can use 1.25% buffer till further notice from NBC.

Deposit taking and borrowing from HQ will be core fund business activities of our branch and seven sub-branches, which are a major source of funding to support its lending activities. It is anticipated that deposit and HQ borrowing shall grow around USD150 million every year in the next three years to support our loan portfolio and operation. And we would not face any issue concerning our liquidities and funds shortage since it is supported by our HQ. With the establishment of the sub-branch, the growth momentum of operating will continue to strengthen expanding local deposits set by the head office, and establish the foundation of deep development and sustainable operation for TCB in Cambodia.

Due to unfavorable economy, in short-term plan we follow instructions and guidelines from NBC, TCB monitors assessment period for previous restructured loan and closely monitor situation and follow up economic situation.

Improve core banking system, add function to enhance credit assessment capacity and create new platform system to extract data for NBC report as daily and monthly, which generates statutory reports timely in response to meet regulatory requirement.

Our 8 offices are as a part of our main branch's business plan as well as e-banking, mobile banking, participating in Bakong Members and ATMs that will provide better service to our clients in Cambodia within the next three years.

We will support the Cambodian government economic development program which encourages agriculture sector and small medium enterprises which are regarded as the economic pillars in the country. Funds and effort will be allocated to help support many initiatives. The Branch's network expansion would also help generate employment and improve the standard of living of its population. New skills will also be transferred to its people and help promoting their skill level and marketability.

KEY PERFORMANCE RATIO PROJECTION

No.	Description	2022 Actual	2023 Actual	2024 Projection	2025 Projection	2026 Projection
1	Equity to total assets	24.52%	22.41%	23.47%	22.94%	23.20%
2	Debt to total assets	75.48%	77.59%	76.54%	77.06%	76.80%
3	Debt-equity ratio	307.81%	346.25%	327.03%	336.64%	331.84%
4	Net worth to assets	24.22%	17.06%	20.64%	18.85%	19.75%
5	Capital Tier I +Tier II to risk weighted assets	30.18%	21.14%	25.66%	23.40%	24.53%
6	Non-performing loans to total loans	1.78%	4.16%	4.27%	4.22%	3.75%
7	Non-performing loans to total assets	1.31%	3.28%	2.30%	2.79%	2.54%
8	Large exposure to total loans	0.00%	0.00%	0.00%	0.00%	0.00%
9	Loans to Deposits (Non-Bank customer)	101.92%	97.57%	99.74%	98.66%	99.20%
10	Interest margin to gross income	65.69%	30.61%	48.15%	39.38%	43.77%
11	Return on assets	1.80%	-8.21%	0.28%	0.42%	0.55%
12	Return on equity	7.33%	-36.65%	1.53%	2.50%	3.41%
13	Non-interest income to gross income	1.71%	5.38%	3.55%	4.46%	4.00%
14	Non-interest expense to gross income	18.01%	21.98%	20.00%	20.99%	20.49%

BUSINESS TARGET FOR 2024

Type	2022 Actual (USD)	2023 Actual (USD)	Growth rate of the following year (Forecast)		Target (Outstanding Balance)
			Growth Rate (%)	Growth Amount (USD)	2024 (USD)
Total Asset	1,177,925,032	943,250,039	25%	231,169,871	1,174,419,910
Loan Portfolio	869,595,196	734,426,418	32%	237,989,193	972,415,611
Deposit and Placement with other banks	71,203,429	48,180,201	N/A	2,686,699	50,866,900
Customer Deposit	27,571,959	36,332,369	187%	68,047,836	104,380,205
Borrowing from HQ	810,000,000	615,000,000	17%	106,266,681	721,266,681
Total Interest income	60,219,620	64,906,399	10%	6,468,907	71,375,306
Fee and commission income	170,438	90,432	44%	40,003	130,435
Interest expense	19,975,020	43,907,237	6%	2,594,118	46,501,355
Net (profit)/loss after tax	21,178,907	(77,469,796)	(104%)	80,732,930	3,263,134
Return on Equity	7.33%	(36.65%)	2%	N/A	1.52%
Return on Asset	1.80%	(8.21%)	0.28%	N/A	0.28%
Total Expense	34,301,244	142,955,127	(51%)	(73,291,987)	69,663,139.72

BRANCH AND SUB-BRANCH NETWORKS

Phnom Penh Branch
No.171, Norodom Blvd (Cornor 322), Sangkat Boeung Keng Kang I, Khan Boeung Keng Kang, Phnom Penh, Cambodia.
Swift: TACBKHPP
Fax: (855) 23 210 630
Tel: (855) 23 430 800

Teok Thla Sub-Branch
No. A111, Confederation De La Russei Blvd, (Corner Northbridge Street), Sangkat Teok Thla, Khan Sen Sok, Phnom Penh, Cambodia.
Swift: TACBKHPP913
Fax: (855) 23 883 991/23 883 992
Tel: (855) 23 430 703

Po Sen Chey Sub-Branch
Building No.62, National Road 4, Sangkat Chaom Choa, Khan Pur Sen Chey. Phnom Penh, Cambodia.
Fax: (855) 23 729 548
Tel: (855) 23 430 705

City-Center Sub-Branch
No. A2, -2, St. 169, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Cambodia.
Fax: (855) 23 210 630
Tel: (855) 23 430 058

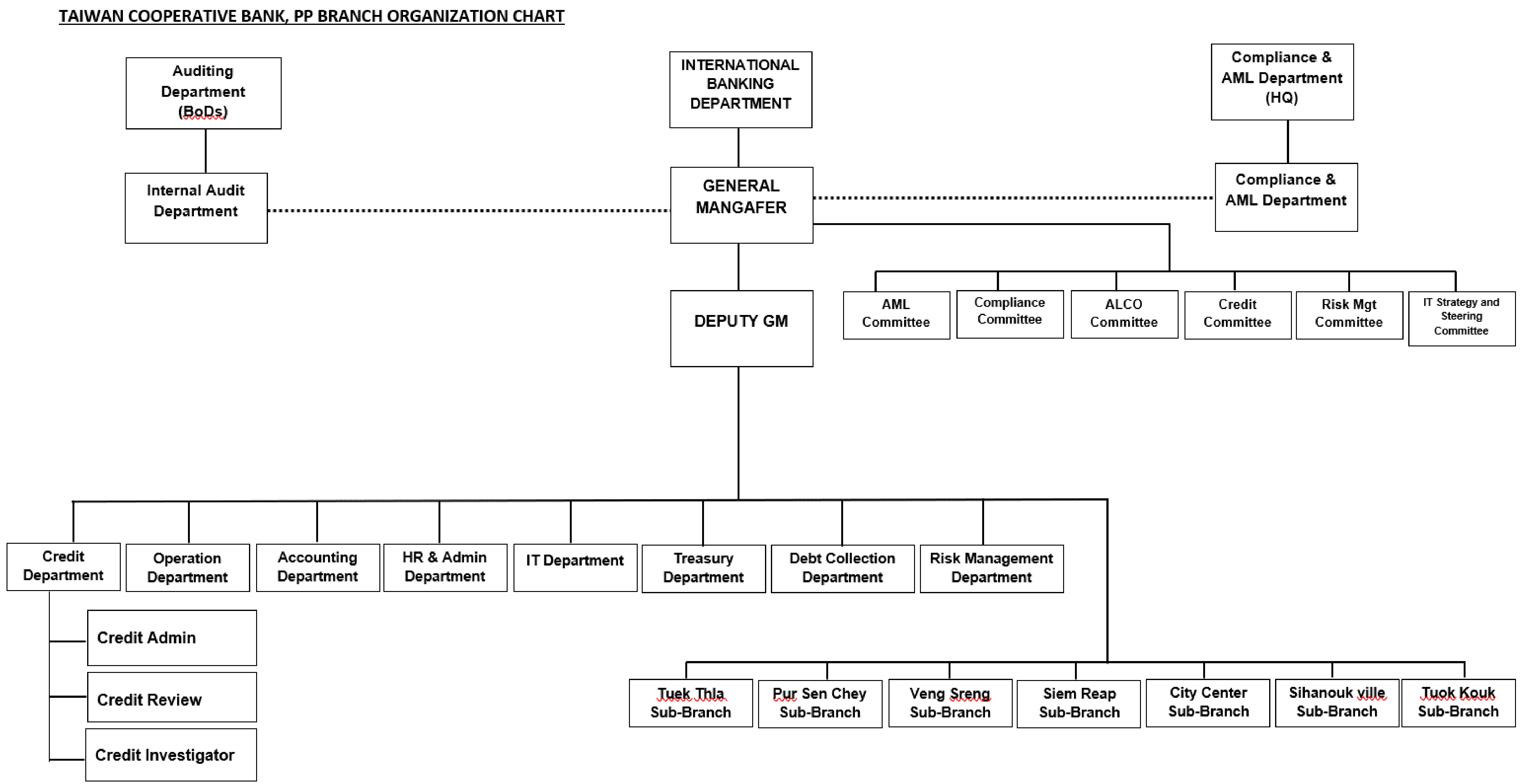
Siem Reap Sub-Branch
No.583, National Road No.6A, Phum Chong Kao Shou, Sangkat Slorkram, Krong Siem Reap,Siem Reap Cambodia
Swift: TACBKHPP916
Tel:(855) 95 956 988/ 69 353 265

Veng Sreng Sub-Branch
No.34-35, Preah Monireth Blvd (217) Phum Dammnak Thom, Sangkat Mean Chey, Khan Mean Chey,Phnom Penh, Cambodia
Swift:TACBKHPP
Tel:(855) 23 722 381

Sihanouk Ville Sub-Branch
No.170-172, Street ou 1, Phum 1, sangkat 4, Sihanouk Ville, Sihanouk Province, Cambodia
Swift:TACBKHPP
Tel: (855) 343 214 888

Tuol Kouk Sub-Branch
No.150B1 & 150D1, Street 516, Phum 13, sangkat Boeng Kak Ti Muoy, khan Tuol Kouk, Phnom Penh, Cambodia
Swift:TACBKHPP
Tel: (855) 23 725 180

TAIWAN COOPERATIVE BANK, PHNOM PENH BRANCH ORGANIZATION CHART



RISK MANAGEMENT

❖ Credit Risk Management System

I. Credit risk strategies, goals, policies, and procedures

1) The Bank's credit risk strategy is to comply with and observe relevant internal and external laws and regulations in the establishment and utilization of an effective credit risk management mechanism that complies with the New Basel Capital Accord and is able to identify, measure, monitor, and control various credit risks.

2) The Bank's credit risk goal is to develop a strong credit risk management mechanism and, under an acceptable level of risk and expected rate of return, to pursue maximum shareholder value.

3) The Bank's credit risk policy is founded on the basic principles of safety, liquidity, profitability, public benefit, and growth, with the implementation of a division of labor in credit risk management, cultivation of a bank-wide risk management culture, analysis and assessment of risk, and the adoption of responsive measures with the aim of optimizing asset portfolio management and capital allocation.

4) The Bank carries out its credit risk process by complying with the rules of various businesses, implementing a prior review and post management and follow-up review mechanism, setting up an objective credit examination mechanism, introducing credit rating tools, and carrying out stress tests to evaluate potential losses under unfavorable circumstances, thereby effectively quantifying credit risk.

II. Organization and framework of credit risk management

1) The Board of Directors is the Bank's highest policymaking body for risk management, and bears ultimate responsibility for the Bank's credit risk.
2) The Risk Management Committee operates the credit risk management mechanism in accordance with credit risk decisions approved by the Board of Directors, reviews credit risk regulations, provides interdepartmental coordination on matters regarding credit risk management, and continuously monitors the performance of implementation.
3) The Risk Management Department is responsible for the planning, establishment, and integration of the Bank's credit risk management operations, for implementing overall bank-wide credit risk management monitoring, and for the step-by-step development of a credit risk quantitative model designed to upgrade the Bank's risk quantification capability. The Department also regularly compiles bank-wide credit risk data and reports to the Board of Directors and Risk Management Committee; and, in accordance with the regulations of the competent authority, carries out provision for capital requirements and handles the disclosure of risk information.

4) The headquarters and branches have established Credit Management Committees to review loan cases, and to approve or reject loan applications in accordance with their level of loan authorization.
5) The Corporate Banking Department is responsible for loan review work and for supervising the business units in reviewing procedures. In case of irregularity in the operation of business units or in important loan cases, special reviews will be carried out as necessary, the causes of the irregularities will be investigated and reviewed.
6) The Credit Management Department is responsible for planning the bank-wide credit policy, establishing and revising the loan authorization for credit personnel of different levels, reviewing and relaying loan cases which exceed loan authorization of regional centers and strengthening the evaluation and supervision of follow-up reporting forms.
7) A Loan Assets Management Committee has been set up to review the disposition and writing off of nonperforming loans and overdue loans, and the writing off of losses from the disposition of assumed collateral, so as to strengthen the management of NPLs and overdue loans.
8) The Auditing Department of the Board of Directors carries out its audits independently, with at least one inspection per year of businesses related to credit risk and provides suggestions for improvement whenever necessary.

III. Scope and characteristics of the credit risk reporting and measuring system

1) The Bank reports credit risk information, including different underlying exposures in the asset portfolio, utilization of concentration quotas, and asset quality, to high-level management, the Risk Management Committee and Board of Directors on a regular basis so as to provide an understanding of the Bank’s overall credit risk for their reference in making decisions.

2) The Bank has developed various types of corporate finance and consumer finance rating models, has introduced loan management systems that automatically produce default probabilities, loses given default, and rating grades, and has established an internal rating system that effectively weighs credit risk.

IV. Hedging policy, and strategies and procedures for monitoring the continuing effectiveness of risk-hedging tools

1) TCB has established the Loan and Investment Policy and Credit Risk Management Criteria, which sets regulations for the concentration of different kinds of credit risk and for dealings with materially interested parties so as to manage credit risk effectively and reinforce the Bank’s credit risk management mechanism.
2) The Bank observes the limit regulations established by the competent authority in its loan and investment businesses.
3) The Bank sets limits for the same enterprise, business group, industry, country, and type of collateral, and monitors the limits constantly. It also readjusts the limits on a regular or as-needed basis so as to avoid the Excessive concentration of risk and assure the Bank’s stable operation.
4) The handling of loan and investment businesses is always done in accordance with the customer’s credit status and with the provision of appropriate collateral or guarantees, so as to lower risk. The monitoring of risk mitigation tools is accomplished through the review system and collateral management system.

V. **Method adopted for legal capital Charge**

Standardized approach

❖ **Operational Risk Management System**

I. Strategies and procedures of operational risk management

1) Strategies

a) Focus on implementing an effective bank-wide operational risk management consciousness and culture.

b) Establishment of operational risk management methods, use of operational risk management tools, and monitoring of the operational risk of various businesses so as to maintain operational safety and strengthen the operating structure.

2) Procedures

Use of the following methods to identify, evaluate, monitor, and control operational risk:

a) Establishment of various codes of practice, strengthening of operating procedure controls, and reduction of potential operating risks

b) Use of operational risk control self-assessment to identify different types of potential operational risk, assess operational risk exposure, review the effectiveness and implementation of controls, and strengthen business management.

c) Production of key operational risk indexes, in accordance with the major risks identified through self-assessment process, so as to monitor risk changes by quantified indexes and set up an early-warning mechanism.

d) Review of the causes of risk incidents through the reporting and management of operational risk to improve operating procedures.

II. Organization and framework of operational risk management

1) Organizational framework Includes the Board of Directors, Risk Management Committee, Risk Management Department, headquarters units, branches, and Board of Directors Auditing Department.

2) Implementation of operational risk management through three lines of defense.

a. First line of defense (branches and headquarters units)

1) Each branch should observe the laws of the competent authority and the Bank’s internal operating regulations in carrying out daily operational risk management.

2) The headquarters units in charge of different areas of business should fully understand the risks faced by businesses under their jurisdiction, should include operational risk management in the formulation of their operational management rules, and should monitor the daily implementation of operational risk management of businesses under their jurisdiction.

b. Second line of defense (The Risk Management Department) The Risk Management Department plays an independent and dedicated role, planning out the establishment and introduction of the bank-wide operational risk management framework and management tools, and being responsible for bank-wide operational risk assessment, monitoring, control, review, and reporting.

c. Third line of defense (The Auditing Department, Board of Directors) The Auditing Department of the Board of Directors carries out independent auditing and review of the status of operational risk management by units bank-wide.

III. Scope and characteristics of operational risk reporting and measurement system

1) Scheduled review, compilation, and analysis of the bank-wide status of operational risk exposure, including risk-control self-assessment and analysis, monitoring of key risk indexes, review and improvement of major operational risk incidents, and reporting to the Risk Management Committee and Board of Directors.
2) Establishment of operational risk management systems (including operational risk incident reporting and risk-control self-assessment management) and reinforcement of linkage between operational risk incidents and self-assessment management tools, and related report enquiry to enhance the efficiency of management.

IV. Risk hedging and mitigation policies, and monitoring of strategies and procedures for the continuing effectiveness of hedging and mitigation tools

1) Different units carry out overall assessment of probability and severity of impact in accordance with the results of operational risk assessment and monitoring of key risk indexes, and adopt appropriate risk-reduction policies such as the strengthening of personnel training, the improvement of operating procedures, the reinforcement of system controls, the use of insurance, and outsourcing to control operational risk within the range of tolerance.

2) Residual risk assessment in regard to risk incidents and control measures in various areas of business is carried out using risk control self-assessment on a scheduled basis so as to assure the effectiveness of control measures

V. Method adopted for legal capital Charge

Standardized approach

❖ Market Risk Management System

I. Strategies and procedures of market risk management

(1) Strategies

Establishment of a market risk management system in accordance with the market risk management strategy approved by the Board of Directors and in compliance with Basel III and the regulations set by the competent authority, establishment of investment authorization quotas and stop-loss rules in accordance with the Bank's overall risk management objectives and product characteristics, and scheduled assessment and compilation of management information reports in order to effectively control various kinds of market risk.

(2) Procedures

The Bank's market risk management procedures include risk identification, assessment, measuring, monitoring, and reporting. The risk management personnel of the different units analyze market risk position data with assessment and measurement methods including statistical basic measurement methods, sensitivity analysis, and scenario analysis. Monitoring is used to determine whether the general and individual trading procedures for the trading units and financial products, such as changes in position, changes in profit and loss, trading models, and trading instruments conform to the rules, and whether they are carried out within the established limits and authorization.

II. Organization and framework of market risk management

(1) The organizational framework of market risk management includes the Board of Directors, Risk Management Committee, Risk Management Department, units in charge of different areas of business, business trading units, and the Auditing Committee, Board of Directors.

(2) The Board of Directors is the Bank's highest policymaking body for risk management, and bears ultimate responsibility for the Bank's market risk.

(3) The Bank's Risk Management Committee operates the market risk management mechanism in accordance with management decisions approved by the Board of Directors, reviews the limits for different kinds of market risk as well as limits at the sectoral level, and reviews changes in business strategies and market conditions on a scheduled or as-needs basis.

(4) The Risk Management Department carries out the overall work of bank-wide risk management; it is responsible for centralized middle office monitoring, the collation, monitoring, and disclosure of market risk information and status of implementation, and the submission of reports and suggestions to the Risk Management Committee and Board of Directors on a scheduled basis.

(5) The mid-office personnel of the different trading units follow the Bank's market risk management regulations in managing everyday operations in real time, monitor limits actively, and assist the Risk Management Committee with bank-wide monitoring of the various areas of risk.

(6) The Auditing Department of the Board of Directors carries out its audits independently, with at least one inspection per year of businesses related to market risk and provide suggestions for improvement whenever necessary.

III. Scope and characteristics of market risk reporting and measurement system

(1) Market risk reporting

a. The different trading units report trading information to their superior units on a real-time, daily, or scheduled basis, and assure the accuracy and validity of the information.

b. The Risk Management Department reports to high management levels on bank-wide trading positions and changes in profit-loss evaluation on a daily basis and submits regular reports and suggestions to the Risk Management Committee and the Board of Directors on the bank-wide implementation of market risk management, including such factors as market risk positions, risk levels, profit and loss, limits utilization, and the status of conformance with market risk management regulations.

c. The Bank currently uses the market risk standardized approach to calculate the allocation of capital reserves; and, in conformity with the principle of public disclosure, makes public disclosures of the Bank's market risk management information on a scheduled basis.

(2) Market risk measurement system

a. The scope of financial products currently measured by the value-at-risk assessment system includes bond, bill, stock, fund, and forex positions.

b. The Risk Management Department daily calculates trading-book value at risk; monitors DVO1, individual product and overall value-at-risk limits; and makes reports to bank-wide risk management authorities.

c. Bank-wide market risk stress tests are carried out on a scheduled basis, the number of potential losses under different risk factors are measured when markets are in poor condition, and reports and suggestions are submitted to the Risk Management Committee and the Board of Directors.

IV. Risk hedging and mitigation policies, and monitoring of strategies and procedures for the continuing effectiveness of hedging and mitigation tools

(1) To avoid market, credit, or other financial risks to assets and liabilities, various derivative products may be used to engage in hedging operations.

(2) The Bank's current risk-avoidance activity is used primarily to avoid the risk of foreign exchange and interest rate changes when investing in foreign-currency capital and securities, and hedging tools are confined mainly to derivative swaps.

(3) Positions in non-hedging derivatives trading are assessed daily at market value, and hedging positions are evaluated twice monthly. The related assessment reports are submitted for approval to risk management authorities.

(4) To maintain an effective control mechanism for derivatives, the Risk Management Department carries out verification of the derivatives appraisal model on a scheduled basis. The items of verification include the accuracy of trading information, the rationality of parameters, and the correctness in calculation formulas. The results of verification are reported to the Risk Management Committee.

V. Method adopted for legal capital charge

Standardized approach

ABOUT TAIWAN COOPERATIVE BANK, LTD.(HQ)

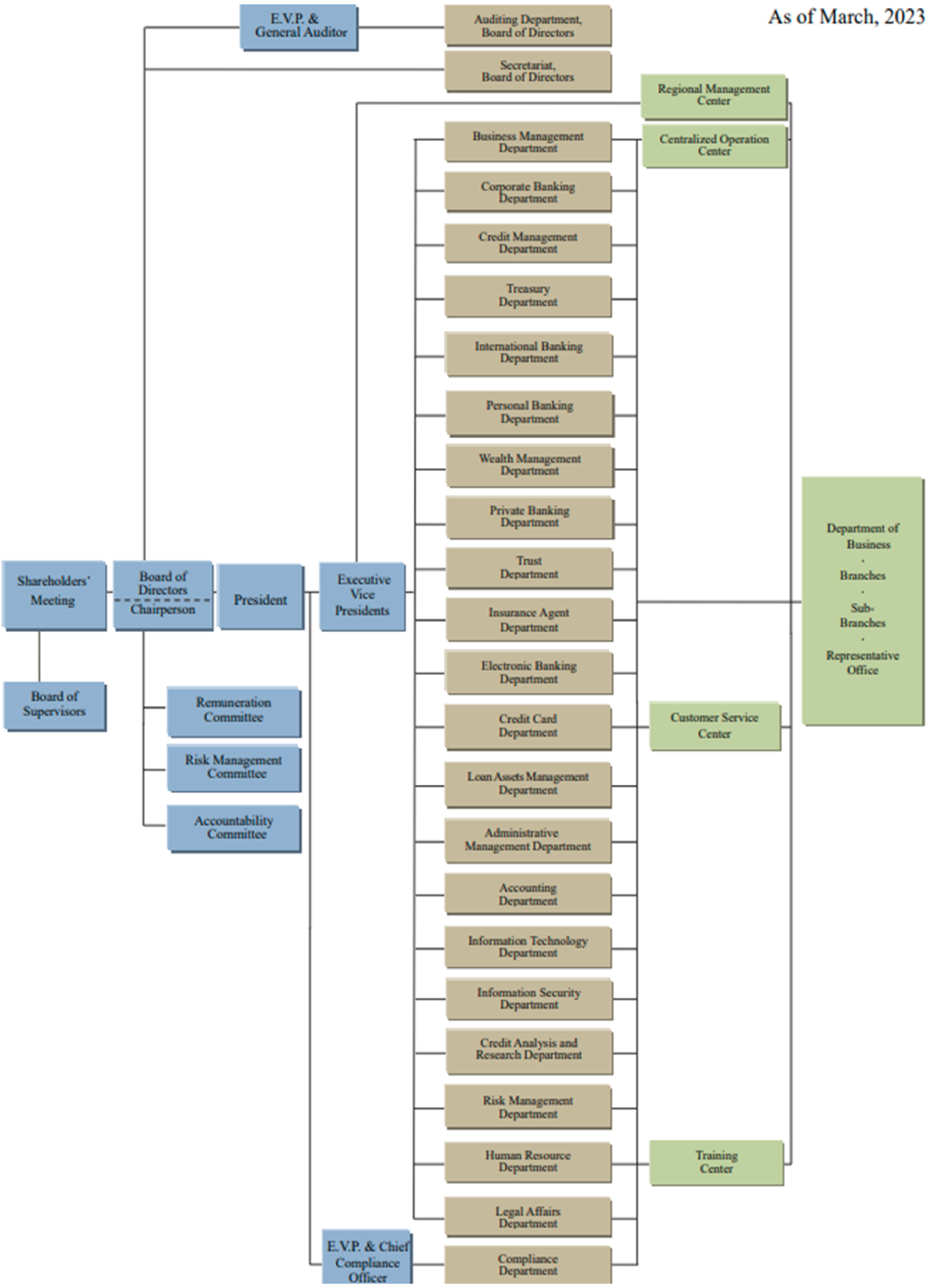
HISTORY

The TCB has experience over the past 70 years of commercial bank in Taiwan, approximately 297 domestic and overseas branches as of December, 2023, with over 8,000 employees and 26 overseas branches (including the Department of Business, Offshore Banking Branch, United Taiwan Bank, Manila Offshore Banking Branch, Los Angeles Branch, Seattle Branch, New York Branch, Hong Kong Branch, Suzhou Branch, Suzhou New District Sub-Branch, Tianjin Branch, Fuzhou Branch, Changsha Branch, Sydney Branch, Melbourne Branch, Houston Branch, Phnom Penh Branch, Tuek Thla Sub-Branch, Pur Senchey Sub-Branch, Siem Reap Sub-Branch, City Center sub-branch, Veng Sreng sub-branch, Sihanouk Ville sub-branch, Tuol Kouk sub-branch, Vientiane Capital Branch, Beijing Representative Office,Yangon Representative Office, and Prague Representative Office). Creating the most extensive network of branches among all Taiwan banks and positioning itself as a market leader in share of deposits and loans. According to the list of the world's top 1,000 banks by asset size, published in the July 2023 issue of The Banker magazine, TCB ranked 160th in the world and 3rd in Taiwan. In the global ranking of the top 500 banking brands, published in March 2024, TCB ranked 219th in the world. According to TCB's Articles of Incorporation, the Bank is in charge of carrying out the missions of operating a banking business, developing national economic construction, and providing financial adjustment for the farming and fishery industries. In addition to providing financing for cooperative enterprises, the farming and fishery industries, and small and medium enterprises, TCB also offers deposits, loans, and foreign exchange services for business enterprises in general to facilitate funds utilization and promote overall economic development. This makes TCB a consolidated international bank for farming, fishery, cooperative, and business financing.

As at 31-December-2023, Our net income reached a record of NT$16.302 billion (approximately equivalent to USD 0.53 billion), with EPS of NT$1.48 (approximately equivalent to USD 0.05). the non-performing loan ratio was 0.18% and the coverage ratio of the allowances for bad debt was 638.54%. By the end of 2023, The common equity ratio, Tier 1 Capital Ratio and Capital adequacy Ratio was 11.54%, 13.22%, and 14.90% respectively. The amount of Deposits stood at NT$3,863.26 billion (approximately equivalent to USD 125.82 billion), and the amount of demand deposits (not including government deposits) stood at NT$1,885.77 billion (approximately equivalent to USD 61.42 billion), an increase of NT$96.65 billion (approximately equivalent to USD 3.15 billion). We effectively refined our deposit structure and lowered funding costs.

At the end of 2023, our loan balance was NT$ 2,819.09 billion (approximately equivalent to USD 91.81 billion), of which the loan to private enterprises (excluding government agencies and public enterprises), stood at NT$1,099.81 billion (approximately equivalent to USD 35.82 billion). In year 2023, we arranged/coordinated 72 syndication loans with a total amount of approximately NT$745.74 billion (approximately equivalent to USD 24.29 billion), and our participation amount reached NT$108.84 billion (approximately equivalent to USD 3.54 billion). According to Thomson Reuters Basis Point, we were the runner-up in Mandated Leader Arranger (MLA) market share and our BOOKRUNNER market share ranked third in Taiwan. We are the first financial institution to launch reverse mortgage loan "Bagful of Happiness Loan" in 2015, as of the end of December 2023, 2,744 loans have been allocated, with an approved amount of about 16.98 billion (approximately equivalent to USD 0.55 billion), and its market share ranks first among state-owned banks. As of the end of December 2023, the online mortgage loan increase business has been allocated 8,286 loans, with a loan amount of NT$42.92 billion (approximately equivalent to USD 1.40 billion), and 19,129 loans have been allocated for online unsecured loan applications, with a loan amount of NT$10.11 billion (approximately equivalent to USD 0.33billion).

CORPORATE INFORMATION



DIRECTORS, SUPERVISORS AND EXECUTIVE OFFICER

Credit Rating

Rating Agency	Credit Rating		Rating Outlook	Release Date
	Long-term	Short-term		
S&P Global Ratings	A+	A-1	Stable	Jan. 16, 2023
Taiwan Ratings	twAAA	twA-1+	Stable	Jan. 16, 2023

Directors, Supervisors and Executive Officer

Directors			
Title	**Name**	**Title**	**Name**
Chairperson	Yen-Mao Lin	**Directors**	Tzu-Chen, Lai
Managing Directors	Tso-Cheng Su		Ming-Lei Chang
	Shen-Gang Mai		Chi-Chang, Lin
	Hsin-Rong Hsiah-Hou		Han-Juin Hsiao
Managing Director (Independent Director)	Shu-Chang Chou		Rong-Yuan Hsu
Independent Directors	Teyu Chou	Note: All directors are appointed by the Taiwan Cooperative Financial Holding Co., Ltd.	
	Hsuan-Chu Lin		
	Shang-Jyh Liu		
	Tu-Mu Kuo		
Directors	Mei-Tsu Chen		
	Jui-Chi Huang		
	Yung-Cheng Chang		
	Ko-Hsiung Lien		
	Hsiao-Wen Hung		
	Kung-Hong Lin		
	Chin-Chu Chen		
	Kuo-Lang Hsu		
	Chun-Shih Cheng		

Executive Officers			
Title	**Name**	**Title**	**Name**
President	Tso-Cheng Su	S.V.P. & G.M., Wealth Management Department	Wen-Lee Lin
Executive Vice Presidents	Hsiaw-Wei Chang	S.V.P. & G.M., Private Banking Department	Bi-Yun Liu
	Chia-Ping Tsai	S.V.P. & G.M., Trust Department	Mei-Joung Chang
	Ling-Tsui Huang	S.V.P. & G.M., Insurance Agent Department	Mao-Sheng Liao
	Jui-Ling Lu	S.V.P. & G.M., Electronic Banking Department	Ya-Chun Kuo
	Kuo-Hao Chang	S.V.P. & G.M., Credit Card Department	Long-Chang Huang
	Yu-Wan Chen	S.V.P. & G.M., Loan Assets Management Department	Su-Lan Huang
E.V. P.& General Auditor	Meng-Ying Chou	S.V.P. & G.M., Administrative Management Department	Tsung-Yi Chang
E.V. P.& Chief Compliance Officer	Kuei-Fen Huang	S.V.P. & G.M., Accounting Department	Sheng-Row Chen
S.V.P.&G.M., Auditing Department, Board of Directors	Hsiu-Yu Hou	S.V.P. & G.M., Information Technology Department	Yun-Shya Pan
S.V.P. & Chief Secretary, Secretariat, Board of Directors	Hsi-Huang Chiang	S.V.P. & G.M., Information Security Department	Hong-Zong Shieh
S.V.P. & G.M., Business Management Department	His-Chiang Pan	S.V.P. & G.M., Credit Analysis and Research Department	Dao-Lun Lin
S.V.P. & G.M., Corporate Banking Department	Shu-Jean Liang	S.V.P. & G.M., Risk Management Department	Chiung-Yun Chang
S.V.P. & G.M., Credit Management Department	Cheng-Pin Chou	S.V.P. & G.M., Human Resource Department	Feng-Kuan Chien
S.V.P. & G.M., Treasury Department	Hsiu-Jen Chen	S.V.P. & G.M., Compliance Department	Kuei- Feng Liang
S.V.P. & G.M., International Banking Department	Yueh-Ching Lin	S.V.P. & G.M., Legal Affairs Department	Min-Chieh Wang

S.V.P. & G.M., Personal Banking Department	Yi-Ching Chen		

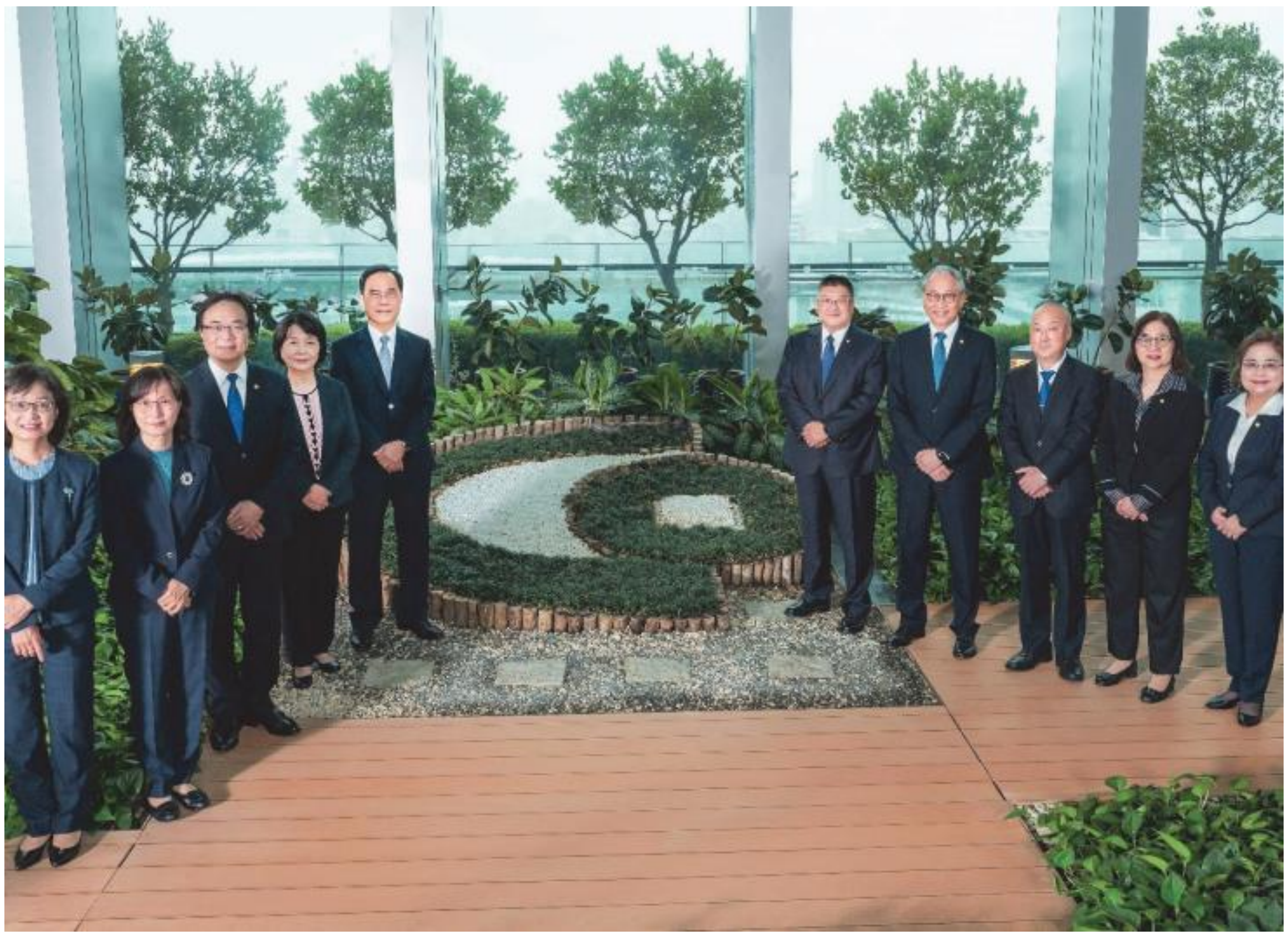
Major Shareholders

As of March, 13,2023

Shareholder's Name	Shareholding	
	Shares	Percentage
Taiwan Cooperative Financial Holding Co., Ltd.	11,007,530,000	100%

Ownership

- The Bank is a wholly owned subsidiary of the Taiwan Cooperative Financial Holding Co., and all related matters are handled in accordance with regulations.
- The Taiwan Cooperative Financial Holding Co. holds 100% of the Bank's shares.
- The credit rating in Taiwan is good.



Chairman/Lin Yen Mao (Right 5) - President/Su Tso Cheng (Left 5)

Vice President/Tsai Chia Ping (Right 4) - Chang Kuo Hao (Right 3) - Huang Ling Tsui (Right 2)

Vice President/Lu Jui Ling (Left 4) - Chang Hsiaw Wei (Left 3) - Chen Yu Wan (Left 2)

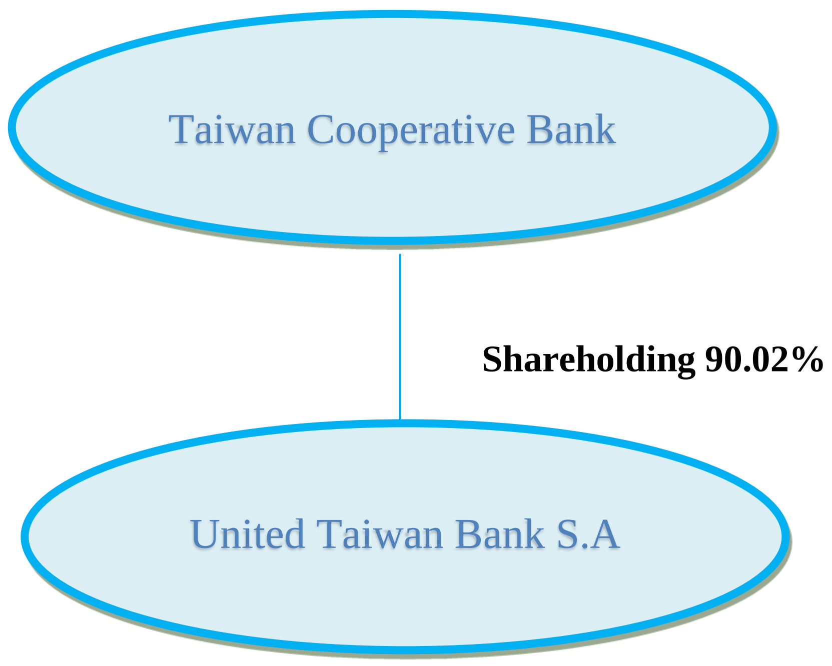
E.V.P.&General Auditor/Chou Meng Ying (Right 1) - Chief Compliance Officer/Huang Kuei Fen (Left1)

OVERSEA UNITS

Unit name		Address	Tel/Fax/Email
1	United Taiwan Bank.	Add: 1th Floor, Square de Meeus,1000 Brussels, Belgium.	Tel: +322-2305359 Fax: +322-2300470 E-mail: info@utb-bank.be
2	Manila Offshore Banking Branch	Add:26th Floor, CitiBank Tower,8741, Paseo De Roxas, Makati, Metro Manila, The Philipines	Tel: +632-88481959 Fax: +632-88481952 E-mail: tcbmnl@tcb-bank.com.tw
3	Los Angeles Branch	Add: 601, South Figueroa Street, Suite 3500, Los Angeles, CA 90017 USA	Tel: +1-213-4895433 Fax: +1-213-4895195 E-mail: tcbla@tcbla.com
4	Seattle Branch	Add: 1201, Third Avenue, Suite 1200, Seattle, WA 98101 USA	Tel: +1-206-5872300 Fax: +1-206-6224491 Email: bank@tcbseattle.com
5	Hong Kong Branch	Add: Suites 1303-1310,13th Floor, Everbright Centre, 108, Gloucester Road, WanChai, Hong Kong	Tel: +852-25981128 Fax: +852-25981028 E-mail: tcbhkcd@tcb-bank.com.tw
6	Suzhou Branch	Add: Room 1601, No.24 Building, Times Square, Hua Chi St. SIP, Suzhou 215028, China	Tel: + 86-512-62953336 Fax: +86-512-62956660 Email: Suzhou@tcb-bank.com.kh
7	Fuzhou Branch	Room 2608, 26F, Shenglong Financial Center, Guangming Road No.1, Fuzhou 350000 China	TEL:+86-591-86320069 FAX:+8659186320109 Email: Fuzhou@tcb-bank.com.tw
8	Tianjin Branch	Room 1801,1802,1803,1804,1807, Floor 18, Golden Valley Center Building 1, No.1 Binjiang Road, Heping District, Tianjin, 300041, China	Tel: +86-22-58526999 Fax: +86-22-59956011 E-mail: tianjin@tcb-bank.com.tw
9	Suzhou New District Sub-Branch	Room 3601, 36 Floor, No.28 Shishan Road, SND. Suzhou 215011, China	Tel: +86-512-86868168 Fax: +86-512-87660869 Email: suzhougaoxin@tcbbank.com.tw
10	Sydney Branch	Add: Suite 101, Level 1, 50 Carrington Street,Sydney NSW 2000, Australia	Tel: +61-2-92990068 Fax: +61-2-92903897 E-mail: sydney@tcb-bank.com.tw
11	Phnom Penh Branch	No.171, Norodom Blvd Corner Street 322, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Cambodia	Tel: +855-23-430800 Fax: +855-23-210630 E-mail: admin@tcb-bank.com.kh
12	Tuek Thla Sub-Branch	Tuek Thla Building No. A111, Confederation de la Russie Blvd Corner Northbridge Street, Sangkat Tuek Thla, Khan Saen Sok, Phnom Penh, Cambodia	Tel: +855-23-430703 Fax: +855-23-883991 E-mail: admin9135@tcb-bank.com.kh
13	Pur Sen Chey Sub-Branch	Building No.62, National Road 4, Sangkat Chaom Chau, Khan Pur Senchey, Phnom Penh, Cambodia	Tel: +855-23-430705 Fax: +855-23-729548 E-mail: admin9146@tcb-bank.com.kh
14	Siem Reap Sub-Branch	No.0583, National Road No.6A, Chongkaosou Village, Sangkat Sla kram, Krong Siem Reap, Siem Reap Province, Cambodia.	Tel: +855-63-765595
15	City-Center Sub-Branch	No.A2-2, Street 169, Sangkat Veal Vong, Khan Prampir Meakkakra, Phnom Penh, Cambodia.	Tel: +855-23-430058
16	Veng Sreng Sub-Branch	No.34-35, Preah Monireth Blvd. (217), Phum Damnak Thum, Sangkat Stueng Mean Chey 2, Khan Mean Chey, Phnom Penh, Cambodia	Tel: +855-23-722381
17	Sihanouk Ville Sub-Branch	No.170-172, Street Ou 01, Phum Muoy, Sangkat Buon, Preah Sihanouk Ville, Preah Sihanouk Province, Cambodia	Tel: +855-34-214888
18	Tuol Kouk Sub-Branch	No.150B1 & 150D1, Street 516, Phum 13, sangkat Boeng Kak Ti Muoy, khan Tuol Kouk, Phnom Penh , Cambodia	Tel: +855-23-725180
19	Beijing Representative Office	Room 507, East Ocean Centre A-24, Jianguomenwei Road, Chao Yang District, Beijing, 100022 China	Tel: +86-10-65188173 E-mail: tcbbro@vip.sina.com

20	New York Branch	88 Pine Street, 31st Floor, New York, New York 10005, USA	Tel: +1-212-6341818 Fax: +1-212-6341828 E-mail: tcbny@tcbny.com
21	Yangon Representative Office	Unit No.08-01, Level 8, Union Financial Centre (UFC), Corner of Maharbandoola Road and Thein Phyu Road, Botahtaung Township, Yangon, Myanmar	Tel: +95-18610478 E-mail: SIMON2304@tcb-bank.com.tw
22	Melbourne Branch	Suite 2, Level 2, 356 Collins Street, Melbourne, Vic 3000, Australia	TEL: +61-3-99771800 FAX: +61-3-99771809 E-mail:melbourne@tcb-bank.com.tw
23	Changsha Branch	Room 021-023, 28F., BOFO International Plaza, No.416, Section 1, Furong Middle Road, Kaifu Dist., Changsha 410003 China	TEL: +86-731-8823-2259 FAX: +86-731-8823-2279 E-mail: changsha@tcb-bank.com.tw
24	Vientiane Capital Branch	Unit 03, Dongpayna Road, Saphanthong Neua Village, Sisattanak District, Vientiane Capital, Lao PDR	TEL:+856 21 415666 FAX: 416000 E-mail: services@tcb-bank.com.la
25	Houston Branch	1200 Smith St,Suite 850, Houston, TX 77002, USA	TEL:+1-713-258-2588 FAX: +1-713-258-2699 Email: branch@tcbhouston.com
26	Prague Representative Office	7F, Na Příkopě 583/15, Prague 1,110 00, Czech Republic	Tel:+420-272-143-399 #43 E-mail: peterhsieh@tcb-bank.com.tw

TAIWAN COOPERATIVE'S SUBSIDIARIES CHARTS



TAIWAN COOPERATIVE BANK,
PHNOM PENH BRANCH
(Registration No. 00003328)

REPORT OF THE EXECUTIVE MANAGEMENT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

Report of the Executive Management

The Executive Management hereby submit their report together with the audited financial statements of Taiwan Cooperative Bank, Phnom Penh Branch ("the Branch") for the year ended31 December 2023.

The Branch

Taiwan Cooperative Bank, Phnom Penh Branch (the "Branch") is a branch of Taiwan Cooperative Bank, Ltd., incorporated in Taiwan. The Branch is registered in Cambodia with the Ministry of Commerce under the registration No. 00003328, dated 15 November 2012. On 6 March 2013, the Branch obtained a banking license from the National Bank of Cambodia (the "Central Bank" or "NBC") to carry out banking operations and officially commenced its commercial operations on 28 March 2013.

Principal activities

The principal activities of the Branch are the provision of commercial banking and related financial services in Cambodia. There were no significant changes to those principal activities during the financial year.

Financial results

The financial results of the Branch for the year ended 31 December 2022 were as follows:

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Profit before income tax	(74,359,933)	(305,619,324)	26,963,084	110,198,123
Income tax expense	(3,109,863)	(12,781,537)	(5,784,177)	(23,639,931)
Net profit for the year	(77,469,796)	(318,400,861)	21,178,907	86,558,192

Head office's capital contributions

The head office's capital contributions of the Branch as at 31 December 2023 is US$185,000,000 (31 December 2022: US$185,000,000).

Reserves and provisions

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

Dividends

No dividend was declared or paid and the Executive Management does not recommend any dividend to be paid for the year.

Written off and allowance for financial assets

Before the financial statements were prepared, the Executive Management took reasonable steps to ascertain that action had been taken in relation to write off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of allowance for expected credit losses ("ECL") on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for ECL on financial assets have been made.

At the date of this report, the Executive Management is not aware of any circumstances which would render the amount of the allowance for expected credit losses on financial assets in the financial statements of the Branch inadequate to any material extent.

Assets

Before the financial statements of the Branch were prepared, the Executive Management took reasonable steps to ensure that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Branch, had been written down to amounts which they might be expected to realise.

At the date of this report, the Executive Management is not aware of any circumstances, which would render the values attributable to the assets in the financial statements of the Branch misleading.

Valuation methods

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

Contingent and other liabilities

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

a) any charge on the assets of the Branch which has arisen since the end of the financial year which secures the liabilities of any other person except as disclosed in the financial statements; and
b) any contingent liability in respect of the Branch that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Branch, other than those disclosed in the financial statements if any, has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Executive Management, will or may substantially affect the ability of the Branch to meet its obligations as and when they fall due.

Change of circumstances

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

Items of an unusual nature

The results of the operations of the Branch for the financial year were not, in the opinion of the Executive Management, substantially affected by any item, transaction or event of a material and unusual nature.

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

Executive Management

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

Mr. Lin Chi Jen	General Manager
Ms. Lo Shu Fen	Deputy General Manager
Mr. Yeh Kuang Wu	Manager
Mr. Cheng Kuang Yu	Manager
Mr. Hsiao Wen Jen	Manager
Mr. Chen Kuan Yu	Manager
Mr. Hsu Chien Hsiung	Manager
Mr. Huang Ting Chieh	Manager
Mr. Ke Sheng Chen	Manager
Mr. Lin Li Min	Manager
Mr. Lin Shao Yu	Manager

Mr. Pan Peng Sheng	Manager
Mr. Chen Yu Cheng	Manager
Mr. Chen Jou Chuan	Manager
Mr. Lin Yi Hsi	Manager
Mr. Chang Chia Chun	Manager
Ms. Wang Li Kuan	Sub-Branch Manager
Mr. Su Zhe Sheng	Manager
Mr. Hsu Tsu Cheng	Manager
Mr. Chen Chih Chiang	Manager
Mr. Lee Tsung Hsien	Manager
Mr. Chang Tsang Yuan	Sub-Branch Manager
Mr. Chiu Hsien Hui	Manager
Mr. Wang Jui Chia	Manager
Mr. Hsu Ching Hsien	Sub-Branch Manager
Mr. Wu Yu Jung	Manager
Mr. Lin Chu Hsin	Manager
Mr. Hsu Chih Ping	Sub-Branch Manager
Mr. Huang Shih En	Manager
Mr. Wu Po Wei	Manager
Mr. Wu Chia Te	Sub-Branch Manager
Mr. Hsueh Tsun Fu	Manager
Mr. Ni Hau Chen	Manager
Mr. Tsai Yu Jen	Sub-Branch Manager
Mr. Lo Shih Sung	Manager
Mr. Lin Jing Chang	Manager
Mr. Hsu Shu En	Sub-Branch Manager
Mr. Chen Ho Ming	Manager
Mr. Liu Yao Jen	Manager
Mr. Hsu Wen Shou	Manager

Executive Management's interests

None of the Executive Management held or dealt indirectly in the shares of the Branch during the financial year.

Executive Management's benefits

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

During the financial year, none of the Executive Management of the Branch has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Executive Management as disclosed in the financial statements) by reason of a contract made by the Branch or a related corporation with a firm of which the Executive Management is a member, or with a bank in which the Executive Management has a substantial financial interest other than as disclosed in the financial statements.

Executive Management's responsibility in respect of the financial statements

The Executive Management is responsible for ascertaining that the financial statements present fairly, in all material respects, 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 preparing these financial statements, the Executive Management is required to:

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

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

(iii) oversee the 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 effectively the Branch in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Approval of the financial statements

I, hereby approve the accompanying financial statements together with the notes thereto as set out on pages 34 to 88 which in our opinion, present fairly, in all material respects, 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 CIFRSs.

On behalf of the Executive Management:

Taiwan Cooperative Bank, Phnom Penh Branch
KINGDOM OF CAMBODIA

Mr. Lin Chi Jen
General Manager

Phnom Penh, Kingdom of Cambodia

6 February 2024

Report of the Independent Auditors

To the Head Office of Taiwan Cooperative Bank, Phnom Penh Branch

Opinion

We have audited the financial statements of Taiwan Cooperative Bank, Phnom Penh Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information as set out on pages 34 to 88 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance 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.

Other Information

Executive Management is responsible for the other information. The other information comprised the Report of the Executive Management on pages 28 to 31, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Executive Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, and for such internal control as Executive 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, Executive 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 Executive Management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

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

KPMG CAMBODIA LTD.

Low Seh Kit
Director

Phnom Penh, Kingdom of Cambodia

6 February 2024

Statement of Financial Position

BALANCE SHEET

	Note	31 December 2023 US$	31 December 2023 KHR'000 (Note 6)	31 December 2022 US$	31 December 2022 KHR'000 (Note 6)
ASSETS					
Cash on hand	7	7,916,644	32,339,491	9,322,072	38,378,970
Balances with the Central Bank	8	144,140,365	588,813,391	214,894,221	884,719,508
Deposits and placements with other banks	9	48,180,201	196,816,121	71,203,429	293,144,517
Loans to customers	10	734,426,418	3,000,131,918	869,595,196	3,580,123,422
Investment securities	11	5,016,263	20,491,434	6,956,727	28,640,845
Other assets	12	923,904	3,774,147	754,890	3,107,882
Property and equipment	13	622,142	2,541,450	1,121,070	4,615,445
Intangible assets	14	485,642	1,983,848	471,394	1,940,729
Right-of-use assets	15	1,538,460	6,284,609	2,080,933	8,567,201
Deferred tax assets – net	20C	-	-	1,525,100	6,278,837
TOTAL ASSETS		943,250,039	3,853,176,409	1,177,925,032	4,849,517,356
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from other banks	16	677,003,177	2,765,557,978	825,631,982	3,399,126,870
Deposits from customers	17	36,332,369	148,417,727	27,571,959	113,513,755
Borrowings	18	14,257,022	58,239,935	27,612,813	113,681,951
Other liabilities	19	1,991,723	8,136,188	1,568,372	6,456,989
Current tax liabilities	20B	81,632	333,467	4,054,042	16,690,491
Lease liabilities	21	2,052,061	8,382,669	2,641,367	10,874,508
Deferred tax liabilities – net	20C	157,354	642,791	-	-
TOTAL LIABILITIES		731,875,338	2,989,710,755	889,080,535	3,660,344,564
EQUITY					
Head office's capital contributions		185,000,000	753,690,000	185,000,000	753,690,000
Retained earnings		11,837,061	44,476,683	91,732,823	372,848,264
Regulatory reserves	22	14,537,640	59,386,259	12,111,674	49,863,762
Currency translation reserves		-	5,912,712	-	12,770,766
TOTAL EQUITY		211,374,701	863,465,654	288,844,497	1,189,172,792
TOTAL LIABILITIES AND EQUITY		943,250,039	3,853,176,409	1,177,925,032	4,849,517,356

Statement of Profit or Loss and Other Comprehensive Income

	Note	2023 US$	2023 KHR'000 (Note 6)	2022 US$	2022 KHR'000 (Note 6)
Interest income		64,906,399	266,765,300	60,219,620	246,117,587
Interest expense		(43,907,237)	(180,458,744)	(19,975,020)	(81,637,907)
Net interest income	23	20,999,162	86,306,556	40,244,600	164,479,680
Fee and commission income		90,432	371,676	170,438	696,580
Fee and commission expense		(5,941)	(24,418)	(6,329)	(25,867)
Net fee and commission income	24	84,491	347,258	164,109	670,713
Other operating income		3,598,363	14,789,272	874,270	3,573,141
Net operating income		24,682,016	101,443,086	41,282,979	168,723,534
Personnel expenses	25	(5,487,360)	(22,553,050)	(4,896,546)	(20,012,184)
Depreciation and amortisation	26	(1,422,149)	(5,845,032)	(1,458,169)	(5,959,537)
Other expenses	27	(8,158,649)	(33,532,047)	(4,670,694)	(19,089,126)
Impairment losses on financial instruments	28	(83,319,661)	(342,443,807)	(3,294,486)	(13,464,564)
Minimum tax expense	20A	(654,130)	(2,688,474)	-	-
(Loss)/profit before income tax		(74,359,933)	(305,619,324)	26,963,084	110,198,123
Income tax expense	20A	(3,109,863)	(12,781,537)	(5,784,177)	(23,639,931)
Net (loss)/profit for the year		(77,469,796)	(318,400,861)	21,178,907	86,558,192
Other comprehensive (loss)/income					
Items that will not be reclassified to profit or loss					
Currency translation differences		-	(6,858,054)	-	11,679,917
Total comprehensive (loss)/income for the year		(77,469,796)	(325,258,915)	21,178,907	98,238,109

Statement of Changes in Equity

	Head Office's capital contribution		Retained earnings		Regulatory reserves		Currency translation reserves		Total	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January 2022	185,000,000	753,690,000	74,840,947	303,811,168	7,824,643	31,877,596	-	1,090,849	267,665,590	1,090,469,613
Total comprehensive income										
Net profit for the year	-	-	21,178,907	86,558,192	-	-	-	-	21,178,907	86,558,192
Other comprehensive income	-	-	-	-	-	-	-	11,679,917	-	11,679,917
	-	-	21,178,907	86,558,192	-	-	-	11,679,917	21,178,907	98,238,109
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserves	-	-	(4,287,031)	(17,521,096)	4,287,031	17,521,096	-	-	-	-
Currency translation differences	-	-	-	-	-	465,070	-	-	-	465,070
	-	-	(4,287,031)	(17,521,096)	4,287,031	17,986,166	-	-	-	465,070
At 31 December 2022	185,000,000	753,690,000	91,732,823	372,848,264	12,111,674	49,863,762	-	12,770,766	288,844,497	1,189,172,792

	Head Office's capital contribution		Retained earnings		Regulatory reserves		Currency translation reserves		Total	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January 2023	185,000,000	753,690,000	91,732,823	372,848,264	12,111,674	49,863,762	-	12,770,766	288,844,497	1,189,172,792
Total comprehensive loss										
Net loss for the year	-	-	(77,469,796)	(318,400,861)	-	-	-	-	(77,469,796)	(318,400,861)
Other comprehensive loss	-	-	-	-	-	-	-	(6,858,054)	-	(6,858,054)
	-	-	(77,469,796)	(318,400,861)	-	-	-	(6,858,054)	(77,469,796)	(325,258,915)
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserves	-	-	(2,425,966)	(9,970,720)	2,425,966	9,970,720	-	-	-	-
Currency translation differences	-	-	-	-	-	(448,223)	-	-	-	(448,223)
	-	-	(2,425,966)	(9,970,720)	2,425,966	9,522,497	-	-	-	(448,223)
At 31 December 2023	185,000,000	753,690,000	11,837,061	44,476,683	14,537,640	59,386,259	-	5,912,712	211,374,701	863,465,654

Statement of Cash Flows

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Cash flows from operating activities				
(Loss)/profit before income tax	(74,359,933)	(305,619,324)	26,963,084	110,198,123
Adjustments for:				
Impairment losses on financial instruments	83,319,661	342,443,807	3,294,486	13,464,564
Depreciation and amortisation	860,406	3,536,268	885,892	3,620,641
Depreciation of right-of-use assets	561,743	2,308,764	572,277	2,338,896
Interest income	(64,906,399)	(266,765,300)	(60,219,620)	(246,117,587)
Interest expense	43,907,237	180,458,744	19,975,020	81,637,907
Minimum tax expense	654,130	2,688,474	-	-
	(9,963,155)	(40,948,567)	(8,528,861)	(34,857,456)
Change in working capitals:				
Negotiable Certificate of Deposit	2,887,894	11,869,244	41,280,330	168,712,709
Reserve requirement	(1,926,694)	(7,918,712)	2,304	9,416
Loans to customers	52,150,299	214,337,729	11,555,122	47,225,784
Other assets	(515,676)	(2,119,428)	(128,273)	(524,252)
Deposits from banks	(151,576,200)	(622,978,182)	(93,523,539)	(382,230,704)
Deposits from customers	8,663,105	35,605,362	(8,009,135)	(32,733,335)
Other liabilities	423,351	1,739,973	(202,906)	(829,277)
Net cash used in operations	(99,857,076)	(410,412,581)	(57,554,958)	(235,227,115)
Interest received	65,215,079	268,033,975	62,908,348	257,106,418
Interest paid	(41,038,697)	(168,669,045)	(15,562,054)	(63,602,115)
Income tax paid	(6,053,949)	(24,881,730)	(9,453,480)	(38,636,373)
Net cash used in operating activities	(81,734,643)	(335,929,381)	(19,662,144)	(80,359,185)
Cash flows from investing activities				
Acquisition of investment securities	-	-	(6,943,169)	(28,376,732)
Investment in term deposits	(50,000,000)	(205,500,000)	(69,500,000)	(284,046,500)
Proceeds from investment in term deposits	78,500,000	322,635,000	41,000,000	167,567,000
Proceeds from investment securities	1,948,713	8,009,210	-	-
Purchases of property and equipment	(76,270)	(313,470)	(142,628)	(582,921)
Purchases of intangible assets	(299,456)	(1,230,764)	-	-
Net cash generated from/(used in) investing activities	30,072,987	123,599,976	(35,585,797)	(145,439,153)
Cash flows from financing activities				
Proceeds from borrowings	24,706,242	101,542,655	45,016,517	183,982,504
Repayments of borrowings	(37,885,873)	(155,710,938)	(83,886,730)	(342,845,065)
Payments of lease liabilities	(608,576)	(2,501,247)	(535,475)	(2,188,486)
Net cash used in financing activities	(13,788,207)	(56,669,530)	(39,405,688)	(161,051,047)
Net decrease in cash and cash equivalents	(65,449,863)	(268,998,935)	(94,653,629)	(386,849,385)
Cash and cash equivalents at beginning of the year	143,739,112	591,773,924	238,392,741	971,212,028
Currency translation differences	-	(2,963,408)	-	7,411,281
Cash and cash equivalents at the end of the year (Note 29)	78,289,249	319,811,581	143,739,112	591,773,924

Notes to the Financial Statements

1. Reporting entity

Taiwan Cooperative Bank, Phnom Penh Branch (the "Branch") is a branch of Taiwan Cooperative Bank, Ltd., incorporated in Taiwan. The Branch is registered in Cambodia with the Ministry of Commerce under the registration number No. 00003328, date 15 November 2012. On 6 March 2013, the Branch obtained a banking license from the National Bank of Cambodia (the "Central Bank" or "NBC") to carry out banking operations and officially commenced its commercial operations on 28 March 2013.

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

The registered office of the Branch is located at #171, Preah Norodom Blvd (Corners Street 332), Sangkat Boeng Keng Kang I, Khan Chamka Morn, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2023, the Branch had 159 employees (31 December 2022: 155 employees).

2. Basis of accounting

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

Details of the Branch's material accounting policies are included in Note 4.

The financial statements were authorised for issue by the Executive Management on 6 February 2024.

3. Functional and presentation currency

The Branch transacts its business and maintains its accounting records in United States Dollars ("US$"). Management has determined the US$ to be the Branch's functional 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. However, it is required to present its financial statements in Khmer Riel ("KHR") for the submission to the National Bank of Cambodia. For the purpose of presentation in Khmer Riel ("KHR"), the financial statements have been translated into KHR in accordance with the policy described in Note 6.

4. Summary of material accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. New and amended CIFRS Standards that are effective for the current year

(i) Deferred tax related to assets and liabilities arising from a single transaction

The Branch has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Branch previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Branch has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets.

However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of CIAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Branch relates to disclosure of the deferred tax assets and liabilities recognised (see Note 20(C)).

(ii) Material accounting policy information

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 update to the information disclosed in Note 4 Summary of material accounting policies (2022: Summary of significant accounting policies) as all accounting policies are in line with the amendments.

B. New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Branch has 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:

- Non-current liabilities with Covenants and Classification of Liabilities as Current or Non-current (Amendments to CIAS 1);
- Lease liability in a Sale and Leaseback (Amendments to CIFRS 16);
- Supplier Finance Arrangements (Amendments to CIAS7 and CIFRS7); and
- Lack of Exchangeability (Amendments to CIAS21).

C. Basis of measurement

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

D. Foreign currency transactions

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

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

E. Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value, and are used by the Branch in the management of its short-term commitment.

F. Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Branch becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(a) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments at amortised cost

The Branch assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Branch's business model for managing the asset.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Branch determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Branch's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Branch considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Branch does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Branch takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Branch determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Branch reassess its business models at each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting periods, the Branch has not identified a change in its business models.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Reclassification

If the business model under which the Branch holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Branch's financial assets. During the current and previous financial years, there was no change in the business model under which the Branch holds financial assets and therefore no reclassifications were made.

(b) Foreign exchange gains and losses

The carrying amount of financial assets at amortised cost that are not part of a designated hedging relationship that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date and exchange differences are recognised in profit or loss in the "other operating income/other expenses" line item.

(c) Impairment of financial assets

The Branch recognises loss allowances for expected credit losses ("ECL") on the following financial instruments:

- loans to customers;
- balance with the Central Bank;
- other assets;
- investment securities;
- deposits and placement with other banks; and
- loan commitments.

With the exception of purchased or originated credit-impaired (POCI) financial assets, ECL are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. a part of lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

ECL are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Branch under the contract and the cash flows that the Branch expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the contractual cash flows that are due to the Branch if the holder of the commitment draws down the loan and the cash flows that the Branch expects to receive if the loan is drawn down.

The Branch measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired 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. Credit- impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or a past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Branch assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. To assess if corporate debt instruments are credit-impaired, the Branch considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue equal to or more than 31 days and 90 days for short- term and long-term loans, respectively.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECL and the identification of a significant increase in credit risk.

The Branch considers the following as constituting an event of default:
- the borrower is past due equal to or more than 31 days and 90 days for short-term and long-term loans, respectively on any material credit obligation to the Branch; or
- the borrower is unlikely to pay its credit obligations to the Branch in full.

This definition of default is used by the Branch for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Branch takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Branch uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit-impaired financial assets above, default is evidence that an asset is credit-impaired. Therefore credit-impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk

The Branch monitors all financial assets and issued loan commitments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Branch will measure the loss allowance based on lifetime rather than 12-month ECL. The Branch's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Branch monitors all financial assets and issued loan commitments that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Branch compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Branch considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Branch's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.
Forward-looking information includes the future prospects of the industries in which the Branch's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Branch allocates its counterparties primarily based on DPD information in order to reflect their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.
- The PDs used are forward-looking and the Branch uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Branch still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.
As a back-stop when an asset becomes overdue equal to or more than 15 days and 30 days for short-term and long-term loans, respectively, the Branch considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit-impairment the assets are at stage 3 of the impairment model.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Branch derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Branch neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branch recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branch retains substantially all the risks and rewards of ownership of a transferred financial asset, the Branch continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Branch retains an option to repurchase part of a transferred asset), the Branch allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognised in profit or loss.

Write-off

Loans and debt securities are written off when the Branch has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Branch may apply enforcement activities to financial assets written off. Recoveries resulting from the Branch's enforcement activities will result in impairment gains, which will be presented in 'other operating income' in profit or loss.

Presentation of allowance for ECL in the statement of financial position

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

- as a deduction from the gross carrying amount of the assets; and
- 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.

(ii) Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Branch or a contract that will or may be settled in the Branch's own equity instruments and is a non-derivative contract for which the Branch is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Branch's own equity instruments.

All financial liabilities are measured subsequently at amortised cost using the effective interest method. For all financial liabilities, the amount presented on the statement of financial position represent all amounts payable including interest element.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "interest" in Note 4N.

(iii) Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Branch has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

(iv) Interest rate benchmark reform

If the basis of determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the 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 charges.

G. Regulatory reserves

The National Bank of Cambodia ("NBC") issued the Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, and Circular No. B7- 018-001, dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, which requires banks and financial institutions to provide impairment provisioning for short-term and long-term facilities as follows:

Classification	Number of past due days		Allowance
	Short – term (one year or less)	**Long – term** (more than one year)	
General allowance			
Normal	14 days or less	Less than 30 days	1%
Specific allowance:			
Special mention	15 days – 30 days	30 days – 89 days	3%
Substandard	31 days – 60 days	90 days – 179 days	20%
Doubtful	61 days – 90 days	180 days – 359 days	50%
Loss	91 days or more	360 days or more	100%

Facilities under this Prakas is defined as all loans and other financial products, whether reported on the statement of financial position or off-the statement of financial position, provided by the Branch to a counterparty, which give rise to credit risk exposure on the Branch.

The Branch calculates the impairment loss allowance for credit facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with the CIFRSs. The impairment loss allowance calculated in accordance with CIFRSs is to be recognised and recorded in profit or loss and statement of financial position. When the impairment loss allowance calculated in accordance with regulatory provision is higher than that calculated under the CIFRSs, the excess amount is transferred from retained earnings to regulatory reserves as disclosed in Note 22.

Reversal of regulatory reserves

When the impairment loss allowance calculated in accordance with regulatory provision is subsequently less than that calculated under the CIFRSs, the regulatory reserve is reversed at the amount that does not exceed the amount that would have been determined had no regulatory reserve been recognised in prior years.

H. Leases

The Branch as a lessee

The Branch assesses whether a contract is or contains a lease at inception of the contract. The Branch recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets, motorbikes, and small items of office furniture). For these leases, the Branch recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Branch uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Branch remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Branch did not make any such adjustments during the years presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Branch incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under CIAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the period of lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Branch expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Branch applies CIAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy in Note 4K.

I. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment loss if any. Historical cost includes expenditure that is directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Branch and cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Work in progress is not depreciated. Depreciation of property and equipment is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets as follows:

Leasehold improvement	5 years
Furniture, fixture and equipment	5 years
Computers	5 years
Motor vehicles	5 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

J. Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss, if any. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use.

Costs associated with maintaining intangible assets are recognised as an expense when incurred.

Intangible assets are amortised over their estimated useful lives of individual class of assets as follows:

Computer software	5 years
Core banking system	5 years

K. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

Any impairment loss is charged to profit or loss in the period in which it arises. Reversal of impairment loss is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

L. Provisions

Provisions are recognised when the Branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

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

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

M. 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) Seniority payment

The Minister of Labour and Vocational Training (MoLVT) issued a Prakas No. 443 on Seniority Payment dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Branch to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 1 January 2019 and continue to work are entitled to a payment of fifteen (15) days of their average wages of each year of service, totaling not exceeding 6 months, and shall be paid every year starting December 2021 as follows:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

Employees are not entitled to the remaining past seniority payment upon resignation or termination due to serious misconduct. The past seniority payment benefit is measured at the present value of the estimated future cash outflows expected to be made by the Branch in respect of services provided by employees up to 31 December 2018. This benefit was recognised in full during the year 2018.

This Prakas also requires the Branch to pay its employees the seniority for the employment service from 2019 amounting to 15 days per annum of their wages and other benefits, 7.5 days of which shall be paid in June and in December of each year. This seniority was recognised during the employees' periods of service on an accrual basis.

N. Interest

Interest income and expense are recognised in profit or 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.

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

The 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.

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.

Presentation

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

Interest expense presented in profit or loss includes interest on financial liabilities measured at amortised cost and lease liabilities.

O. Fee and commission income

Fee and commission income is recognised on an accrual basis when the service has been provided. Fee and commission income comprise income received from inward and outward bank transfers, bank guarantees, letters of credit and others.

P. Income tax

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

The 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’.

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

(ii) Deferred tax

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the 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.

Q. Investment securities

The ‘investment securities’ caption in the statement of financial position includes debt investment securities measured at amortised cost (see Note 4F (i) (a)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

R. Other assets

Other assets are carried at cost less impairment if any.

S. Borrowings

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

T. Contingent liabilities

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

U. Contingent assets

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

5. Critical accounting judgements and key sources of estimation uncertainty

In applying the Branch's accounting policies, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

A. Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that management has made in the process of applying the Branch's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Branch determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed. The Branch monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Branch's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(ii) Significant increase in credit risk

As explained in Note 4F, expected credit losses are measured as an allowance equal to 12- month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition.

CIFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Branch takes into account qualitative and quantitative reasonable and supportable forward looking information.

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

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. 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 ECL, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECL but the amount of ECL changes because the credit risk of the portfolios differ.

(iv) Models and assumptions used

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

The Branch does not have sufficient historical loss data to develop a robust model locally. The model used was a proxy from the Head Office with adjustment using Cambodia's macro-economic variables.

B. Key sources of estimation uncertainty

(i) Calculation of loss allowance

When measuring expected credit losses, the Branch uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(ii) Income tax

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create potential tax exposures for the Branch. Management believes that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. Translation of United States Dollars into Khmer Riel

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

Assets, liabilities and equity accounts are translated at the closing rate as at the reporting date. 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 have been deemed to approximate the exchange rates 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 Reserves" in the other comprehensive income.

The Branch uses the following exchange rates:

		Closing rate	Average rate
31 December 2023	US$1	= KHR 4,085	KHR 4,110
31 December 2022	US$1	= KHR 4,117	KHR 4,087

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

7. Cash on hand

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
US$	7,297,939	29,812,081	8,599,379	35,403,643
KHR	618,705	2,527,410	722,693	2,975,327
	7,916,644	32,339,491	9,322,072	38,378,970

8. Balances with the Central Bank

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Reserve requirement (A)	77,386,713	316,124,723	75,460,019	310,668,898
Negotiable certificate of deposit (B)	26,714,833	109,130,093	29,586,592	121,807,999
Settlement accounts	12,661,879	51,723,776	39,527,998	162,736,768
Current accounts	9,043,850	36,944,126	51,856,063	213,491,412
Capital guarantee (C)	18,623,362	76,076,434	18,562,934	76,423,599
	144,430,637	589,999,152	214,993,606	885,128,676
Less: Impairment loss allowance	(290,272)	(1,185,761)	(99,385)	(409,168)
	144,140,365	588,813,391	214,894,221	884,719,508

The movement of impairment loss allowance on negotiable certificate of deposit was as follows:

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January	99,385	409,168	99,385	404,894
Allowance for the year (Note 28)	190,887	784,545	-	-
Currency translation differences	-	(7,952)	-	4,274
At 31 December	290,272	1,185,761	99,385	409,168

The reserve requirement, current accounts and settlement accounts are non-interest bearing. Annual interest rates on other balances with the Central Bank are summarised as follows:

	31 December 2023	31 December 2022
Negotiable certificate of deposits	1.01% – 3.66%	0.08% – 3.65%
Capital guarantee	1.19% – 1.33%	0.08% – 0.65%

A. Reserve requirement

Under the Central Bank's Prakas No. B7-023-005 dated 9 January 2023, banks are required to maintain Reserve Requirement Rate ("RRR") with Central Bank in the form of compulsory deposit, computed at 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. The Reserve Requirement Rate for local currency deposits and borrowings still maintain the same at 7%.

On 23 November 2023, the National Bank of Cambodia approved to keep the Reserve Requirement Rate ("RRR") at 7% for foreign currencies deposits and borrowings until 31 December 2024.

B. Negotiable certificate of deposit

The Branch pledged Negotiable certificate of deposit ("NCD") with the Central Bank as collateral for settlement clearing facility and Liquidity-Providing Collateralized Operation ("LPCO"). The term of the NCD pledged as collateral is for a period of three months while term of NCD pledged as collateral for LPCO is depending on the term of LPCO and it bears annual interest rate at 1.01% - 3.66% for US$ (2022: 0.08%% - 3.65% for US$ and 0.78% - 1.57% for KHR).

C. Capital guarantee

Under the Central Bank's Prakas No. B7-01-136 on Capital Guarantee dated 15 October 2001, the Branch is required to maintain a statutory deposit of 10% of paid-up capital. This deposit is refundable should the Branch voluntarily cease its operations in Cambodia and it is not available for use in the Branch's day-to-day operations.

9. Deposits and placements with other banks

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
With local banks				
Current accounts	5,653,175	23,093,220	16,960,185	69,825,082
Savings accounts	8,145,969	33,276,283	11,316,347	46,589,400
Fixed deposits (original maturity up to three months)	-	-	7,500,000	30,877,500
Fixed deposits (original maturity more than three months)	-	-	28,884,291	118,916,626
	13,799,144	56,369,503	64,660,823	266,208,608
With overseas banks				
Current accounts	34,867,732	142,434,685	7,256,447	29,874,792
	48,666,876	198,804,188	71,917,270	296,083,400
Less: Impairment loss allowance	(486,675)	(1,988,067)	(713,841)	(2,938,883)
	48,180,201	196,816,121	71,203,429	293,144,517

The movement of impairment loss allowance on deposits and placements with other banks was as follows:

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January	713,841	2,938,883	683,078	2,782,860
Allowance for the year (Note 28)	(227,166)	(933,652)	30,763	125,728
Currency translation differences	-	(17,164)	-	30,295
At 31 December	486,675	1,988,067	713,841	2,938,883

Current accounts are non-interest bearing. Annual interest rates on savings accounts are summarised as follows:

	31 December 2023	31 December 2022
Savings accounts	0.20% – 0.25%	0.20% – 0.25%
Fixed deposits	N/A	0.42% – 4.50%

10. Loans to customers

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Loans to customers at amortised cost	743,443,210	3,036,965,513	875,308,875	3,603,646,638
Less: Impairment loss allowance	(9,016,792)	(36,833,595)	(5,713,679)	(23,523,216)
Loans to customers, net	734,426,418	3,000,131,918	869,595,196	3,580,123,422

The movement of impairment loss allowance on loan to customers was as follows:

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January	5,713,679	23,523,216	4,587,420	18,689,150
Allowance for the year (Note 28)	83,016,927	341,199,570	3,215,237	13,140,674
Written-off during the year	(79,713,814)	(327,623,776)	(2,088,978)	(8,537,653)
Currency translation differences	-	(265,415)	-	231,045
At 31 December	9,016,792	36,833,595	5,713,679	23,523,216

Loans to customers at amortised cost

	Gross carrying amount US$	ECL allowance US$	Carrying amount US$
31 December 2023			
Retail customers	696,843,241	(8,610,476)	688,232,765
Corporate customers	46,599,969	(406,316)	46,193,653
	743,443,210	(9,016,792)	734,426,418
In KHR'000 (Note 6)	3,036,965,513	(36,833,595)	3,000,131,918
31 December 2022			
Retail customers	812,649,131	(5,398,981)	807,250,150
Corporate customers	62,659,744	(314,698)	62,345,046
	875,308,875	(5,713,679)	869,595,196
In KHR'000 (Note 6)	3,603,646,638	(23,523,216)	3,580,123,422

11. Investment securities

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Investment securities measured at amortised cost				
Investment in corporate bond	5,057,100	20,658,253	5,056,500	20,817,611
Investment in government bond	-	-	1,948,713	8,022,851
	5,057,100	20,658,253	7,005,213	28,840,462
Less: Impairment loss allowance	(40,837)	(166,819)	(48,486)	(199,617)
	5,016,263	20,491,434	6,956,727	28,640,845

Investment in securities are 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. The corporate bond has maturity terms 3 year and earn interest at 5.5% (2022: 5.5%) per annum. The government bond has reached the maturity on 15 November 2023.

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

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January	48,486	199,617	-	-
Allowance for the year (Note 28)	(7,649)	(31,437)	48,486	198,162
Currency translation differences	-	(1,361)	-	1,455
At 31 December	40,837	166,819	48,486	199,617

12. Other assets

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Advance payments and deposits	711,591	2,906,848	530,195	2,182,813
Prepayments	212,313	867,299	224,695	925,069
	923,904	3,774,147	754,890	3,107,882

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

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January	-	-	-	-
Allowance for the year (Note 28)	346,662	1,424,781	-	-
Write-off during the year	(346,662)	(1,424,781)	-	-
Currency translation differences	-	-	-	-
At 31 December	-	-	-	-

13. Property and equipment

2023	Leasehold improvements US$	Furniture, fixture and equipment US$	Computers US$	Motor vehicles US$	Total US$	Total KHR'000 (Note 6)
Cost						
At 1 January 2023	2,029,203	863,758	1,517,944	348,244	4,759,149	19,593,416
Additions	1,980	26,638	47,652	-	76,270	313,470
Write off	-	(4,347)	(58,489)	-	(62,836)	(258,256)
Currency translation difference	-	-	-	-	-	(152,628)
At 31 December 2023	2,031,183	886,049	1,507,107	348,244	4,772,583	19,496,002
Accumulated depreciation						
At 1 January 2023	(1,672,897)	(663,011)	(979,238)	(322,933)	(3,638,079)	(14,977,971)
Depreciation	(199,528)	(84,524)	(272,638)	(18,508)	(575,198)	(2,364,064)
Write off	-	4,347	58,489	-	62,836	258,256
Currency translation difference	-	-	-	-	-	129,227
At 31 December 2023	(1,872,425)	(743,188)	(1,193,387)	(341,441)	(4,150,441)	(16,954,552)
Carrying amounts						
At 1 January 2023	356,306	200,747	538,706	25,311	1,121,070	4,615,445
At 31 December 2023	158,758	142,861	313,720	6,803	622,142	2,541,450

2022	Leasehold improvements US$	Furniture, fixture and equipment US$	Computers US$	Motor vehicles US$	Total US$	Total KHR'000 (Note 6)
Cost						
At 1 January 2022	1,967,034	797,108	1,504,135	348,244	4,616,521	18,807,707
Additions	62,169	66,650	13,809	-	142,628	582,921
Currency translation difference	-	-	-	-	-	202,788
At 31 December 2022	2,029,203	863,758	1,517,944	348,244	4,759,149	19,593,416
Accumulated depreciation						
At 1 January 2022	(1,430,790)	(570,134)	(710,023)	(303,712)	(3,014,659)	(12,281,721)
Depreciation	(242,107)	(92,877)	(269,215)	(19,221)	(623,420)	(2,547,918)
Currency translation difference	-	-	-	-	-	(148,332)
At 31 December 2022	(1,672,897)	(663,011)	(979,238)	(322,933)	(3,638,079)	(14,977,971)
Carrying amounts						
At 1 January 2022	536,244	226,974	794,112	44,532	1,601,862	6,525,986
At 31 December 2022	356,306	200,747	538,706	25,311	1,121,070	4,615,445

14. Intangible assets

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Computer software licenses				
Cost				
At 1 January	1,325,634	5,457,635	1,325,634	5,400,633
Addition	299,456	1,230,764	-	-
Write-off	(12,601)	(51,790)	-	-
Currency translation difference	-	(49,591)	-	57,002
At 31 December	1,612,489	6,587,018	1,325,634	5,457,635
Accumulated amortisation				
At 1 January	(854,240)	(3,516,906)	(591,768)	(2,410,863)
Amortisation	(285,208)	(1,172,204)	(262,472)	(1,072,723)
Write-off	12,601	51,790	-	-
Currency translation difference	-	34,150	-	(33,320)
At 31 December	(1,126,847)	(4,603,170)	(854,240)	(3,516,906)
Carrying amounts				
At 1 January	471,394	1,940,729	733,866	2,989,770
At 31 December	485,642	1,983,848	471,394	1,940,729

15. Right-of-use assets

	Buildings	Motor vehicles	Total	
2023	US$	US$	US$	KHR'000 (Note 6)
Cost				
At 1 January 2023	4,353,422	132,339	4,485,761	18,467,878
Addition	-	19,270	19,270	79,200
Write off	-	(78,556)	(78,556)	(322,865)
Currency translation difference	-	-	-	(142,063)
At 31 December 2023	4,353,422	73,053	4,426,475	18,082,150
Accumulated depreciation				
At 1 January 2023	(2,343,462)	(61,366)	(2,404,828)	(9,900,677)
Depreciation for the year	(521,469)	(40,274)	(561,743)	(2,308,764)
Write off	-	78,556	78,556	322,865
Currency translation difference	-	-	-	89,035
At 31 December 2023	(2,864,931)	(23,084)	(2,888,015)	(11,797,541)
Carrying amounts				
At 1 January 2023	2,009,960	70,973	2,080,933	8,567,201
At 31 December 2023	1,488,491	49,969	1,538,460	6,284,609

2022	Buildings US$	Motor vehicles US$	Total US$	KHR'000 (Note 6)
Cost				
At 1 January 2022	4,353,422	171,940	4,525,362	18,436,325
Addition	-	53,783	53,783	219,811
Write off	-	(93,384)	(93,384)	(381,660)
Currency translation difference	-	-	-	193,402
At 31 December 2022	4,353,422	132,339	4,485,761	18,467,878
Accumulated depreciation				
At 1 January 2022	(1,821,984)	(103,951)	(1,925,935)	(7,846,259)
Depreciation for the year	(521,478)	(50,799)	(572,277)	(2,338,896)
Write off	-	93,384	93,384	381,660
Currency translation difference	-	-	-	(97,182)
At 31 December 2022	(2,343,462)	(61,366)	(2,404,828)	(9,900,677)
Carrying amounts				
At 1 January 2022	2,531,438	67,989	2,599,427	10,590,066
At 31 December 2022	2,009,960	70,973	2,080,933	8,567,201

The Branch leases several assets including buildings and motor vehicles. The average lease term is 10 years (2022: 10 years) for buildings and 3 years (2022: 3 years) for motor vehicles.

The maturity analysis of lease liabilities is presented in Note 21.

The Branch discounted lease payments using its incremental borrowing rate and the weighted- average rate applied is 9.10% (2022: 8.88%).

Amounts recognized in profit or loss

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Depreciation expense	561,743	2,308,764	572,277	2,338,896
Interest expense on lease liabilities	206,714	849,594	253,269	1,035,110
Expense relating to low value leases	7,190	29,551	10,631	43,449

The total cash outflows for leases excluding interest amounted to US$815,290 (2022: US$786,984).

16. Deposits from other banks

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Current accounts	295,311	1,206,345	212,382	874,377
Fixed deposits	676,707,866	2,764,351,633	825,419,600	3,398,252,493
	677,003,177	2,765,557,978	825,631,982	3,399,126,870

As at the end of the financial year, fixed deposits from Head Office bore interest at the following rates per annum. The fixed deposits have original maturities from three to twelve months. Current accounts bear no interest.

	31 December 2023	31 December 2022
Fixed deposits	2.25% – 6.40%	3.00% – 5.50%

17. Deposits from customers

	31 December 2023 US$	31 December 2023 KHR'000 (Note 6)	31 December 2022 US$	31 December 2022 KHR'000 (Note 6)
Current accounts	275,784	1,126,578	282,156	1,161,636
Savings deposits	19,702,147	80,483,270	16,389,496	67,475,555
Fixed deposits	16,354,438	66,807,879	10,900,307	44,876,564
	36,332,369	148,417,727	27,571,959	113,513,755

Current accounts bear no interest. Savings and fixed deposits from customers bear interest at the following rates per annum. The fixed deposits have original maturities from three to twelve months.

	31 December 2023	31 December 2022
Savings deposits	0.10% – 1.45%	0.03% – 1.05%
Fixed deposits	3.05% – 7.80%	1.20% – 7.20%

18. Borrowings

	31 December 2023 US$	31 December 2023 KHR'000 (Note 6)	31 December 2022 US$	31 December 2022 KHR'000 (Note 6)
National Bank of Cambodia	14,257,022	58,239,935	27,612,813	113,681,951

Borrowings from NBC in the form of Liquidity-Providing Collateralized Operation ("LPCO") are secured by the Negotiable Certificate of Deposits with NBC. The LPCO bears interest rates ranging from 2.50% to 6.85% (2022: 4.75% to 6.76%) per annum.

19. Other liabilities

	31 December 2023 US$	31 December 2023 KHR'000 (Note 6)	31 December 2022 US$	31 December 2022 KHR'000 (Note 6)
Remittance inward	-	-	148,797	612,597
Accrued staff bonuses and benefits	584,855	2,389,133	544,602	2,242,126
Uncleared checks	566,297	2,313,323	227,016	934,625
Accrued professional fees	172,106	703,053	182,006	749,319
Accrued salary tax	65,046	265,713	59,260	243,972
Others	603,419	2,464,966	406,691	1,674,350
	1,991,723	8,136,188	1,568,372	6,456,989

20. Income tax

A. Income tax expense

In accordance with Cambodian tax law, the Branch has the obligation to pay tax on income ("ToI") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

Income tax expense comprises:

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Current income tax				
Current year	-	-	4,640,403	18,965,327
Under provision from prior year	1,427,409	5,866,651	-	-
	1,427,409	5,866,651	4,640,403	18,965,327
Deferred tax				
Current year	1,682,454	6,914,886	1,143,774	4,674,604
Income tax expense	3,109,863	12,781,537	5,784,177	23,639,931
Minimum tax expense	654,130	2,688,474	-	-
	3,763,993	15,470,011	5,784,177	23,639,931

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

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Profit before income tax	(74,359,933)	(305,619,324)	26,963,084	110,198,123
Income tax expense at tax rate of 20%	(14,871,987)	(61,123,865)	5,392,617	22,039,625
Adjustments for the effect of:				
Non-deductible expenses	1,290,853	5,305,404	391,560	1,600,306
Current-year losses for which deferred tax asset is not recognised	15,263,588	62,733,347	-	-
Under provision from prior year	1,427,409	5,866,651	-	-
	3,109,863	12,781,537	5,784,177	23,639,931

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

B. Current tax liabilities

Movements of current tax liabilities were as follows:

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January	4,054,042	16,690,491	8,867,119	36,124,645
Recognised in profit or loss	2,081,539	8,555,125	4,640,403	18,965,327
Income tax paid	(6,053,949)	(24,881,730)	(9,453,480)	(38,636,373)
Currency translation differences	-	(30,419)	-	236,892
At 31 December	81,632	333,467	4,054,042	16,690,491

C. Deferred tax assets – net

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Deferred tax assets	896,049	3,660,360	1,547,414	6,370,703
Deferred tax liabilities	(1,053,403)	(4,303,151)	(22,314)	(91,866)
	(157,354)	(642,791)	1,525,100	6,278,837

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

	Depreciation and amortisation US$	Impairment loss provision US$	Unearned revenue US$	Staff benefit unpaid within 180 days US$	Right of use asset US$	Lease liabilities US$	Unrealised loss US$	Total US$	Total KHR'000 (Note 6)
2023									
At 1 January 2023	(22,314)	805,392	553,889	-	(416,187)	528,273	76,047	1,525,100	6,278,837
Recognised in profit or loss	49,271	(1,436,891)	(95,209)	-	108,495	(117,861)	(190,259)	(1,682,454)	(6,914,886)
Currency translation differences	-	-	-	-	-	-	-	-	(6,742)
At 31 December 2023	26,957	(631,499)	458,680	-	(307,692)	410,412	(114,212)	(157,354)	(642,791)
2022									
At 1 January 2022	(71,320)	1,977,252	586,096	8,485	(519,885)	624,612	63,635	2,668,874	10,872,993
Recognised in profit or loss	49,006	(1,171,860)	(32,207)	(8,485)	103,699	(96,338)	12,412	(1,143,774)	(4,674,604)
Currency translation differences	-	-	-	-	-	-	-	-	80,448
At 31 December 2022	(22,314)	805,392	553,889	-	(416,187)	528,273	76,047	1,525,100	6,278,837

D. Unrecognised deferred tax assets

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years subject to the following conditions:

- The loss must be recorded in the Tax on Profit return and submitted to the GDT on time,
- The business objective of the Branch must not have changed, and
- The Branch must not have received a unilateral tax re-assessment.

Deferred tax assets are not recognised in the financial statements because it is not probable that future taxable profits will be available against which the Branch can use the benefits therefrom.

21. Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	31 December 2023 US$	31 December 2023 KHR'000 (Note 6)	31 December 2022 US$	31 December 2022 KHR'000 (Note 6)
Year 1	782,751	3,197,538	813,539	3,349,340
Year 2	462,557	1,889,545	772,251	3,179,357
Year 3	443,200	1,810,472	453,017	1,865,071
Year 4	409,422	1,672,489	443,200	1,824,654
Year 5	262,755	1,073,354	409,422	1,685,590
More than 5 years	96,000	392,160	358,756	1,477,000
	2,456,685	10,035,558	3,250,185	13,381,012
Less: Unearned interest	(404,624)	(1,652,889)	(608,818)	(2,506,504)
	2,052,061	8,382,669	2,641,367	10,874,508
Analysed as:				
Current	630,526	2,575,699	607,100	2,499,431
Non-current	1,421,535	5,806,970	2,034,267	8,375,077
	2,052,061	8,382,669	2,641,367	10,874,508

22. Regulatory reserves

	31 December 2023 US$	31 December 2023 KHR'000 (Note 6)	31 December 2022 US$	31 December 2022 KHR'000 (Note 6)
Impairment on credit facilities required by NBC				
- Deposits and placements with other banks	486,669	1,988,043	713,841	2,938,883
- Loans to customers	23,554,432	96,219,855	17,825,353	73,386,978
- Investment securities	50,571	206,583	48,486	199,617
- Balance with the Central Bank	280,544	1,146,020	-	-
Impairment loss on financial assets under the NBC	24,372,216	99,560,501	18,587,680	76,525,478
Impairment loss on financial assets under CIFRSs (Note 9, 10 and 11)	9,834,576	40,174,242	6,476,006	26,661,716
	14,537,640	59,386,259	12,111,674	49,863,762

	2023 US$	2023 KHR'000 (Note 6)	2022 US$	2022 KHR'000 (Note 6)
At 1 January	12,111,674	49,863,762	7,824,643	31,877,596
Transfer from retained earnings to reserves pertaining to impairment loss during the year	2,425,966	9,970,720	4,287,031	17,521,096
Currency translation differences	-	(448,223)	-	465,070
At 31 December	14,537,640	59,386,259	12,111,674	49,863,762

23. Net interest income

	2023 US$	2023 KHR'000 (Note 6)	2022 US$	2022 KHR'000 (Note 6)
Interest income:				
Loans to customers	61,978,009	254,729,618	58,136,664	237,604,546
Deposits and placements with other banks	1,665,749	6,846,228	1,607,103	6,568,230
Balances with the Central Bank	949,777	3,903,583	413,809	1,691,237
Investment securities	312,864	1,285,871	62,044	253,574
	64,906,399	266,765,300	60,219,620	246,117,587
Interest expense:				
Deposits from other banks	(41,247,985)	(169,529,218)	(17,137,684)	(70,041,715)
Deposits from customers	(1,099,529)	(4,519,064)	(453,748)	(1,854,468)
Lease liabilities	(206,714)	(849,594)	(253,269)	(1,035,110)
Borrowings	(1,353,009)	(5,560,868)	(2,130,319)	(8,706,614)
	(43,907,237)	(180,458,744)	(19,975,020)	(81,637,907)
Net interest income	20,999,162	86,306,556	40,244,600	164,479,680

24. Net fee and commission income

	2023 US$	2023 KHR'000 (Note 6)	2022 US$	2022 KHR'000 (Note 6)
Fee and commission income:				
Fund transfers	62,605	257,307	64,656	264,249
Other fees and commissions	27,827	114,369	105,782	432,331
	90,432	371,676	170,438	696,580
Fee and commission expenses	(5,941)	(24,418)	(6,329)	(25,867)
Net fee and commission income	84,491	347,258	164,109	670,713

25. Personnel expenses

	2023 US$	2023 KHR'000 (Note 6)	2022 US$	2022 KHR'000 (Note 6)
Salaries and wages	4,698,152	19,309,405	4,205,787	17,189,051
Bonuses	541,974	2,227,513	503,265	2,056,844
Seniority payments	49,718	204,341	41,927	171,356
Others	197,516	811,791	145,567	594,933
	5,487,360	22,553,050	4,896,546	20,012,184

26. Depreciation and amortisation

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Depreciation of property and equipment	575,198	2,364,064	623,420	2,547,918
Amortisation of intangible assets	285,208	1,172,204	262,472	1,072,723
Depreciation of right-of-use assets	561,743	2,308,764	572,277	2,338,896
	1,422,149	5,845,032	1,458,169	5,959,537

27. Other expenses

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Other taxes	5,905,500	24,271,605	1,938,457	7,922,474
Foreign exchange loss	2,166,385	8,903,842	1,254,503	5,127,154
Penalty expense	622,441	2,558,233	-	-
Repairs and maintenance	293,014	1,204,288	251,392	1,027,439
License fees	206,411	848,349	208,589	852,503
Business development expense	117,353	482,321	96,924	396,128
Security expenses	111,225	457,135	105,289	430,316
Utilities	106,804	438,964	100,853	412,186
Legal and professional fees	89,280	366,941	154,850	632,872
Telecommunication and postage	84,632	347,838	83,402	340,864
Insurance expenses	49,056	201,620	54,082	221,033
Office supplies and stationeries	45,568	187,284	54,751	223,767
Motor vehicle and running costs	29,614	121,714	27,814	113,676
Marketing and public relations	23,495	96,564	30,116	123,084
Materials for banking activities	12,885	52,957	13,911	56,854
Rental expenses	7,190	29,551	10,631	43,449
Reversal of restructuring loss on loans to customers	(2,248,198)	(9,240,094)	-	-
Other expenses and bank charge	535,994	2,202,935	285,130	1,165,327
	8,158,649	33,532,047	4,670,694	19,089,126

28. Impairment losses on financial instruments

	2023		2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
(Reversal)/Impairment losses on deposits and placements with other banks	(227,166)	(933,652)	30,763	125,728
(Reversal)/Impairment losses on investment securities	(7,649)	(31,437)	48,486	198,162
Impairment losses on other assets	346,662	1,424,781		
Impairment losses on balance with the Central Bank	190,887	784,545		
Impairment losses on loans to customers	83,016,927	341,199,570	3,215,237	13,140,674
	83,319,661	342,443,807	3,294,486	13,464,564

29. Cash and cash equivalents

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Cash on hand	7,916,644	32,339,491	9,322,072	38,378,970
Balances with the Central Bank				
Current accounts	9,043,850	36,944,126	51,856,063	213,491,412
Settlement accounts	12,661,879	51,723,776	39,527,998	162,736,768
Deposits and placements with other banks				
Current accounts	40,520,907	165,527,905	24,216,632	99,699,874
Savings deposits	8,145,969	33,276,283	11,316,347	46,589,400
Fixed deposits	-	-	7,500,000	30,877,500
	78,289,249	319,811,581	143,739,112	591,773,924

30. Commitments and contingencies

A. Loans commitments

As at 31 December 2023, there are no contractual amounts of the Branch's off-balance sheet financial instruments that commit it to extend credit to customers.

B. Taxation contingencies

The Branch received the tax reassessment notification from the General Department of Taxation ("GDT") as below:

Comprehensive tax audit:

- On 24 April 2023, the GDT issued a final reassessment notice for their comprehensive tax audit for the periods from 1 January 2016 to 31 December 2016 imposing additional tax liability including penalty and interest amounting to KHR268,924,998 (equivalent to US$67,231). The Branch has filed administrative protests on these above reassessments on 8 June 2023.
- On 11 May 2022, GDT issued comprehensive tax audit for the year ended 2021.
- On 28 September 2023, GDT issued comprehensive tax audit for the year ended 2022.

Limited tax audit:

- On 16 January 2017, GDT issued limited tax audit letter for the period from 1 January 2016 to 31 October 2016.
- On 26 June 2018, GDT issued limited tax audit letter for the period from 1 January 2017 to 30 April 2018.
- On 13 June 2019, GDT issued limited tax audit letter for the period from 1 May 2018 to 31 May 2019.

As of to date, there has not been any official response from the GDT to the protest letters as mentioned above and the management believes that there are reasonable grounds to challenge the assessment as stated in the tax law and regulations. Moreover, as of to date, there has not been any official results from the tax reassessment from the GDT for comprehensive tax audit and all the limited tax audit as mentioned above, and management have considered that the tax assessment exposures are less likely to give rise to any significant loss to the branch in the future. Accordingly, the Branch has not accounted these exposures in the financial statements as the Branch believes they have complied with the relevant regulations.

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

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

31. Related party transactions and balances

A. Transactions with related parties

Significant transactions with related parties during the year were as follows:

Related party	Nature of transaction	2023 US$	2023 KHR'000 (Note 6)	2022 US$	2022 KHR'000 (Note 6)
Head Office	Interest expense	38,580,400	158,565,444	16,483,693	67,368,853
Key management personnel	Remuneration	3,741,710	15,378,428	3,381,144	13,818,736

B. Balances with a related party

	31 December 2023 US$	31 December 2023 KHR'000 (Note 6)	31 December 2022 US$	31 December 2022 KHR'000 (Note 6)
Deposits from Head Office:				
- Fixed deposits	615,000,000	2,512,275,000	810,000,000	3,334,770,000
- Current accounts	295,311	1,206,345	212,382	874,377
	615,295,311	2,513,481,345	810,212,382	3,335,644,377

32. Reconciliation of liabilities arising from financing activities

A. Reconciliation of movements of liabilities to cash flows arising from financing and operating activities

2023	Borrowings (Note 18) US$	Lease liabilities (Note 21) US$	Total US$	Total KHR'000 (Note 6)
At 1 January 2023	27,612,813	2,641,367	30,254,180	124,556,459
Changes from financing cash flows				
Proceeds from borrowings	24,706,242	-	24,706,242	101,542,655
Repayment of borrowings	(37,885,873)	-	(37,885,873)	(155,710,938)
Payment of lease liabilities	-	(608,576)	(608,576)	(2,501,247)
	(13,179,631)	(608,576)	(13,788,207)	(56,669,530)
Changes from operating cash flows				
Interest expense	1,353,009	206,714	1,559,723	6,410,462
Interest paid	(1,529,169)	(206,714)	(1,735,883)	(7,134,479)
	(176,160)	-	(176,160)	(724,017)
Non-cash changes				
New lease	-	19,270	19,270	79,200
Currency translation differences	-	-	-	(619,508)
	-	19,270	19,270	(540,308)
At 31 December 2023	14,257,022	2,052,061	16,309,083	66,622,604

2022	Borrowings (Note 18) US$	Lease liabilities (Note 21) US$	Total US$	KHR'000 (Note 6)
At 1 January 2022	67,378,485	3,123,059	70,501,544	287,223,290
Changes from financing cash flows				
Proceeds from borrowings	45,016,517	-	45,016,517	183,982,504
Repayment of borrowings	(83,886,730)	-	(83,886,730)	(342,845,065)
Payment of lease liabilities	-	(535,475)	(535,475)	(2,188,486)
	(38,870,213)	(535,475)	(39,405,688)	(161,051,047)
Changes from operating cash flows				
Interest expense	2,130,319	253,269	2,383,588	9,741,724
Interest paid	(3,025,778)	(253,269)	(3,279,047)	(13,401,465)
	(895,459)	-	(895,459)	(3,659,741)
Non-cash changes				
New lease	-	53,783	53,783	219,811
Currency translation differences	-	-	-	1,824,146
	-	53,783	53,783	2,043,957
At 31 December 2022	27,612,813	2,641,367	30,254,180	124,556,459

33. Financial risk management

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

The Branch's risk management policies are established to identify and analyse the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities.

The policies and procedures adopted by the Branch to manage the risks that arise in the conduct of their business activities are as follows:

A. Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Branch. The Branch's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans to customers and other banks (including related commitments to lend such as revolving loan facilities). The Branch considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

(i) Credit risk management

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

- Ensuring that the Branch has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Branch's stated policies and procedures, CIFRSs and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Branch, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Branch against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Branch's risk grading to categorise exposures according to the degree of risk of default. Risk

grades are subject to regular reviews.

- Developing and maintaining the Branch's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Branch has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Branch in the management of credit risk.

(ii) Significant increase in credit risk

As explained in Note 4F, the Branch monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Branch will measure the loss allowance based on lifetime rather than 12-month ECL.

The Branch uses DPD as a primary input into the determination of the term structure of the PD for exposures. The Branch collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a summary of Branch's internal credit risk grades.

No.	Groups rating	PD Range
1	Standard	0.10%-0.76%
2	Special mention	0.10%-16.92%
3	Substandard	100%
4	Doubtful	100%
5	Loss	100%

The Branch presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are overdue equal to or more than 15 days and 30 days for short-term and long-term loans, respectively unless the Branch has reasonable and supportable information that demonstrates otherwise.

The Branch has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

The Branch has controls and procedures in place to identify when the credit risk of an asset improves and the definition of significant increase in credit risk is no longer met. When this is the case the asset may move back to stage 1 from stage 2, subject to payments being up to date and the ability of the borrower to make future payments on time.

(iii) Incorporation of forward-looking information

The Branch analysed forward-looking information by using the statistical regression model for assessment to see whether the credit risk of an instrument has increased significantly to the measurement of ECL.

The Branch formulates three economic scenarios: a base case, which is the median scenario assigned a 60% probability of occurring, and two less likely scenarios, one upside and one downside, 10% for best case (2022:20%) and 30% for worst case (2022: 30%). The base case is aligned with information used by the Branch for other purposes such as strategic planning and budgeting.

- Global economic growth is projected to slow down, with the IMF forecasting a decrease from 3.4% last year to 2.8% this year. The outlook is uncertain, and risks are skewed to the downside due to factors like inflation, financial stress, the Ukraine conflict, and geoeconomic fragmentation.
- Cambodia government has revised its 2023 growth forecast to 5.6% from 6.6% it put forth in October, citing uncertainty about global economic growth tied to the Ukraine conflict, climate change, and the Covid 19 crisis. Although the fallout from Covid-19 has subsided, the Ukraine crisis and climate change will put significant downward pressure on global economic growth, with US, EU, China, and other major buyers of Cambodian goods facing particularly grim prospects. Hence, the Branch has decided to lower the percentage in Good scenario and increase the percentage in Bad scenario to probability-weighted outcomes of 60% of Base scenario, 10% of Good scenario and 30% of Bad scenario.

External information considered includes economic data and forecasts published by governmental bodies.

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

The key drivers for credit risk on loan portfolios are: FDI Net Inflow (lag2) and Good and Service GDP year change (lag4). Based on the forward-looking information analysis, the impact of macro-economic on ECL calculation is insignificant, so the Branch decided to incorporate adjustment of forward- looking PD into ECL calculation.

(iv) Measurement of ECL

The key inputs used for measuring ECL are:

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

The Branch does not have sufficient historical loss data to develop a robust model locally. The model used was a proxy from the Head Office with adjustment using Cambodia's macro-economic variables.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Branch's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Branch uses EAD models that reflect the characteristics of the portfolios.

The Branch measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk and not a longer period. However, for financial instruments such as revolving credit facilities that include both a loan and an undrawn commitment component, the Branch's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Branch's exposure to credit losses to the contractual notice period. For such financial instruments, the Branch measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Branch does not enforce in the normal day-to-day management of the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Branch becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Branch expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

The ECL calculation for accounting purposes is different to the ECL calculation for regulatory purposes, although many inputs used are similar. The Branch has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes. The main differences between the methodologies used to measure ECL in accordance with CIFRS 9 versus the ones applied for regulatory purposes are:

- Percentage of provision by classification based on short/long term loan;
- Number of day past due;
- Forward looking of macro-economic factor; and
- Probability of default and historical recovery rate.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

(v) Groupings based on shared risk characteristics

Branch has defined eight main segments for PD calculation which have similar risk behaviors based on analysis of roll rates, as shown in the table below. These segments are:

Portfolio	Segment
Personal Financing	Secured foreign branch personal financing
Personal Financing	Unsecured foreign branch personal financing
Corporate Financing	Secured foreign currency government borrowing
Corporate Financing	Unsecured foreign currency government borrowing
Corporate Financing	Rated and secured foreign currency borrowing
Corporate Financing	Unrated and secured foreign currency borrowing
Corporate Financing	Rated and unsecured foreign currency borrowing
Corporate Financing	Unrated and unsecured foreign currency borrowing

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

(vi) Concentration of credit risk

An analysis of the Branch's credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Balances with the NBC and other banks at amortised cost				
Concentration by sector:				
Financial institutions	193,097,513	788,803,340	286,811,491	1,180,802,908

	31 December 2023		31 December 2022	
	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
Loans to customers at amortised cost				
Concentration by sector:				
Wholesale trade	170,725,953	697,415,518	221,048,529	910,056,794
Hotels and restaurants	111,723,372	456,389,975	165,694,495	682,164,236
Construction	99,185,294	405,171,926	108,491,629	446,660,037
Rental and operational leasing activities	-	-	102,277,759	421,077,534
Housing	94,572,371	386,328,136	96,904,759	398,956,893
Retail trade	50,650,547	206,907,484	64,311,685	264,771,207
Manufacturing	40,234,140	164,356,462	36,959,361	152,161,689
Real estate activities	-	-	25,253,654	103,969,294
Financial institutions	30,203,482	123,381,224	23,034,505	94,833,057
Transportation and storage	6,523,239	26,647,431	12,931,317	53,238,232
Electricity	4,543,213	18,559,025	7,315,658	30,118,564
Agriculture	126,363,389	516,194,444	4,997,396	20,574,279
Information and telecommunications	-	-	1,436,005	5,912,033
Mining and quarrying	737,521	3,012,773	789,346	3,249,737
Others	7,980,689	32,601,115	3,862,777	15,903,052
	743,443,210	3,036,965,513	875,308,875	3,603,646,638

Investment securities

Concentration by sector:

Transportation	5,057,100	20,658,253	5,056,500	20,817,611
Financial institutions	-	-	1,948,713	8,022,851
	5,057,100	20,658,253	7,005,213	28,840,462

(vii) Credit quality analysis

An analysis of the Branch's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

31 December 2023	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 6)
Deposits and placements with other banks:					
Normal	48,666,876	-	-	48,666,876	198,804,188
Loss allowance	(486,675)	-	-	(486,675)	(1,988,067)
Carrying amount	48,180,201	-	-	48,180,201	196,816,121
Loans to customers:					
Normal	672,947,896	1,699,670	-	674,647,566	2,755,935,307
Special mention	-	36,393,417	1,444,217	37,837,635	154,566,739
Substandard	-	-	3,774,606	3,774,606	15,419,266
Doubtful	-	-	25,951,327	25,951,327	106,011,171
Loss	-	-	1,232,077	1,232,076	5,033,030
Loss allowance	(1,752,042)	(866,804)	(6,397,946)	(9,016,792)	(36,833,595)
Carrying amount	671,195,854	37,226,283	26,004,281	734,426,418	3,000,131,918
Investment securities					
Normal	5,057,100	-	-	5,057,100	20,658,253
Loss allowance	(40,837)	-	-	(40,837)	(166,819)
Carrying amount	5,016,263	-	-	5,016,263	20,491,434
Balance with the Central Bank:					
Normal	144,430,637	-	-	144,430,637	589,999,152
Loss allowance	(290,272)	-	-	(290,272)	(1,185,761)
Carrying amount	144,140,365	-	-	144,140,365	588,813,391
Other assets:					
Normal	923,904	-	-	923,904	3,774,147
Loss allowance	-	-	-	-	-
Carrying amount	923,904	-	-	923,904	3,774,147

31 December 2022	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 6)
Deposits and placements with other banks:					
Normal	71,917,270	-	-	71,917,270	296,083,400
Loss allowance	(713,841)	-	-	(713,841)	(2,938,883)
Carrying amount	71,203,429	-	-	71,203,429	293,144,517
Loans to customers:					
Normal	750,975,829	352,708	-	751,328,537	3,093,219,587
Special mention	83,696,872	19,565,160	-	103,262,032	425,129,786
Substandard	174,161	2,071,247	7,628,319	9,873,727	40,650,134
Doubtful	-	-	10,780,947	10,780,947	44,385,159
Loss	-	-	63,632	63,632	261,972
	834,846,862	21,989,115	18,472,898	875,308,875	3,603,646,638
Loss allowance	(2,397,092)	(347,725)	(2,968,862)	(5,713,679)	(23,523,216)
Carrying amount	832,449,770	21,641,390	15,504,036	869,595,196	3,580,123,422
Investment securities					
Normal	7,005,213	-	-	7,005,213	28,840,462
Loss allowance	(48,486)	-	-	(48,486)	(199,617)
Carrying amount	6,956,727	-	-	6,956,727	28,640,845
Balance with the Central Bank:					
Normal	99,385	-	-	99,385	409,168
Loss allowance	-	-	-	-	-
Carrying amount	99,385	-	-	99,385	409,168

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

	2023 US$	2023 KHR'000 (Note 6)	2022 US$	2022 KHR'000 (Note 6)
Loss allowance by classes				
Deposits and placements with other banks	486,675	1,988,067	713,841	2,938,883
Loans to customers at amortised cost	9,016,792	36,833,595	5,713,679	23,523,216
Investment securities	40,837	166,819	48,486	199,617
Balance with the Central Bank	290,272	1,185,761	99,385	409,168
Other assets	-	-	-	-
	9,834,576	40,174,242	6,575,391	27,070,884

The tables below analyse the movement of the loss allowance during the year per class of assets.

Loss allowance – deposits and placements with other banks

	2023				
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 6)
At 1 January	713,841	-	-	713,841	2,938,883
Changes in loss allowance	(227,166)	-	-	(227,166)	(933,652)
Currency exchange differences	-	-	-	-	(17,164)
At 31 December	486,675	-	-	486,675	1,988,067

	2022				
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 6)
At 1 January	683,078	-	-	683,078	2,782,860
Changes in loss allowance	30,763	-	-	30,763	125,728
Currency exchange differences	-	-	-	-	30,295
At 31 December	713,841	-	-	713,841	2,938,883

Loss allowance – Loans to customers at amortised cost

	2023				
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 6)
At 1 January	2,397,092	347,725	2,968,862	5,713,679	23,523,216
Changes in loss allowance					
- Transfer to stage 1	6,582	(6,582)	-	-	-
- Transfer to stage 2	(320,242)	320,242	-	-	-
- Transfer to stage 3	(348,334)	(32,934)	381,268	-	-
- Increase due to change in credit risk	-	45,307	82,718,659	82,763,966	340,159,900
- Decrease due to change in credit risk	(1,701,936)	-	-	(1,701,936)	(6,994,957)
New financial assets originated or purchased	395,971	20,791	94,940	511,702	2,103,095
Financial assets which have been derecognised	(618,836)	(27,499)	(51,970)	(698,305)	(2,870,034)
Write-offs	-	-	(79,713,814)	(79,713,814)	(327,623,776)
Foreign exchange and other movements	1,941,746	199,754	-	2,141,500	8,801,565
Currency exchange differences	-	-	-	-	(265,414)
At 31 December	1,752,043	866,804	6,397,945	9,016,792	36,833,595

	2022				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	1,521,081	3,066,339	-	4,587,420	18,689,150
Changes in loss allowance					
- Transfer to stage 1	1,262,830	(1,262,830)	-	-	-
- Transfer to stage 2	(6,340)	6,340		-	-
- Transfer to stage 3	(3,146)	(284,625)	287,771	-	-
- Increase due to change in credit risk	-	-	4,732,291	4,732,291	19,340,873
- Decrease due to change in credit risk	(358,443)	(798,904)	-	(1,157,347)	(4,730,077)
New financial assets originated or purchased	411,429	612	-	412,041	1,684,012
Financial assets which have been derecognised	(430,319)	(324,108)	-	(754,427)	(3,083,343)
Write-offs	-	-	(2,088,978)	(2,088,978)	(8,537,653)
Foreign exchange and other movements	-	(55,099)	37,778	(17,321)	(70,791)
Currency exchange differences	-	-	-	-	231,045
At 31 December	2,397,092	347,725	2,968,862	5,713,679	23,523,216

Loss allowance – investment securities

	2023				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	48,486	-	-	48,486	199,617
Changes in loss allowance	(7,649)	-	-	(7,649)	(31,437)
Currency exchange differences	-	-	-	-	(1,361)
At 31 December	40,837	-	-	40,837	166,819

	2022				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	-	-	-	-	-
New financial assets originated or purchased	48,486	-	-	48,486	198,162
Currency exchange differences	-	-	-	-	1,455
At 31 December	48,486	-	-	48,486	199,617

Loss allowance – Balance with the Central Bank

	2023				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	99,385	-	-	99,385	409,168
Changes in loss allowance	190,887	-	-	190,887	784,545
Currency exchange differences	-	-	-	-	(7,952)
At 31 December	290,272	-	-	290,272	1,185,761

	2022				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	99,385	-	-	99,385	404,894
Currency exchange differences	-	-	-	-	4,274
At 31 December	99,385	-	-	99,385	404,894

Loss allowance – Other assets

	2023				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	-	-	-	-	-
Changes in loss allowance	-	-	346,662	346,662	1,424,781
Write-off	-	-	(346,662)	(346,662)	(1,424,781)
Currency exchange differences	-	-	-	-	-
At 31 December	-	-	-	-	-

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to changes in the loss allowance, is provided at the table below:

Deposits and placements with other banks at amortised cost

	2023				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	71,917,270	-	-	71,917,270	296,083,401
Changes in gross carrying amount	(23,250,394)	-	-	(23,250,394)	(95,024,360)
Currency exchange differences	-	-	-	-	(2,254,853)
At 31 December	48,666,876	-	-	48,666,876	198,804,188

	2022				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	69,166,478	-	-	69,166,478	281,784,232
Changes in gross carrying amount	2,750,792	-	-	2,750,792	11,242,487
Currency exchange differences	-	-	-	-	3,056,681
At 31 December	71,917,270	-	-	71,917,270	296,083,400

Loans to customers at amortised cost

	2023				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	834,846,862	21,989,115	18,472,898	875,308,875	3,603,646,638
Changes in gross amount					
- Transfer to stage 1	371,576	(371,576)	-	-	-
- Transfer to stage 2	(39,776,442)	39,776,442	-	-	-
- Transfer to stage 3	(30,421,551)	(2,312,660)	32,734,211	-	-

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 6)
New financial assets originated or purchased	144,445,912	670,039	492,940	145,608,891	598,452,542
Financial assets which have been derecognised	(204,580,016)	(2,018,061)	(314,547)	(206,912,624)	(850,410,885)
Write-offs	-	-	(79,713,814)	(79,713,814)	(327,623,776)
Other changes	(31,938,444)	(19,640,212)	60,730,538	9,151,882	37,614,235
Currency exchange differences	-	-	-	-	(24,713,241)
At 31 December	672,947,897	38,093,087	32,402,226	743,443,210	3,036,965,513

	2022				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	726,113,029	166,217,086	-	892,330,115	3,635,352,889
Changes in gross amount					
- Transfer to stage 1	103,740,707	(119,895,452)	16,154,745	-	-
- Transfer to stage 2	(3,501,360)	3,501,360	-	-	-
- Transfer to stage 3	(1,779,982)	(16,154,744)	17,934,726	-	-
New financial assets originated or purchased	229,280,431	39,315	-	229,319,746	937,229,802
Financial assets which have been derecognised	(495,770)	-	-	(495,770)	(2,026,212)
Write-offs	-	-	(2,088,978)	(2,088,978)	(8,537,653)
Other changes	(218,510,193)	(11,718,450)	(13,527,595)	(243,756,238)	(996,231,745)
Currency exchange differences	-	-	-	-	37,859,557
At 31 December	834,846,862	21,989,115	18,472,898	875,308,875	3,603,646,638

Investment securities at amortised cost:

	2023				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	7,005,213	-	-	7,005,213	28,840,462
Financial assets which have been derecognised	(1,948,113)	-	-	(1,948,113)	(7,961,938)
Currency exchange differences	-	-	-	-	(220,271)
At 31 December	5,057,100	-	-	5,057,100	20,658,253

	2022				
	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 6)
At 1 January	-	-	-	-	-
New financial assets originated or purchased	7,005,213	-	-	7,005,213	28,630,306
Currency exchange differences	-	-	-	-	210,156
At 31 December	7,005,213	-	-	7,005,213	28,840,462

Under the Branch's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes overdue equal to or more than 15 days and 30 days for short-term and long-term loans, respectably. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	31 December 2023		31 December 2022	
	Gross carrying amount US$	Loss allowance US$	Gross carrying amount US$	Loss allowance US$
Loans to customers:				
0-29 days	713,970,612	6,633,182	834,810,848	2,391,448
30-59 days	15,593,011	995,972	10,307,403	149,779
60-89 days	10,928,137	840,630	11,413,903	206,634
90-180 days	2,263,048	413,225	8,962,297	1,341,128
More than 180 days	688,402	133,783	9,814,424	1,624,690
Total	743,443,210	9,016,792	875,308,875	5,713,679
In KHR'000 (Note 6)	3,036,965,513	36,833,595	3,603,646,638	23,523,216

(viii) Collateral held as security and other credit enhancements

The Branch holds residential properties as collaterals for majority of loans, and the collaterals include land, house and building. The Branch's policy is to fund up to 70% of the collateral value. There was no change in the Branch's collateral policy during the year.

B. Market risk

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

Market risk management

The Branch's market risk management objective is to manage and control market risk exposures in order to optimise return on risk while ensuring solvency.

As with liquidity risk, the Executive Management is responsible for ensuring the effective management of market risk throughout the Branch. Specific levels of authority and responsibility in relation to market risk management have been assigned to appropriate market risk committees.

The core market risk management activities are:

- the identification of all key market risks and their drivers;
- the independent measurement and evaluation key market risks and their drivers;
- the use of results and estimates as the basis for the Branch's risk/return-oriented management; and
- monitoring risks and reporting on them.

The Branch uses a wide range of quantitative and qualitative tools to manage and monitor market risk. Quantitative limits for fair value and net income sensitivities, stress tests, scenario analyses and ratios on economic capital are used to enforce the Branch's market risk appetite. The quantitative and qualitative factors limiting market price risk are determined by the Executive Management by reference to the Branch's management of economic capital. Based on qualitative analyses and quantitative ratios, the market risk function identifies potential future risks, anticipates, in collaboration with the finance function, potential financial losses, and defines proposals for further action, which are discussed with the market units. Risk concentrations are restricted directly with specific limits or are indirectly avoided using the limit structure described above. Market risk reports reflecting the Branch's exposures, risk concentrations, stress test results are reviewed on a daily basis. Appropriate actions are taken when needed, including revisiting the market risk management policies and relative limits to ensure that the Branch's market risk management objective is met.

The Branch's exposure to market risk in relation to interest rate risk and foreign exchange risk. The Branch has no financial instruments that are subject to price risk.

There has been no change to the Branch's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign exchange risk

The Branch operates in the Kingdom of Cambodia and transacts in US$ and KHR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Branch's functional currency. The balances in monetary assets and liabilities denominated in their respective currencies were as follows:

	Denomination US$ equivalents		
At 31 December 2023	US$	KHR	Total
On-the balance sheet financial assets			
Cash on hand	7,297,939	618,705	7,916,644
Balances with the Central Bank	137,416,094	7,014,543	144,430,637
Deposits and placements with other banks	48,060,343	606,533	48,666,876
Loans to customers	658,071,705	85,371,505	743,443,210
Investment securities	5,057,100	-	5,057,100
Other assets	711,591	-	711,591
Total financial assets	856,614,772	93,611,286	950,226,058
Financial liabilities			
Deposits from other banks	645,031,206	31,971,971	677,003,177
Deposits from customers	34,716,265	1,616,104	36,332,369
Borrowings	14,257,022	-	14,257,022
Other liabilities	1,926,677	-	1,926,677
Lease liabilities	2,052,061	-	2,052,061
Total financial liabilities	697,983,231	33,588,075	731,571,306
Net asset position	158,631,541	60,023,211	218,654,752
In KHR'000 (Note 6)	648,009,845	245,194,817	893,204,662

	Denomination US$ equivalents		
At 31 December 2022	US$	KHR	Total
On-the balance sheet financial assets			
Cash on hand	8,599,379	722,693	9,322,072
Balances with the Central Bank	205,481,068	9,413,153	214,894,221
Deposits and placements with other banks	70,136,726	1,780,544	71,917,270
Loans to customers	772,812,333	102,496,542	875,308,875
Investment securities	5,056,500	1,948,713	7,005,213
Other assets	530,195	-	530,195
Total financial assets	1,062,616,201	116,361,645	1,178,977,846
Financial liabilities			
Deposits from other banks	815,791,202	9,840,780	825,631,982
Deposits from customers	24,579,665	2,992,294	27,571,959
Borrowings	-	27,612,813	27,612,813
Other liabilities	1,509,112	-	1,509,112
Lease liabilities	2,641,367		2,641,367
Total financial liabilities	844,521,346	40,445,887	884,967,233
Net asset position	218,094,855	75,915,758	294,010,613
In KHR'000 (Note 6)	897,896,518	312,545,176	1,210,441,694

Foreign currency sensitivity analysis

The Branch is mainly exposed to the KHR currency. No sensitivity analysis is presented in the financial statements given the low level of KHR exchange rate fluctuations for the last 5 years, management do not anticipate significant fluctuations in profit or loss.

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The Branch's Executive Management, at this stage, does not have a policy to set limits on the level of mismatch of interest rate re- pricing that may be undertaken; however, management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Branch is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Branch manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The following is a summary of the Branch's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Branch's statement of financial position based on the maturity date if fixed rate.

31 December 2023	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$
Financial assets							
Cash on hand	-	-	-	-	-	7,916,644	7,916,644
Balances with the Central Bank	7,775,000	9,300,000	28,263,195	-	-	99,092,442	144,430,637
Deposits and placements with other banks	-	8,145,969	-	-	-	40,520,907	48,666,876
Loans to customers	16,486,924	17,144,296	82,137,724	99,349,937	528,324,329	-	743,443,210
Investment securities	-	-	-	5,057,100	-	-	5,057,100
Other assets	-	-	-	-	-	711,591	711,591
	24,261,924	34,590,265	110,400,919	104,407,037	528,324,329	148,241,584	950,226,058
Financial liabilities							
Deposits from other banks	190,009,574	277,111,424	209,586,868	-	-	295,311	677,003,177
Deposits from customers	21,866,983	8,738,827	5,450,775	-	-	275,784	36,332,369
Borrowing	10,068,682	4,188,340	-	-	-	-	14,257,022
Other liabilities	-	-	-	-	-	1,926,677	1,926,677
Lease liabilities	-	-	-	-	2,052,061	-	2,052,061
	221,945,239	290,038,591	215,037,643	-	2,052,061	2,497,772	731,571,306
Total interest re-pricing gap	(197,683,315)	(255,448,326)	(104,636,724)	104,407,037	526,272,268	145,743,812	218,654,752
In KHR'000 (Note 6)	(807,536,342)	(1,043,506,412)	(427,441,018)	426,502,746	2,149,822,215	595,363,472	893,204,662

31 December 2022	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Non-interest sensitive US$	Total US$
Financial assets							
Cash on hand	-	-	-	-	-	9,322,072	9,322,072
Balances with the Central Bank	-	5,471,537	42,578,604	-	-	166,844,080	214,894,221
Deposits and placements with other banks	-	11,316,347	28,884,291	-	-	24,216,632	64,417,270
Loans to customers	11,231,718	15,474,258	76,646,480	101,936,948	670,019,471	-	875,308,875
Investment securities	-	-	-	7,005,213	-	-	7,005,213
Other assets	-	-	-	-	-	530,195	530,195
	11,231,718	32,262,142	148,109,375	108,942,161	670,019,471	200,912,979	1,171,477,846
Financial liabilities							
Deposits from other banks	-	820,495,954	4,923,646	-	-	212,382	825,631,982
Deposits from customers	16,389,496	5,404,585	5,495,722	-	-	282,156	27,571,959
Borrowing	-	3,902,987	23,709,826	-	-	-	27,612,813
Other liabilities	-	-	-	-	-	1,509,112	1,509,112
Lease liabilities	-	-	-	-	2,641,367		2,641,367
	16,389,496	829,803,526	34,129,194	-	2,641,367	2,003,650	884,967,233
Total interest re-pricing gap	(5,157,778)	(797,541,384)	113,980,181	108,942,161	667,378,104	198,909,329	286,510,613
In KHR'000 (Note 6)	(21,234,572)	(3,283,477,878)	469,256,405	448,514,877	2,747,595,654	818,909,707	1,179,564,194

Interest rate sensitivity analysis

The significant financial assets and liabilities with floating interest rates of the Branch are loans customers and deposits from banks. Balances with the NBC and with banks earn fixed interest for the period of the deposit and placement based on outstanding balance over the agreed term. No sensitivity analysis for interest rate risk was presented as management do not anticipate significant fluctuations in profit or loss.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform"). In 2022, the Branch undertook amendment to the most financial instrument with contractual terms indexed to LIBOR such they incorporate new benchmark rates – the National Bank of Cambodia USD-NCD sell side rate ("NBC USD-NCD sell side rate"), Secured Overnight Financing rate ("SoFR rate"), Cambodia USD Loan Base rate ("CLBR") and PRIME rate. As at 31 December 2023, the IBOR reform in respect of currencies to which the Branch has exposure been fully completed (31 December 2022: US$74,906,157).

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 fulfil commitments to lend.

Management monitors 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.

The following tables present an analysis of the liabilities of the Branch by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates.

31 December 2023	Up to 1 month US$	>1-3 months US$	>3-12 months US$	1-5 years US$	Over 5 years US$	Total US$
Financial liabilities						
Deposits from other banks	190,304,885	277,111,424	209,586,868	-	-	677,003,177
Deposits from customers	22,142,767	8,738,827	5,450,775	-	-	36,332,369
Borrowing	10,068,682	4,188,340	-	-	-	14,257,022
Other liabilities	1,926,677	-	-	-	-	1,926,677
Lease liabilities	68,683	137,367	576,701	1,577,934	96,000	2,456,685
Total financial liabilities	224,511,694	290,175,958	215,614,344	1,577,934	96,000	731,975,930
In KHR'000 (Note 6)	917,130,270	1,185,368,788	880,784,595	6,445,860	392,160	2,990,121,674

31 December 2022						
Financial liabilities						
Deposits from other banks	212,382	820,495,954	4,923,646	-	-	825,631,982
Deposits from customers	16,671,652	5,404,585	5,495,722	-	-	27,571,959
Borrowing	-	3,902,987	23,709,826	-	-	27,612,813
Other liabilities	1,509,112	-	-	-	-	1,509,112
Lease liabilities	67,707	135,415	610,417	2,077,891	358,755	3,250,185
Total financial liabilities	18,460,853	829,938,941	34,739,611	2,077,891	358,755	885,576,051
In KHR'000 (Note 6)	76,003,332	3,416,858,620	143,022,978	8,554,677	1,476,994	3,645,916,602

The Branch performs maturity analysis for financial liabilities that shows the remaining contractual maturities. However, the Branch monitors the assets held to manage liquidity risk only one month ahead as it has short-term borrowings (money market) from head office anytime it encounters liquidity problem. Accordingly, there is low liquidity risk to meet its third parties financial liabilities obligation when they all due.

Liquidity reserves

In addition to the money market available from the head office above, the Branch maintains a pool of liquid assets which represents the primary source of liquidity in stress scenarios. Its composition is subject to limits designed to reduce concentration risks which are monitored on an ongoing basis. The Branch's liquidity reserves are analysed below:

	31 December 2023		31 December 2022	
	Carrying amounts US$	Fair Value US$	Carrying amounts US$	Fair Value US$
Cash on hand	7,916,644	7,916,644	9,322,072	9,322,072
Balances with the Central Bank	144,140,365	144,140,365	214,993,606	214,993,606
Deposits and placements with other banks	48,180,201	48,180,201	71,917,270	71,917,270
Total financial assets	200,237,210	200,237,210	296,232,948	296,232,948
In KHR'000 (Note 6)	817,969,003	817,969,003	1,219,591,047	1,219,591,047

Financial assets to support future funding:

	Encumbered		**Unencumbered**			
	Pledged as collateral (i)	**Other (ii)**	**Available as collateral (iii)**	**Other (iv)**	**Carrying amounts**	
	US$	US$	US$	US$	US$	KHR'000 (Note 6)
31 December 2023						
Cash on hand	-	-	7,916,644	-	7,916,644	32,339,491
Balance with the Central Bank	12,689,833	96,010,075	35,730,729	-	144,430,637	589,999,152
Deposits and placements with other banks	-	-	48,666,876	-	48,666,876	198,804,188
Loans to customers	-	-	-	743,443,210	743,443,210	3,036,965,513
Investment securities	-	711,591	-	-	711,591	2,906,848
Other assets	-	-	-	5,057,100	5,057,100	20,658,253
	12,689,833	96,721,666	92,314,249	748,500,310	950,226,058	3,881,673,445

	Encumbered		**Unencumbered**			
	Pledged as collateral (i)	**Other (ii)**	**Available as collateral (iii)**	**Other (iv)**	**Carrying amounts**	
	US$	US$	US$	US$	US$	KHR'000 (Note 6)
31 December 2022						
Cash on hand	-	-	9,322,072	-	9,322,072	38,378,970
Balance with the Central Bank	29,586,592	94,022,953	91,384,061	-	214,993,606	885,128,676
Deposits and placements with other banks	-	-	71,917,270	-	71,917,270	296,083,401
Loans to customers	-	-	-	875,308,875	875,308,875	3,603,646,638
Investment securities	-	-	-	7,005,213	7,005,213	28,840,462
Other assets	-	530,195	-	-	530,195	2,182,813
	29,586,592	94,553,148	172,623,403	882,314,088	1,179,077,231	4,854,260,959

(i) This represents currency purchase from NBC through its LPCO mechanism against the NCD.

(ii) (ii) This represents assets that are not pledged but that the Branch believes it is restricted from using to secure funding, for legal or other reasons. This includes capital guarantee and reserve requirement.

(iii) This represents assets that can be used as collateral to access secure funding.

(iv) This 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.

D. Capital risk

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

The Branch's strategy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on 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 Branch's lead regulator, the NBC, sets and monitors capital requirements for the Branch as a whole.

Capital risk management

As with liquidity and market risks, the Executive Management is responsible for ensuring the effective management of capital risk throughout the Branch.

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

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

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

On 9 January 2023, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which the institution shall rebuild the capital conservation buffer ratio by 1.25% and 2.5% by 30 June 2023 and 31 December 2023, respectively. For the countercyclical capital buffer, the institution shall keep at level of 0%.

On 23 November 2023, the NBC issued new Letter No. B7-023-2621 allowing Banking and Financial Institutions to continue rebuild the capital conservation buffer ratio by 1.25% until 31 December 2024.

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

E. Fair value of financial assets and liabilities

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

34. Current and non-current

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment, intangible assets, right-of-use assets and deferred tax assets are non-current assets and other assets, beside financial asset, are current assets. Current tax liabilities, provisions and other liability, beside financial liabilities, are current liabilities.