AMK MICROFINANCE INSTITUTION PLC.
(Registration No. 00007298)

FOR THE YEAR ENDED 31 DECEMBER 2023

REPORT OF THE BOARD OF DIRECTORS
AND AUDITED FINANCIAL STATEMENTS

AMK MICROFINANCE INSTITUTION PLC.

REPORT OF THE BOARD OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the "Directors") is pleased to present its report and the audited financial statements of AMK Microfinance Institution Plc. (the "Company") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide loans, savings and other related financial services through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31 December 2023 is set out in the statement of profit or loss and other comprehensive income on page 9.

RESERVES AND PROVISIONS

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

DIVIDENDS

There was no dividend declared or paid during the year (2022: nil).

SHARE CAPITAL

The paid up capital of the Company as at 31 December 2023 was KHR 273,662,450 thousand or approximately US$ 66,992,032 (2022: KHR 273,662,450 thousand or approximately US$ 66,471,326).

BAD AND DOUBTFUL LOANS

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

ASSETS

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

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributable to the assets in the financial statements of the Company misleading.

ការិយាល័យកណ្តាល (Head Office)
អគារលេខ ២៨៥ មហាវិថីយុទ្ធពលខេមរៈភូមិន្ទ (ផ្លូវ ២៧១) សង្កាត់ទំនប់ទឹក ខណ្ឌបឹងកេងកង រាជធានីភ្នំពេញ
#285 Yothapol Khemarak Phoumin Blvd.(271), SK.Tumnobtuek, Kh.Boeng Keng Kang, Phnom Penh.
ប្រអប់សំបុត្រ Po.Box 480 / ទូរស័ព្ទ Tel: (+855 23 22 02 02 / 1800 200 200) / Email: info@amkcambodia.com / www.amkcambodia.com

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the year were not, in the opinion of the Directors, 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 year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the current financial year in which this report is made.

EVENTS AFTER THE REPORTING DATE

No significant events occurred after the statement of financial position date requiring disclosures or adjustments other than those disclosed in the financial statements, if any.

THE BOARD OF DIRECTORS

The members of the Board of Directors holding office during the year and at the date of this report are:

Mr. John Con-Sing Yung	Chairman
Mr. Chetan Tanmay	Director
Mr. Kea Borann	Director
Mr. Chien-Chih Cheng	Director
Mr. Chien-Ling Cheng	Director
Mr. Cheng-Chung Chen	Director (appointed 7 November 2023)
Mr. Shih-Pang Chang	Director (resigned 7 November 2023)
Mr. Tip Janvibol	Independent Director
Ms. Heng Seida	Independent Director
Ms. Blandine Claudia Marie Pons	Independent Director

DIRECTORS' INTERESTS

No directors held any interest in the equity of the Company. No arrangements existed to which the Company is a party with the object of enabling the directors to obtain an interest in the Company or in any corporate body.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the share purchase option.

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

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the requirements of Cambodian International Financial Reporting Standards ("CIFRS"), or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- effectively control and direct the Company and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements present fairly, in all material respects, the financial position of AMK Microfinance Institution Plc. as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with CIFRS, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

AMK Microfinance Institution Plc
KINGDOM OF CAMBODIA

Mr. John Con-Sing Yung
Chairman

Phnom Penh, Kingdom of Cambodia

Date: Apr 2nd, 2024

Independent auditor's report

To the shareholders of AMK Microfinance Institution Plc.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AMK Microfinance Institution Plc. (the Company) 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 (CIFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code) that are relevant to our audit of the financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KICPAA Code.

PricewaterhouseCoopers (Cambodia) Ltd.
P.O. Box 1147, 58C Sihanouk Blvd, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh 120101
Tel: +855 (0) 23/69 860 606, www.pwc.com/kh

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report are the report of board of directors and the supplementary financial information and other disclosures required by the National Bank of Cambodia but do not include the financial statements and our auditor's report thereon.

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 auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 PricewaterhouseCoopers (Cambodia) Ltd.

PricewaterhouseCoopers (Cambodia) Ltd.

By Lang Hy
Partner

Phnom Penh, Kingdom of Cambodia
3 April 2024

AMK MICROFINANCE INSTITUTION PLC.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	31 December 2023 KHR'000	31 December 2023 US$	31 December 2022 KHR'000	31 December 2022 US$
				Restated (*)	
ASSETS					
Cash on hand	6	114,283,450	27,976,365	120,960,981	29,380,855
Balances with the NBC	7	282,292,205	69,104,579	242,327,781	58,860,282
Balances with other banks	8	246,882,303	60,436,304	180,986,348	43,960,735
Loans to customers	9	2,264,042,756	554,233,233	2,273,624,742	552,252,791
Debt securities measured at amortised cost	10	4,146,295	1,015,005	8,162,043	1,982,522
Property and equipment	11	19,426,631	4,755,601	14,746,749	3,581,916
Intangible assets	12	6,297,477	1,541,610	7,597,718	1,845,450
Right-of-use assets	13	32,012,078	7,836,494	28,985,002	7,040,321
Deferred tax assets	17	19,510,270	4,776,076	21,770,401	5,287,928
Other assets	14	23,862,485	5,841,490	25,415,215	6,173,237
TOTAL ASSETS		3,012,755,950	737,516,757	2,924,576,980	710,366,037
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers	15	1,118,843,370	273,890,666	1,012,542,012	245,941,708
Deposits from other financial institutions	16	33,916,309	8,302,646	37,205,881	9,037,134
Current tax liabilities		453,919	111,118	11,768,961	2,858,625
Other liabilities	18	25,762,473	6,306,604	28,924,592	7,025,648
Lease liabilities	19	31,260,732	7,652,566	28,771,782	6,988,531
Borrowings	20	1,173,606,275	287,296,518	1,235,311,746	300,051,432
Subordinated debts	21	57,440,892	14,061,418	26,943,629	6,544,481
Provision for employee benefit obligations	23	30,514,052	7,469,780	26,679,531	6,480,333
TOTAL LIABILITIES		2,471,798,022	605,091,316	2,408,148,134	584,927,892
EQUITY					
Share capital	24	273,662,450	66,992,032	273,662,450	66,471,326
Share premium	25	22,425,355	5,489,683	22,425,355	5,447,014
Reserves	26	173,674,175	42,507,105	72,000,000	17,164,185
Retained earnings		71,195,948	17,436,621	148,341,041	36,355,620
TOTAL EQUITY		540,957,928	132,425,441	516,428,846	125,438,145
TOTAL LIABILITIES AND EQUITY		3,012,755,950	737,516,757	2,924,576,980	710,366,037

(*) Refer to note 4.1 and note 5 for details regarding the restatement of deferred tax assets and other assets of the prior year figures.

The accompanying notes from pages 12 to 93 form an integral part of these financial statements.

AMK MICROFINANCE INSTITUTION PLC.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023		Year ended 31 December 2022	
	Notes	**KHR'000**	**US$**	**KHR'000**	**US$**
				Restated (*)	
Interest income	27	444,364,032	108,117,769	422,107,840	103,280,607
Interest expense	28	(172,811,037)	(42,046,481)	(128,594,213)	(31,464,207)
Net interest income		271,552,995	66,071,288	293,513,627	71,816,400
Fee and commission expense	29	(19,907,848)	(4,843,759)	(18,189,590)	(4,450,597)
Other income	30	42,409,184	10,318,536	29,935,499	7,324,565
Total operating income		294,054,331	71,546,065	305,259,536	74,690,368
Grant income		39,742	9,671	-	-
Personnel expenses	31	(127,372,837)	(30,990,958)	(119,858,307)	(29,326,721)
Depreciation and amortisation	32	(18,573,846)	(4,519,184)	(17,548,828)	(4,293,816)
Other operating expenses	33	(46,582,893)	(11,334,037)	(47,967,955)	(11,736,715)
Net impairment loss on financial instruments	34	(71,994,746)	(17,516,970)	(59,490,765)	(14,556,096)
Other gains/(losses)	35	201,722	49,081	(85,467)	(20,912)
Profit before income tax		29,771,473	7,243,668	60,308,214	14,756,108
Income tax expense	17	(6,916,566)	(1,682,863)	(12,562,879)	(3,073,863)
Net profit for the year		22,854,907	5,560,805	47,745,335	11,682,245
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Hedging gains/(losses), net of tax		(460,166)	(111,963)	-	-
Items that will not be reclassified to profit or loss					
Remeasurement of employee benefits, net of tax		2,134,341	519,304	-	-
Currency translation differences		-	1,019,150	-	(1,051,631)
		1,674,175	1,426,491	-	(1,051,631)
Total comprehensive income for the year		24,529,082	6,987,296	47,745,335	10,630,614
Profit attributable to owners of the Company		22,854,907	5,560,805	47,745,335	11,682,245
Total comprehensive income attributable to owners of the Company		24,529,082	6,987,296	47,745,335	10,630,614

(*) the interest income, other income and income tax expense for the year ended 31 December 2022 were restated. Refer to notes 4.1 and 5 for details.

The accompanying notes from pages 12 to 93 form an integral part of these financial statements.

AMK MICROFINANCE INSTITUTION PLC.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital		Share premium		Reserves		Retained Earnings		Total	
	KHR'000	**US$**	**KHR'000**	**US$**	**KHR'000**	**US$**	**KHR'000**	**US$**	**KHR'000**	**US$**
Balance as at 1 January 2022	181,974,950	44,667,391	22,425,355	5,504,505	96,011,603	23,566,913	76,093,220	18,677,766	376,505,128	92,416,575
Effect of amendments to CIAS 12 (note 4.1)		-		-		-	490,883	120,492	490,883	120,492
Restated balance at 1 January 2022	181,974,950	44,667,391	22,425,355	5,504,505	96,011,603	23,566,913	76,584,103	18,798,258	376,996,011	92,537,067
Net profit for the year	-	-	-	-	-	-	47,745,335	11,682,245	47,745,335	11,682,245
Currency translation differences	-	-	-	-	-	(527,611)	-	-	-	(527,611)
Total comprehensive income for the year	-	-	-	-	-	(527,611)	47,745,335	11,682,245	47,745,335	11,154,634
Transactions with owners in their capacity as owners:										
Issuance of new share capital	91,687,500	22,270,464	-	-	-	-	-	-	91,687,500	22,270,464
Transfer to reserves	-	-	-	-	(24,011,603)	(5,875,117)	24,011,603	5,875,117	-	-
Currency translation differences	-	(466,529)	-	(57,491)	-	-	-	-	-	(524,020)
	91,687,500	21,803,935	-	(57,491)	(24,011,603)	(5,875,117)	24,011,603	5,875,117	91,687,500	21,746,444
Balance as at 31 December 2022	273,662,450	66,471,326	22,425,355	5,447,014	72,000,000	17,164,185	148,341,041	36,355,620	516,428,846	125,438,145
Balance as at 1 January 2023	273,662,450	66,471,326	22,425,355	5,447,014	72,000,000	17,164,185	148,341,041	36,355,620	516,428,846	125,438,145
Net profit for the year	-	-	-	-	-	-	22,854,907	5,560,805	22,854,907	5,560,805
Remeasurement of employee benefits, net of tax	-	-	-	-	2,134,341	519,304	-	-	2,134,341	519,304
Hedging loss, net of tax	-	-	-	-	(460,166)	(111,963)	-	-	(460,166)	(111,963)
Currency translation differences	-	-	-	-	-	455,775	-	-	-	455,775
Total comprehensive income for the year	-	-	-	-	1,674,175	863,116	22,854,907	5,560,805	24,529,082	6,423,921
Transactions with owners in their capacity as owners:										
Transfer to reserves	-	-	-	-	100,000,000	24,479,804	(100,000,000)	(24,479,804)	-	-
Currency translation differences	-	520,706	-	42,669	-	-	-	-	-	563,375
	-	520,706	-	42,669	100,000,000	24,479,804	(100,000,000)	(24,479,804)	-	563,375
Balance as at 31 December 2023	273,662,450	66,992,032	22,425,355	5,489,683	173,674,175	42,507,105	71,195,948	17,436,621	540,957,928	132,425,441

The accompanying notes from pages 12 to 93 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 December 2023 KHR'000	Year ended 31 December 2023 US$	Year ended 31 December 2022 KHR'000	Year ended 31 December 2022 US$
				Restated(*)	
Cash flows from operating activities					
Profit before income tax		29,771,473	7,243,668	60,308,214	14,756,108
Adjustments for:					
Depreciation and amortisation	32	18,573,846	4,519,184	17,548,828	4,293,816
Net impairment loss on financial instruments	34	71,994,746	17,516,970	59,490,765	14,556,096
Increase in provision for employee benefit obligations		4,515,710	1,098,713	8,626,183	2,110,639
Net gain from other financial instruments at FVTPL		-	-	(94,200)	(23,049)
Loss on disposal of property and equipment		17,060	4,151	24,839	6,078
Loss on disposal of intangible assets		8,231	2,003	61,595	15,071
Gain on disposal of property and equipment		(227,013)	(55,234)	(967)	(237)
Unrealised foreign exchange differences		(2,749,124)	(668,887)	2,195,889	537,286
Interest income	27	(444,364,032)	(108,117,769)	(422,107,840)	(103,280,607)
Interest expense	28	172,811,037	42,046,481	128,594,213	31,464,207
		(149,648,066)	(36,410,720)	(145,352,481)	(35,564,592)
Changes in working capital:					
Balances with the NBC		(5,691)	(1,385)	208,841	51,099
Balances pledged as security with other banks		(19,465,000)	(4,736,010)	(70,548,000)	(17,261,561)
Statutory deposits		(52,784,944)	(12,843,052)	(15,186,056)	(3,715,698)
Loans to customers		(57,623,473)	(14,020,310)	(422,545,903)	(103,387,791)
Other assets		103,249	25,121	(10,982,939)	(2,687,286)
Deposits from customers		101,078,317	24,593,264	31,200,440	7,634,069
Deposits from banks and other financial institutions		(3,438,522)	(836,623)	(14,355,807)	(3,512,554)
Other liabilities		(3,568,901)	(868,346)	3,774,106	923,442
Cash used in operations		(185,353,031)	(45,098,061)	(643,787,799)	(157,520,872)
Interest received		429,691,612	104,547,837	424,209,835	103,794,919
Interest paid		(161,463,590)	(39,285,545)	(130,029,233)	(31,815,325)
Income tax paid		(16,324,331)	(3,971,857)	(15,064,432)	(3,685,939)
Net cash generated from/(used in) operating activities		66,550,660	16,192,374	(364,671,629)	(89,227,217)
Cash flows from investing activities					
Proceeds from/(purchase of) debt securities		4,307,094	1,047,955	(8,117,000)	(1,986,053)
Purchases of property and equipment	11	(10,879,874)	(2,663,372)	(6,201,091)	(1,506,216)
Purchases of intangible assets	12	(1,914,540)	(468,676)	(2,169,571)	(526,979)
Proceeds from disposal of property and equipment		596,559	146,036	48,989	11,899
Net cash used in investing activities		(7,890,761)	(1,938,057)	(16,438,673)	(4,007,349)
Cash flows from financing activities					
Proceeds from borrowings		575,501,655	140,881,678	746,804,406	181,395,289
Repayments of borrowings		(630,943,106)	(154,453,637)	(402,772,677)	(97,831,595)
Proceeds from subordinated debts		40,850,000	10,000,000	-	-
Repayments of subordinated debts		(9,804,000)	(2,400,000)	(9,880,800)	(2,400,000)
Principal elements of lease payments		(10,091,392)	(2,470,353)	(8,272,050)	(2,009,242)
Proceeds from issuance of new share capital		-	-	91,687,500	22,270,464
Net cash (used in)/generated from financing activities		(34,486,843)	(8,442,312)	417,566,379	101,424,916
Net increase in cash and cash equivalents		24,173,056	5,812,005	36,456,077	8,190,350
Cash and cash equivalents at the beginning of the year		309,615,931	75,204,259	273,159,854	67,049,547
Currency translation differences		-	694,626	-	(35,638)
Cash and cash equivalents at the end of the year	36	333,788,987	81,710,890	309,615,931	75,204,259

Non-cash transactions:

- Non-investing activities of acquisition in right-of-use assets are disclosed in note 13.
- Borrowings of 204,575 million Riels were rolled over in 2023 (2022: nil).

(*) Refer to notes 5 for restatement of interest income and interest received.

The accompanying notes from pages 12 to 93 form an integral part of these financial statements.

1. REPORTING ENTITY

AMK Microfinance Institution Plc. (the "Company") is a licensed micro-finance institution ("MFI") incorporated and registered in the Kingdom of Cambodia.

The Company was initially established in 1999 as Thanakea Ponleu Thmey ("TPT") Programme by Concern Worldwide Cambodia ("CWC"). All assets, liabilities and accumulated donations of TPT were transferred to the Company on 1 July 2003 against the issue of shares. The Company commenced to trade on the date of the asset transfer. On 29 January 2010, the Company obtained a Microfinance Deposit-Taking Institution ("MDI") license from the National Bank of Cambodia ("NBC") to conduct deposit-taking business. On 7 July 2014, the Ministry of Commerce approved the change in business name of the Company from Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. to AMK Microfinance Institution Plc.

The registered office of the Company is currently located at #285, Yothapol Khemarak Phoumin Blvd. (St. 271), Sangkat Tomnub Teuk, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia. The Company operates its business in 147 offices (2022: 150 Offices).

The principal activity of the Company is to provide loans, savings and other related financial services through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia.

The financial statements were authorised for issue by the Board of Directors on 2 April 2024.

2. 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.

2.1 Basis of accounting

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRS").

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language statutory financial statements shall prevail.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Basis of aggregation

The financial statements include the financial statements of the head office and its branches after the elimination of all significant inter-branch balances and transactions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). Management has determined the Khmer Riel ("KHR") to be the Company's functional currency owing to the significant influence of the KHR on its operations. The financial statements are presented in KHR, which is the Company's functional and presentation currency.

(ii) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

(iii) Presentation in United States Dollar ("US$")

For shareholder reporting purpose, the financial statements are presented in US$. Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognised in other comprehensive income.

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

	31 December 2023	**31 December 2022**
Closing rate	4,085	4,117
Average rate	4,110	4,087

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand Khmer Riel ("KHR'000") and dollar for KHR and US$ amounts, respectively.

2.6 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

a. Classification of financial assets (continued)

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments at amortised cost or at FVTOCI

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

For an asset to be classified and measured at amortised cost or at FVTOCI, 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 Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company'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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

a. Classification of financial assets (continued)

Debt instruments at amortised cost or at FVTOCI (continued)

The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Company 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 Company 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 Company 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 period the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

j. Financial assets (continued)

a. Classification of financial assets (continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which CIFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of CIFRS 9.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with CIFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

a. Classification of financial assets (continued)

Reclassification

If the business model under which the Company 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 Company's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

b. Foreign exchange gains and losses

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

c. Impairment of financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on the following financial instruments that are not measured at FVTPL:

- loans to customers; and
- balances with other banks.

No impairment loss is required for equity investments measured at FVTOCI.

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

- 12-month ECL, i.e. portion 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 in this note.

ECLs 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 Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate ("EIR").

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

c. Impairment of financial assets (continued)

The Company 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 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 Company assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if corporate debt instruments are credit impaired, the Company 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 for 90 days or more.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

c. Impairment of financial assets (continued)

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 ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- the borrower is past due more than 30 days on short-term loan or equal to or more than 90 days on long-term loan on any material credit obligation to the Company;
- The account has been written off in accordance with the loan agreement; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

This definition of default is used by the Company 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 Company 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 Company 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 Company 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 Company will measure the loss allowance based on lifetime rather than 12-month ECL. The Company’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 Company monitors all financial assets and issued loan commitments that are subject to impairment for significant increase in credit risk.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

c. Impairment of financial assets (continued)

Significant increase in credit risk (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company 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 Company 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 Company'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 Company's counterparties operate, obtained from credit rating bureaus, governmental bodies, and other similar organisations, as well as internally generated information of customer payment behaviour.

The PDs used are forward-looking and the Company 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 Company still considers separately some qualitative factors to assess if credit risk has increased significantly.

As a back-stop when an asset becomes 30 days past due, the Company 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

c. Impairment of financial assets (continued)

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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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 and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company 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 and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

i. Financial assets (continued)

c. Impairment of financial assets (continued)

Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company 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 Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains, which will be presented in 'other income' in the statement of 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:
- for financial assets measured at amortised cost: 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 Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company 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 Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company 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 Company'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.

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

ii. Financial liabilities and equity (continued)

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 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 "net interest income" in Note 2.16.

iii. Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company 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.

2.7 Reserves

i. Regulatory reserves

The 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 days past due**		**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 Company to a counterparty, which give rise to credit risk exposure on the Company.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Reserves

i. Regulatory reserves (continued)

The Company calculates the impairment loss allowance for credit facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with the CIFRS. The impairment loss allowance calculated in accordance with CIFRS 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 CIFRS, the excess amount is transferred from retained earnings to regulatory reserves as disclosed in Note 26.

Reversal of regulatory reserves

When the impairment loss allowance calculated in accordance with regulatory provision is subsequently less than that calculated under CIFRS, 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.

ii. Non-distributable reserve

The non-distributable reserve is maintained accordance with the NBC's Prakas No. B7-018-068 Prokor dated 22 February 2018 on the determination of capital buffer of banks and financial institutions. Any movement requires approval from the Board of Directors and the NBC.

2.8 Derivatives held for risk management

Derivatives held for risk management include all derivative assets and liabilities that are not classified as trading assets or liabilities and are not designated in a qualifying hedge relationship.

Derivatives held for risk management are measured at fair value in the statement of financial position at initial recognition. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within the other comprehensive income

2.9 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Leases (continued)

The Company as a lessee (continued)

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 Company 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 Company 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 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 Company 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Leases (continued)

The Company as a lessee (continued)

Right-of-use assets are depreciated over the shorter period of the lease term and the useful lives of the underlying assets. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company 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 Company applies CIAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.12.

As a practical expedient, CIFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

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

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvement	Shorter of 4 years or lease terms
Motor vehicles	8 years
Motorcycles	5 years
Computer and office equipment	3 to 4 years

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Property and equipment (continued)

Construction in progress is not depreciated until such time as the relevant assets are completed and when it is available for use.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets. If there is any indication that there has been a significant change in rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.11 Intangible assets

Intangible assets comprise software and licences and work in progress.

Software is stated at cost less accumulated amortisation and accumulated impairment losses, if any. It is amortised on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of software, the amortisation is revised prospectively to reflect the new expectations.

Work in progress is not depreciated until such time as the relevant assets are completed and when it is available for use.

2.12 Impairment of property and equipment, intangible assets and right-of-use assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment, intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Impairment of property and equipment, intangible assets and right-of-use assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

2.13 Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.14 Provisions

Provisions are recognised when the Company 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.

2.15 Employee benefits

Defined benefits plan

The Company provides its employees with benefits under the staff pension fund policy. Employees who complete three months of service with the Company have to participate in the staff pension fund scheme. The fund is sourced from the following:

Employees contribute 3% of their monthly salary, and the Company contributes 6% for employees who are working less than or equal to three years, and 7% for employees working in the Company for over three years. The Company’s contribution is charged to the profit or loss on accrual basis.

The Company contributes interest on the cumulative balance of the staff pension fund in line with the market rates the Company provides to depositors. This interest is charged to the profit or loss on accrual basis.

The staff pension fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment. The employee’s contribution and interest are paid in full accordingly. Those who have been terminated due to serious misconduct are only entitled to their contribution plus interest, regardless of how long they have been employed by the Company.

The staff pension fund is accounting for as a defined benefits plan following actuarial techniques using the projected unit cost method and actuarial assumptions about demographic variables such as employee turnover and mortality and discounting in order to determine the present value of the defined benefit obligation and the current service costs.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.15 Employee benefits (continued)

Long-term employee benefits

Long-term employee benefits include benefits not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. These include unvested deferred performance incentives and seniority payments.

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 Company 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 six (6) days of their average wages of each year of service, totalling 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 Company in respect of services provided by employees up to 31 December 2018.

Pension obligations

The Company pays contributions to publicly administered social security scheme for pension on a mandatory basis in Cambodia. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Short-term employee benefits

The Company recognises the expected cost of short-term employee benefits where it is contractually obliged or where there is a past practice that has created a constructive obligation. Salary and wages, annual leave and other paid absences and bonuses and incentives are recognised in the year in which the services are rendered by employees, and the Company measures the expected liability related to the short-term employee benefits at the end of the reporting period.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.16 Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the gross carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any ECL allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

2.17 Other income and expense

Other income and expense include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Company's statement of profit or loss include a diverse range of services it provides to its customers such as fees charged for servicing a loan.

Fee and commission expenses with regards to services are accounted for as the services are received.

2.18 Grant income

Grants received from third parties to subsidise the Company's operating expenses are released to the statement of profit or loss on a systematic and rational basis, matching the related costs which they are intended to compensate.

Grants received from third parties for the purchase of property and equipment are amortised to the statement of profit or loss on a systematic and rational basis over the useful life of the assets. The unamortised grants are shown as deferred grant income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.19 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.19 Taxation (continued)

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, the directors are 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.

3.1 Critical judgments in applying accounting policies

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

(i) Functional currency

Based on the economic substance of underlying circumstances relevant to the Company, Management determines the functional currency of the Company to be the KHR. The KHR is the currency of the primary economic environment in which the Company operates and it is the currency that mainly influences the loans to customers and interest income.

(ii) Significant influence over its associate, Forte Life Assurance (Cambodia) Plc.

Forte Life Assurance (Cambodia) Plc. is an associate of the Company although the Company only owns a 5.7% ownership interest in Forte Life Assurance (Cambodia) Plc. (Note 14). The Company has significant influence over Forte Life Assurance (Cambodia) Plc. by virtue of its contractual right to appoint one out of six directors to the board of directors of that company and its material transactions between Forte Life Assurance (Cambodia Plc and the Company.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

3.1 Critical judgments in applying accounting policies (continued)

(iii) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company 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 Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company'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. No such changes were required during the periods presented.

(iv) Significant increase in credit risk

As explained in Note 2, 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 Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Quantitative information may include the days past due of the asset, and the client's history with the Company. Qualitative information include client specific information, such as the client's individual or business performance indicators and whether the client has been provided restructuring or other forms of relief, and portfolio specific information, such as risks associated with geographic regions or portfolio level risks.

(v) 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 Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

3.1 Critical judgments in applying accounting policies (continued)

(vi) Models and assumptions used

The Company 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.

(vii) Employee benefits obligations

The Company provides short-term, long-term and post-employment benefits to its employees. Short-term and long-term benefits are calculated based on reliable estimates where the measurement reflects the possibility that some employees may leave without receiving the benefits.

The Company provides a defined benefit plan post-employment benefit to its employees, the liability of which is calculated by using an actuarial using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods, and discounting that benefit in order to determine the present value of the defined benefit obligation and the current service costs.

Judgement is applied in developing the actuarial techniques and assessing actuarial assumptions, including demographic assumptions, financial assumptions, mortality assumptions and the discount rate applied.

3.2 Key sources of estimation uncertainty

Calculation of loss allowance

When measuring expected credit losses, the Company 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.

Further information on the credit quality analysis of the Company is provided in note 40.1(g).

4. NEW AND AMENDED CIFRS STANDARDS AND INTERPRETATIONS

4.1 New and amended standards adopted by the Company

The Company has applied Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to CIAS 12 for its annual reporting period commencing 1 January 2023.

The Company applies Deferred Tax related to Assets and Liabilities arising from a Single Transaction to transactions that occur on or after the beginning of 1 January 2022.
The Company also, at the beginning of the 1 January 2022:

a) Recognised a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with:
   (i) right-of-use assets and lease liabilities; and
   (ii) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset; and
b) recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at 1 January 2022

Disclosures of the impact of the application of the amendments are presented below:

	31 December 2022					
	Previously presented		Effect of amendment		As restated	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Statement of Financial Position						
Deferred tax assets	21,178,347	5,144,121	592,054	143,807	21,770,401	5,287,928
Retained earnings	147,748,986	35,887,536	592,055	143,807	148,341,041	36,031,343

The Company has also applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- CIFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – amendments to CIAS 1 and CIFRS Practice Statement 2.
- Definition of Accounting Estimates – amendments to CIAS 8

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

4.2 New and amended standards not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

5. RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain balances of the prior year have been reclassified to align with the current period's classification and presentation as required by the standards. Management believes that these reclassifications better meet the needs of users and more closely reflects the nature of the transactions and did not have any impact on prior period's profit or loss.

Disclosures of the amount of each item that is reclassified is presented below:

		31 December 2022					
		Prior to reclassification		Effect of reclassification		As reclassified	
	Notes	KHR'000	US$	KHR'000	US$	KHR'000	US$
Statement of Financial Position							
Debt securities at amortised cost	i	-	-	8,162,043	1,982,522	8,162,043	1,982,522
Other assets	i	33,577,257	8,155,759	(8,162,042)	(1,982,522)	25,415,215	6,173,237
Statement of Profit or Loss and Other Comprehensive income							
Interest income	ii	418,197,180	102,323,753	3,910,660	956,854	422,107,840	103,280,607
Other income	ii	33,846,158	8,281,419	(3,910,659)	(956,854)	29,935,499	7,324,565

i. The balance of debt securities was reclassified from other assets to debt securities at amortised cost. There was no balance of debt securities in 2021.

ii. Penalty fee for early repayment of loans is classified from other income to interest income. Because of this reclassification, the interest income and interest received were restated in the statement of cash flows of the prior year.

6. CASH ON HAND

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Khmer Riel ("KHR")	45,968,326	11,252,957	48,084,855	11,679,586
US Dollars ("US$")	48,474,367	11,866,430	54,624,858	13,268,122
Thai Baht ("THB")	19,840,757	4,856,978	18,251,268	4,433,147
	114,283,450	27,976,365	120,960,981	29,380,855

7. BALANCES WITH THE NBC

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Statutory deposits				
Capital guarantee (i)	27,366,245	6,699,203	27,366,245	6,647,133
Reserve requirement (ii)	134,778,489	32,993,510	81,993,545	19,915,847
	162,144,734	39,692,713	109,359,790	26,562,980
Cash and cash equivalents				
Current accounts	119,741,030	29,312,370	107,852,850	26,196,952
Other deposits and placements				
Negotiable Certificate of Deposit (NCD) (iii)	-	-	24,709,291	6,001,771
Guarantee placement (iv)	406,441	99,496	405,850	98,579
	406,441	99,496	25,115,141	6,100,350
	282,292,205	69,104,579	242,327,781	58,860,282

(i) Under NBC Prakas No. B7-07-163 on Licensing of Microfinance Deposit Taking Institutions dated 13 December 2007, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered and paid capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The capital guarantee placed with the NBC earns interest at the rate of 3.00% (2022: 3.00%) per annum.

(ii) Reserve requirement represents the minimum reserve on deposits from customers and borrowings in foreign currencies and does not earn interest.

Pursuant to the NBC's Prakas No. B7-023-005, the reserve requirement is calculated at 9% for foreign currencies and 7% for local currency (KHR) of customers' deposits and foreign borrowings from 1 January 2023 to 31 December 2023. Prior to the change, it was calculated at 7% for both currencies in 2022.

On 28 February 2023, NBC issued notification No. B7-023-438 to exempt the reserve requirement on borrowings for deposit-taking microfinance institutions until 1 September 2023. The reserve requirement on customers' deposits and borrowings bears no interest.

7. BALANCES WITH THE NBC (continued)

(iii) The NCD relates to short-term deposits held with the NBC on unsecured terms. No balances were held at the 31 December 2023 (2022: The balances bear fixed interest rate of 3.23% per annum).

(iv) The Guarantee placement is used as collateral against the overdraft facility with the NBC in connection with the Fast and Secure Transfer ("FAST") service and the Cambodian Shared Switch ("CSS").

The guarantee placement earned interest ranging from 1.08% to 1.45% per annum (2022: 1.95% to 3.54% % per annum).

No impairment loss allowance is created against the balance with the NBC as management determines that the credit risk on these facilities is minimal.

8. BALANCES WITH OTHER BANKS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Current accounts	40,942,383	10,022,615	28,660,852	6,961,587
Saving accounts	2,057,124	503,580	2,963,953	719,930
Fixed deposits	57,321,632	14,032,223	24,582,607	5,971,000
Guaranteed placements	147,645,693	36,143,377	125,069,402	30,378,771
	247,966,832	60,701,795	181,276,814	44,031,288
Less: impairment loss allowance	(1,084,529)	(265,491)	(290,466)	(70,553)
Balance with other banks, net	246,882,303	60,436,304	180,986,348	43,960,735

The guaranteed placements are held as security against secured borrowings (Note 20).

The balances with other banks earn interest according to the following rates:

	31 December 2023	31 December 2022
Current accounts	0.0%-1.5%	0.0%-1.5%
Saving accounts	0.1%-2.0%	0.1%-2.0%
Fixed deposits	3.0%-5.5%	4.0%-5.5%
Guaranteed placements	1.1%-5.5%	3.5%-5.5%

9. LOANS TO CUSTOMERS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Loans to customers at amortised costs	2,389,846,797	585,029,816	2,371,051,575	575,917,312
Less: impairment loss allowance	(125,804,041)	(30,796,583)	(97,426,833)	(23,664,521)
Loans to customers, net	2,264,042,756	554,233,233	2,273,624,742	552,252,791

Loans to customers at amortised cost

	31 December 2023			31 December 2022		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Village bank loans	422,980,942	(39,344,812)	383,636,130	605,729,782	(45,027,635)	560,702,147
Individual loans	1,044,440,715	(45,944,480)	998,496,235	1,025,962,615	(39,153,149)	986,809,466
SME and other loans	922,425,140	(40,514,749)	881,910,391	739,359,178	(13,246,049)	726,113,129
	2,389,846,797	(125,804,041)	2,264,042,756	2,371,051,575	(97,426,833)	2,273,624,742
In US$ equivalent	585,029,816	(30,796,583)	554,233,233	575,917,312	(23,664,521)	552,252,791

10. DEBT SECURITIES MEASURED AT AMORTISED COST

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Cambodia Airport Investment Co., Ltd	4,232,226	1,036,041	4,265,378	1,036,040
Ministry of Economy and Finance	-	-	4,027,244	978,199
	4,232,226	1,036,041	8,292,622	2,014,239
Less: allowance for debt securities	(85,931)	(21,036)	(130,579)	(31,717)
Debt securities measured at amortised cost, net	4,146,295	1,015,005	8,162,043	1,982,522

The debt securities hold a coupon rate of 5.50% (2022: 2.20% to 5.50%) with an issue term of 3 years (2022: 1 year to 3 years).

11. PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor Vehicles	Motorcycles	Computer and office equipment	Construction in progress	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Cost						
At 1 January 2023	6,198,918	5,750,678	5,777,405	30,199,424	1,325,161	49,251,586
Additions	127,448	516,432	40,400	2,617,001	7,578,593	10,879,874
Disposals	(177,441)	(597,511)	(759,859)	(1,603,389)	-	(3,138,200)
Transfers	2,399,269	254,208	-	6,237,604	(8,891,081)	-
At 31 December 2023	8,548,194	5,923,807	5,057,946	37,450,640	12,673	56,993,260
Accumulated depreciation						
At 1 January 2023	3,963,940	2,850,420	3,682,847	24,007,630	-	34,504,837
Depreciation	1,001,717	438,064	638,220	3,735,385	-	5,813,386
Disposals	(171,842)	(478,245)	(591,593)	(1,509,914)	-	(2,751,594)
At 31 December 2023	4,793,815	2,810,239	3,729,474	26,233,101	-	37,566,629
Carrying amounts						
At 31 December 2023	3,754,379	3,113,568	1,328,472	11,217,539	12,673	19,426,631
Carrying amounts in US$						
At 31 December 2023	919,065	762,195	325,207	2,746,032	3,102	4,755,601

11. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvement	Motor Vehicles	Motorcycles	Computer and office equipment	Construction in progress	Total
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**	**KHR'000**	**KHR'000**
Cost						
At 1 January 2022	4,694,770	5,750,678	5,881,236	28,052,005	201,515	44,580,204
Additions	94,803	-	-	2,311,091	3,795,197	6,201,091
Disposals	(250,983)	-	(103,831)	(1,170,533)	(4,362)	(1,529,709)
Transfers	1,660,328	-	-	1,006,861	(2,667,189)	-
At 31 December 2022	6,198,918	5,750,678	5,777,405	30,199,424	1,325,161	49,251,586
Accumulated depreciation						
At 1 January 2022	3,763,467	2,385,770	2,990,189	21,308,713	-	30,448,139
Depreciation	451,021	464,650	746,047	3,851,828	-	5,513,546
Disposals	(250,548)	-	(53,389)	(1,152,911)	-	(1,456,848)
At 31 December 2022	3,963,940	2,850,420	3,682,847	24,007,630	-	34,504,837
Carrying amounts						
At 31 December 2022	2,234,978	2,900,258	2,094,558	6,191,794	1,325,161	14,746,749
Carrying amounts in US$						
At 31 December 2022	542,866	704,459	508,758	1,503,958	321,875	3,581,916

12. INTANGIBLE ASSETS

	Software and licenses	Work in progress	Total
	KHR'000	KHR'000	KHR'000
Cost			
At 1 January 2023	18,615,988	1,383,667	19,999,655
Additions	-	1,914,540	1,914,540
Disposals	(585,537)	-	(585,537)
Transfers	998,014	(998,014)	-
At 31 December 2023	19,028,465	2,300,193	21,328,658
Accumulated amortisation			
At 1 January 2023	12,401,937	-	12,401,937
Amortisation	3,207,197	-	3,207,197
Disposals	(577,953)	-	(577,953)
At 31 December 2023	15,031,181	-	15,031,181
Carrying amounts			
At 31 December 2023	3,997,284	2,300,193	6,297,477
Carrying amounts in US$			
At 31 December 2023	978,527	563,083	1,541,610

	Software and licenses	Work in progress	Total
	KHR'000	KHR'000	KHR'000
Cost			
At 1 January 2022	18,157,995	725,649	18,883,644
Additions	79,904	2,089,667	2,169,571
Disposals	(1,053,560)	-	(1,053,560)
Transfers	1,431,649	(1,431,649)	-
At 31 December 2022	18,615,988	1,383,667	19,999,655
Accumulated amortisation			
At 1 January 2022	9,625,197	-	9,625,197
Amortisation	3,467,334	-	3,467,334
Disposals	(690,594)	-	(690,594)
At 31 December 2022	12,401,937	-	12,401,937
Carrying amounts			
At 31 December 2022	6,214,051	1,383,667	7,597,718
Carrying amounts in US$			
At 31 December 2022	1,509,364	336,086	1,845,450

13. RIGHT-OF-USE-ASSETS

(i) Right-of-use assets ("ROUA")

	Building	ATM	Parking lot	Total
	KHR'000	KHR'000	KHR'000	KHR'000
Cost				
At 1 January 2023	44,642,111	7,691,435	1,413,341	53,746,887
Additions	4,621,915	2,439,488	507,187	7,568,590
Disposals	(844,648)	-	(721,717)	(1,566,365)
Lease modifications	5,011,749	-	-	5,011,749
At 31 December 2023	53,431,127	10,130,923	1,198,811	64,760,861
Accumulated depreciation				
At 1 January 2023	22,016,108	2,046,151	699,626	24,761,885
Charge for the year	7,129,441	2,120,486	303,336	9,553,263
Disposals	(844,648)	-	(721,717)	(1,566,365)
At 31 December 2023	28,300,901	4,166,637	281,245	32,748,783
Carrying amounts				
At 31 December 2023	25,130,226	5,964,286	917,566	32,012,078
Carrying amounts in US$				
At 31 December 2023	6,151,830	1,460,046	224,618	7,836,494

	Building	ATM	Parking lot	Total
	KHR'000	KHR'000	KHR'000	KHR'000
Cost				
At 1 January 2022	38,304,138	7,691,435	793,592	46,789,165
Additions	6,180,510	-	688,941	6,869,451
Disposal	(1,501,331)	-	(69,192)	(1,570,523)
Lease modifications	1,658,794	-	-	1,658,794
At 31 December 2022	44,642,111	7,691,435	1,413,341	53,746,887
Accumulated depreciation				
At 1 January 2022	16,783,427	483,370	497,663	17,764,460
Charge for the year	6,734,012	1,562,781	271,155	8,567,948
Disposal	(1,501,331)	-	(69,192)	(1,570,523)
At 31 December 2022	22,016,108	2,046,151	699,626	24,761,885
Carrying amounts				
At 31 December 2022	22,626,003	5,645,284	713,715	28,985,002
Carrying amounts in US$				
At 31 December 2022	5,495,750	1,371,213	173,358	7,040,321

The maturity analysis of lease liabilities is presented in Note 19.

13. RIGHT-OF-USE-ASSETS (continued)

The Company leases several assets including buildings, automated teller machines (ATM), and parking lots. The average lease term is 6 years (2022: 5 years).

(ii) Amounts recognised in profit or loss

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Depreciation expense on ROUA (Note 32)	9,553,263	2,324,395	8,567,948	2,096,390
Interest expense on lease liabilities (Note 28)	1,997,237	485,946	1,899,587	464,788
Expense relating to short-term leases (Note 33)	489,803	119,173	1,161,628	284,225
Expense relating to low value leases (Note 33)	8,082,119	1,966,452	7,888,429	1,930,127

The total cash outflows for leases amounted to KHR 20,660,551 thousand (2022: KHR 19,221,694 thousand).

14. OTHER ASSETS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Prepayment	17,478,588	4,278,724	17,862,737	4,338,776
Penalty receivable	6,279,530	1,537,217	4,727,441	1,148,273
Investments (*)	1,723,004	421,788	2,655,465	645,000
Advances and deposits	2,683,724	656,970	1,970,019	478,508
Others	726,312	177,800	1,778,745	432,049
	28,891,158	7,072,499	28,994,407	7,042,606
Less: Allowance for penalty receivable	(5,028,673)	(1,231,009)	(3,579,192)	(869,369)
Other assets, net	23,862,485	5,841,490	25,415,215	6,173,237

(*) Included in investments is KHR 1,620,878 thousand (2022: KHR 2,511,370 thousand) representing 5.7% equity interest in Forte Life Assurance (Cambodia) Plc.

15. DEPOSITS FROM CUSTOMERS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Savings accounts	406,442,408	99,496,306	438,002,240	106,388,691
Term deposits	712,400,962	174,394,360	574,539,772	139,553,017
	1,118,843,370	273,890,666	1,012,542,012	245,941,708

16. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Savings accounts	9,549,199	2,337,625	16,210,730	3,937,510
Term deposits	24,367,110	5,965,021	20,995,151	5,099,624
	33,916,309	8,302,646	37,205,881	9,037,134

17. INCOME TAX

The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

17.1 Income tax expense

In accordance with Cambodian tax law, the Company 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:

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Current income tax	5,276,096	1,283,722	16,267,911	3,980,404
Deferred tax	1,726,546	420,084	(3,439,765)	(841,636)
Over provision of income tax in prior year	(86,076)	(20,943)	(265,267)	(64,905)
	6,916,566	1,682,863	12,562,879	3,073,863

17. INCOME TAX (continued)

17.1 Income tax expense (continued)

The reconciliation of income tax expense shown in profit or loss is as follows:

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Profit before income tax	29,771,473	7,243,668	60,308,214	14,756,108
Income tax expense at applicable tax rate of 20%	5,954,296	1,448,734	12,061,645	2,951,222
Adjustments:				
Non-deductible expenses	537,107	130,683	723,379	176,995
(Over)/Under provision of income tax in prior year	(86,076)	(20,943)	(265,267)	(64,905)
Previously unrecognised deferred tax	511,239	124,389	43,122	10,551
	6,916,566	1,682,863	12,562,879	3,073,863

17.2 Other tax matters

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 Company. Directors believe 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.

17.3 Deferred tax

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Deferred tax assets	25,399,292	6,217,697	26,969,253	6,550,705
Deferred tax liabilities	(5,889,022)	(1,441,621)	(5,198,852)	(1,262,777)
	19,510,270	4,776,076	21,770,401	5,287,928

17. INCOME TAX (continued)

17.3 Deferred tax (continued)

The movement of net deferred tax assets/(liabilities) during the year were as follows:

	At 1 January 2023	(Charged)/Credited to Profit or Loss	(Charged)/Credited to Other Comprehensive Income	At 31 December 2023	At 31 December 2023
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**	**US$**
Deferred tax assets:					
Allowance for loan losses	5,689,241	(240,724)	-	5,448,517	1,333,786
Unamortised loan processing fees	10,137,068	(2,400,984)	-	7,736,084	1,893,778
Depreciable assets	679,059	(186,593)	-	492,466	120,555
Other assets	-	280,966	-	280,966	68,780
Lease liabilities	5,677,203	687,317	-	6,364,520	1,558,022
Employee benefits	4,786,682	823,642	(533,585)	5,076,739	1,242,776
Total deferred tax assets	26,969,253	(1,036,376)	(533,585)	25,399,292	6,217,697
Deferred tax liabilities:					
Right of use assets	5,085,149	652,144		5,737,293	1,404,478
Unrealised exchange gain	113,703	38,026		151,729	37,143
Total deferred tax liabilities	5,198,852	690,170	-	5,889,022	1,441,621
Total	21,770,401	(1,726,546)	(533,585)	19,510,270	4,776,076

	At 1 January 2022	(Charged)/Credited to Profit or Loss	(Charged)/Credited to Other Comprehensive Income	At 31 December 2022	At 31 December 2022
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**	**US$**
	Restated(*)			Restated(*)	
Deferred tax assets:					
Allowance for loan losses	4,519,185	1,170,056	-	5,689,241	1,381,890
Unamortised loan processing fees	9,560,925	576,143	-	10,137,068	2,462,246
Depreciable assets	(12,429)	691,488	-	679,059	164,940
Other assets	-	-	-	-	-
Lease liabilities	5,703,117	(25,914)	-	5,677,203	1,378,966
Employee benefits	3,921,966	864,716	-	4,786,682	1,162,663
Total deferred tax assets	23,692,764	3,276,489	-	26,969,253	6,550,705
Deferred tax liabilities:					
Right of use assets	5,212,234	(127,085)	-	5,085,149	1,235,159
Unrealised exchange gain	149,894	(36,191)	-	113,703	27,618
Total deferred tax liabilities	5,362,128	(163,276)	-	5,198,852	1,262,777
Total	18,330,636	3,439,765	-	21,770,401	5,287,928

The comparative figures were restated to apply CIAS 12 amendments (note 4.1).

18. OTHER LIABILITIES

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Accrued other staff benefits	16,281,332	3,985,640	16,450,405	3,995,727
Accrual and other payables	6,010,237	1,471,294	8,210,419	1,994,272
Other taxes payable	2,835,391	694,098	4,067,123	987,885
Mark-to-market loss on derivative financial instruments	635,513	155,572	196,645	47,764
	25,762,473	6,306,604	28,924,592	7,025,648

19. LEASE LIABILITIES

Maturity analysis

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Year 1	9,543,742	2,336,289	9,949,931	2,416,791
Year 2	8,549,790	2,092,972	7,408,694	1,799,537
Year 3	6,848,288	1,676,447	5,790,671	1,406,527
Year 4	4,212,210	1,031,141	4,228,662	1,027,122
Year 5	3,041,812	744,630	1,940,842	471,422
More than 5 years	5,045,201	1,235,055	4,125,686	1,002,110
	37,241,043	9,116,534	33,444,486	8,123,509
Less: unearned interest	(5,980,311)	(1,463,968)	(4,672,704)	(1,134,978)
Lease liabilities	31,260,732	7,652,566	28,771,782	6,988,531
Analysed as:				
Current	9,543,742	2,336,289	9,949,931	2,416,791
Non-current	21,716,990	5,316,277	18,821,851	4,571,740
	31,260,732	7,652,566	28,771,782	6,988,531

20. BORROWINGS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Borrowings at amortised cost				
Secured (*)	140,534,055	34,402,462	120,279,100	29,215,229
Unsecured (**)	1,033,072,220	252,894,056	1,115,032,646	270,836,203
	1,173,606,275	287,296,518	1,235,311,746	300,051,432

(*) This represents loans from various banks with terms from one to three years (2022:one to three years) and interest rate from 6.5% to 9%. The loans are secured by its fixed deposits (note 8).

(**) This represents bank loans obtained from various banks with terms from one to seven years (2022: one to seven years) and interest rate from 2.00% to 8.89% (2022: 2.00% to 8.14%)

21. SUBORDINATED DEBTS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Subordinated debts at amortised cost				
Moringaway (i)	16,978,930	4,156,409	22,807,480	5,539,830
IFAD (ii)	20,666,507	5,059,120	-	-
BIO (iii)	19,795,455	4,845,889	-	-
BlueOrchard (iv)	-	-	4,136,149	1,004,651
	57,440,892	14,061,418	26,943,629	6,544,481

(i) This pertains to a subordinated debt from Moringaway which was signed on 8 October 2021 and approved by the NBC on 27 January 2022 as capital tier 2. The loan is repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term maturing on 31 October 2026.

(ii) This pertains to a subordinated debt from International Fund For Agricultural Development (IFAD) which was signed on 19 June 2023 and approved by the NBC on 28 July 2023 as capital tier 2. The loan is repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term and matures on 1 October 2030.

(iii) This pertains to a subordinated debt from Belgian Investment Company for Developing Countries NV/SA (BIO) which was signed on 25 May 2023 and approved by the NBC on 18 July 2023 as capital tier 2. The loan is repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a seven-year term and matures on 25 May 2030.

(iv) This pertains to a subordinated debt from BlueOrchard Microfinance Fund which was signed on 15 June 2018 and approved by the NBC on 25 July 2018 as capital tier 2. The loan is repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt had a five-year term and matured on 15 June 2023.

All the subordinated debts bear fixed interest rates.

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes		
	1 January 2023	Financing cash flows (i)	New Leases	Other changes (ii)	31 December 2023
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Liabilities arising from financing activities					
Lease liabilities	28,771,782	(10,091,392)	12,580,342	-	31,260,732
Borrowings	1,235,311,746	(55,441,451)	-	(6,264,020)	1,173,606,275
Subordinated debt	26,943,629	31,046,000	-	(548,737)	57,440,892
Total liabilities from financing activities	1,291,027,157	(34,486,843)	12,580,342	(6,812,757)	1,262,307,899
Financial assets that hedge liabilities from financial activities					
Balances with other banks – guaranteed placement	125,069,402	19,465,000	-	3,111,291	147,645,693
Net liabilities from financing activities	1,165,957,755	(53,951,843)	12,580,342	(9,924,048)	1,114,662,206

			Non-cash changes		
	1 January 2022	Financing cash flows (i)	New Leases	Other changes (ii)	31 December 2022
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Liabilities arising from financing activities					
Lease liabilities	28,515,587	(8,272,050)	8,528,245	-	28,771,782
Borrowings	892,443,742	344,031,729	-	(1,163,725)	1,235,311,746
Subordinated debt	36,711,957	(9,880,800)	-	112,472	26,943,629
Total liabilities from financing activities	957,671,286	325,878,879	8,528,245	(1,051,253)	1,291,027,157
Financial assets that hedge liabilities from financial activities					
Balances with other banks – guaranteed placement	53,025,342	70,548,000	-	1,496,060	125,069,402
Net liabilities from financing activities	904,645,944	255,330,879	8,528,245	(2,547,313)	1,165,957,755

(i) The cash flows from borrowings, subordinated debts and lease liabilities make up the net amount of proceeds from and repayments of borrowings and subordinated debts and the payment of lease liabilities in the statement of cash flows.

(ii) Non-cash changes pertain to interest accruals and payments.

23. PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Seniority payments	1,312,026	321,180	1,682,043	408,560
Deferred incentive scheme	2,591,614	634,423	1,103,516	268,039
Defined benefits plan	26,610,412	6,514,177	23,893,972	5,803,734
	30,514,052	7,469,780	26,679,531	6,480,333

23.1 Defined benefits plan

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Balance at beginning of year	23,893,972	5,803,734	18,096,398	4,441,924
Additions during the period:				
Employer contribution	4,108,770	999,701	4,607,533	1,127,363
Interest expense	1,817,664	442,254	1,573,045	384,890
Reversals and cancellations	(337,569)	(82,134)	558,837	136,735
Total amount recognised in profit or Loss	5,588,865	1,359,821	6,739,415	1,648,988
Remeasurements:				
Gain from change in demographic assumptions	(1,486,049)	(361,569)	-	-
Gain from change in financial assumptions	(1,181,880)	(287,562)	-	-
Total amount recognised in other comprehensive income	(2,667,929)	(649,131)	-	-
Payments during the period	(2,503,931)	(609,229)	(3,249,337)	(795,042)
Employee contributions	2,299,435	559,301	2,307,496	560,480
Foreign exchange difference	-	49,681	-	(52,616)
	26,610,412	6,514,177	23,893,972	5,803,734

The significant actuarial assumptions were as follows:

			Impact on staff pension fund	
	Actuarial Assumptions	Change in Assumptions	Increase in assumptions	Decrease in assumptions
31 December 2023				
Discount rate	7.68%	0.50%	Decrease by 3.5%	Increase by 3.7%
Withdrawal rate	14.04%	2.00%	Increase by 1.1%	Decrease by 1.4%
Mortality rate	0.10%	0.10%	Decrease by 0.8%	Increase by 0.4%
31 December 2022				
Discount rate	7.61%	0.50%	Decrease by 3.6%	Increase by 3.8%
Withdrawal rate	14.12%	2.00%	Increase by 0.9%	Decrease by 1.2%
Mortality rate	0.10%	0.10%	Decrease by 0.8%	Increase by 0.4%

23. PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS (continued)

23.1 Defined benefits plan (continued)

Amount, timing and uncertainty of future cash flows:

The Company manages its defined benefits plan as an unfunded plan where the Company meets the benefit payment obligation as it falls due. Expected contributions to for the year ending 31 December 2024 are KHR 203,878 thousand. The weighted average duration of the defined benefit obligation is 8.3 years (2022: 7.5 years). The expected maturity analysis of defined benefit plans is as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
31 December 2023					
KHR '000	3,759,374	2,979,734	6,148,172	13,723,132	26,610,412
In US$ equivalent	920,287	729,433	1,505,060	3,359,396	6,514,176
31 December 2022					
KHR '000	2,943,020	2,388,081	4,918,500	13,644,371	23,893,972
In US$ equivalent	714,846	580,054	1,194,681	3,314,154	5,803,735

24. SHARE CAPITAL

(i) Number of ordinary shares was as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
	Number of shares	Number of shares
As at 1 January	10,946,498	7,278,998
Additional shares issued	-	3,667,500
As at 31 December	10,946,498	10,946,498

(ii) All ordinary shares are registered, issued and paid up with par value of KHR25,000.

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Share capital	273,662,450	66,992,032	273,662,450	66,471,326

Details of shareholdings were as follows:

	31 December 2023			31 December 2022		
	KHR'000	US$	Holding %	KHR'000	US$	Holding %
The Shanghai Commercial & Savings Bank, Ltd. ("SCSB")	273,662,425	65,815,879	99.999991%	273,662,425	66,471,320	99.999991%
AMK Staff Association (AMK-SA) Ltd	25	6	0.000009%	25	6	0.000009%
	273,662,450	65,815,885	100.00%	273,662,450	66,471,326	100.00%

25. SHARE PREMIUM

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
As at 1 January	22,425,355	5,447,014	22,425,355	5,504,505
Currency translation difference	-	42,669	-	(57,491)
As at 31 December	22,425,355	5,489,683	22,425,355	5,447,014

26. RESERVES

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Non-distributable reserves (i)	172,000,000	42,105,263	72,000,000	17,164,185
Other reserves (ii)	1,674,175	401,842	-	-
	173,674,175	42,507,105	72,000,000	17,164,185

(i) A transfer of retained earnings to the non-distributable reserve of KHR 100,000 million was approved by the NBC on 28 July 2023, with an initial balance of KHR 72,000 million approved by the NBC on 12 November 2021.
(ii) Other reserves are mainly the amount transferred from other comprehensive income.

There was no transfer of retained earnings to regulatory reserves (note 2.8i) because the impairment loss allowance calculated in accordance with regulatory provision is lower than that calculated under CIFRS in the current year and prior year.

27. INTEREST INCOME

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Loans to customers	434,205,984	105,646,224	416,248,064	101,846,847
Balances with other banks	8,996,177	2,188,851	4,774,096	1,168,117
Balances with the NBC	883,173	214,884	910,537	222,789
Investment securities	278,698	67,810	175,143	42,854
	444,364,032	108,117,769	422,107,840	103,280,607

28. INTEREST EXPENSE

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Deposits from customers	60,064,853	14,614,319	52,374,299	12,814,852
Deposits from other financial institutions	68,339	16,627	116,709	28,556
Borrowings	105,852,523	25,754,872	69,150,658	16,919,661
Subordinated debts	3,010,421	732,463	3,479,915	851,460
Staff pension fund	1,817,664	442,254	1,573,045	384,890
Leases	1,997,237	485,946	1,899,587	464,788
	172,811,037	42,046,481	128,594,213	31,464,207

29. FEE AND COMMISSION EXPENSE

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Mobile banking agent incentives	9,676,242	2,354,316	8,367,662	2,047,386
Insurance premiums on products	8,658,943	2,106,799	6,665,215	1,630,833
Village fees and commission	1,387,300	337,543	2,786,865	681,885
Fees and commissions on borrowings and swaps	80,140	19,499	202,365	49,514
Other fees and commissions	105,223	25,602	167,483	40,979
	19,907,848	4,843,759	18,189,590	4,450,597

30. OTHER INCOME

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Loan penalties	10,682,480	2,599,144	4,276,445	1,046,353
Loan servicing fees	6,845,553	1,665,585	6,594,862	1,613,619
Bancassurance commissions	5,693,859	1,385,367	3,266,454	799,230
Remittance fees	5,161,364	1,255,806	4,387,480	1,073,521
Mobile banking fees	3,515,111	855,258	3,177,783	777,534
Payroll fees	3,323,257	808,578	3,046,910	745,513
Other account fees	1,143,344	278,186	2,361,147	577,721
Recovery of loans written-off	2,087,565	507,923	1,213,483	296,913
Foreign exchange gains – net	1,295,870	315,297	301,760	73,834
Others	2,660,781	647,392	1,309,175	320,327
	42,409,184	10,318,536	29,935,499	7,324,565

31. PERSONNEL EXPENSES

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Salaries and wages	116,074,552	28,241,983	108,058,772	26,439,631
Pension fund benefits	4,108,770	999,701	4,607,533	1,127,363
Insurance	5,773,773	1,404,811	3,925,119	960,391
Other employee benefits	1,415,742	344,463	3,266,883	799,336
	127,372,837	30,990,958	119,858,307	29,326,721

32. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Depreciation of ROUA	9,553,263	2,324,395	8,567,948	2,096,390
Depreciation of property and equipment	5,813,386	1,414,449	5,513,546	1,349,045
Amortisation of intangible assets	3,207,197	780,340	3,467,334	848,381
	18,573,846	4,519,184	17,548,828	4,293,816

33. OTHER OPERATING EXPENSES

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Professional fees (*)	10,345,370	2,517,120	9,845,250	2,408,920
Low value and short-term leases	8,571,922	2,085,626	9,050,057	2,214,352
Transportation	5,858,393	1,425,400	4,861,561	1,189,518
Security guard	3,167,675	770,724	3,124,891	764,593
Communication	2,728,550	663,881	2,415,980	591,138
Utilities	2,245,827	546,430	2,017,010	493,518
Marketing expense	1,988,211	483,750	2,742,574	671,048
NBC licence fee	1,644,006	400,001	1,505,522	368,368
Stationeries and supplies	1,608,251	391,302	1,836,657	449,390
Bank charges	1,553,200	377,908	1,517,500	371,299
Dispensable furniture and fixtures	986,643	240,059	5,858,880	1,433,540
Repairs and maintenance	623,522	151,709	489,453	119,759
Other taxes	2,377,349	578,430	626,619	153,320
Others	2,883,974	701,697	2,076,001	507,952
	46,582,893	11,334,037	47,967,955	11,736,715

33. OTHER OPERATING EXPENSES (continued)

(*) The professional fees include the fees paid or payable to PricewaterhouseCoopers (Cambodia) Ltd as follows:

	Year ended 31 December 2023	
	KHR'000	US$
Statutory audit	267,150	65,000
Assurance engagement	-	-
Tax services	-	-
Other services	-	-
	267,150	65,000

PricewaterhouseCoopers (Cambodia) Ltd was not the auditor of the Company in the prior year.

34. NET IMPAIRMENT LOSS ON FINANCIAL INSTRUMENTS

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Impairment loss on loans to customers	69,795,851	16,981,959	56,898,630	13,921,857
Impairment loss on balances with other banks	794,062	193,202	206,795	50,598
Impairment loss on other assets	1,449,481	352,672	2,254,761	551,691
(Reversal)/impairment loss on debt securities	(44,648)	(10,863)	130,579	31,950
	71,994,746	17,516,970	59,490,765	14,556,096

35. OTHER (GAINS)/LOSSES

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Gain on disposal of fixed assets	(227,013)	(55,235)	(967)	(237)
Loss on disposal of fixed assets	17,060	4,151	24,839	6,078
Loss on disposal of intangible assets	8,231	2,003	61,595	15,071
	(201,722)	(49,081)	85,467	20,912

36. CASH AND CASH EQUIVALENTS

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
Cash on hand	114,283,450	27,976,365	120,960,981	29,380,855
Balances with the NBC	119,741,030	29,312,370	132,562,143	32,198,723
Balances with other banks	99,764,507	24,422,155	56,092,807	13,624,681
	333,788,987	81,710,890	309,615,931	75,204,259

37. COMMITMENTS

Significant commitments at the end of the reporting period but not recognised as liabilities is as follows:

Credit Commitments:

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Unused portions of loans to customers	1,699,920	416,137	3,280,656	796,856
	1,699,920	416,137	3,280,656	796,856

Capital expenditure commitments:

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Property and equipment	38,013	9,306	378,035	91,823
Intangible assets	2,420,710	592,585	846,805	205,685
	2,458,723	601,891	1,224,840	297,508

38. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balance at the period end and relating expenses and income for the period are as follows:

a) Related parties and relationships

Related party	Relationship
The Shanghai Commercial & Savings Bank, Ltd. ("SCSB")	Shareholder and the ultimate parent company
Board of Directors and key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

b) Key management personnel compensation during the year was as follows:

Related party	Description	Year ended 31 December 2023		Year ended 31 December 2022	
		KHR'000	US$	KHR'000	US$
Board of Directors	Short-term employee benefits	440,253	107,118	398,403	97,481
Key management personnel	Short-term employee benefits	3,250,973	790,991	2,789,095	682,431
	Post-employment benefits	247,283	60,166	182,282	44,600
	Other long-term benefits	267,236	65,021	235,309	57,575
		3,765,492	916,178	3,206,686	784,606
		4,205,745	1,023,296	3,605,089	882,086

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

Related party	Description	Year ended 31 December 2023		Year ended 31 December 2022	
		KHR'000	US$	KHR'000	US$
Board of Directors	Interest expense	996,871	242,548	325,934	79,749
Key management personnel	Interest expense	167,442	40,740	99,453	24,334
	Interest income	101,532	24,704	18,804	4,601
SCSB	Interest expense	17,427,515	4,240,271	4,869,661	1,191,500
AMK Staff Association (AMK-SA) Ltd	Interest expense	3,268	795	3,239	792
		18,696,628	4,549,058	5,317,091	1,300,976

38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Balances with related parties at the reporting year were as follows:

Related party	Description	31 December 2023		31 December 2022	
		KHR'000	US$	KHR'000	US$
Board of Directors	Deposits	17,077,026	4,180,423	6,162,976	1,496,958
Key management personnel	Deposits	3,626,858	887,848	2,542,390	617,535
	Loans	2,071,478	507,094	364,985	88,653
	Expected credit loss	(11,322)	(2,772)	(2,381)	(578)
SCSB	Borrowings	247,923,872	60,691,278	168,871,106	41,018,000
	Balances with other banks	1,325,623	324,510	1,707,090	414,644

e) Borrowings from SCSB

	Year ended 31 December 2023		Year ended 31 December 2022	
	KHR'000	US$	KHR'000	US$
As at 1 January	168,871,106	40,719,108	-	-
Proceeds from borrowings	80,145,000	19,500,000	167,567,000	41,000,000
Interest charged and accrued	17,390,154	4,231,181	4,869,121	1,191,368
Interest paid	(16,677,980)	(4,057,903)	(4,795,555)	(1,173,368)
Currency translation difference	-	740,608	-	(298,892)
As at 31 December	249,728,280	61,132,994	167,640,566	40,719,108

The borrowings from SCSB are unsecured syndicated facilities on the same terms and conditions that applies to all other lenders.

39. MATURITY PROFILE OF ASSETS AND LIABILITIES

Management presents the financial statements based on liquidity. Information about short-term and long-term financial assets and liabilities are disclosed in Note 40. The following table shows an analysis of assets and liabilities as to whether they are expected to be recovered or settled within one year or beyond one year from the end of reporting period:

	31 December 2023			
	Within one year KHR'000	Beyond one year KHR'000	Total KHR'000	Total US$
Financial assets				
Cash on hand	114,283,450	-	114,283,450	27,976,365
Balances with the NBC	120,147,471	-	120,147,471	29,411,866
Balances with other banks	178,002,096	68,880,207	246,882,303	60,436,304
Loans to customers	415,878,786	1,848,163,970	2,264,042,756	554,233,233
Debt securities measured at amortized cost	-	4,146,295	4,146,295	1,015,005
Other assets	1,830,649	1,143,212	2,973,861	727,996
Total financial assets	830,142,452	1,922,333,684	2,752,476,136	673,800,769
Non-Financial assets				
Balances with the NBC - statutory deposits	-	162,144,734	162,144,734	39,692,713
Property and equipment	-	19,426,631	19,426,631	4,755,601
Intangible assets	-	6,297,477	6,297,477	1,541,610
Right of use assets	8,404,042	23,608,036	32,012,078	7,836,494
Deferred tax asset	19,510,270	-	19,510,270	4,776,076
Other assets	20,888,624	-	20,888,624	5,113,494
Total non-financial assets	48,802,936	211,476,878	260,279,814	63,715,988
Total assets	878,945,388	2,133,810,562	3,012,755,950	737,516,757
Financial liabilities				
Deposits from customers	872,818,583	246,024,787	1,118,843,370	273,890,666
Deposits from other financial institutions	25,746,309	8,170,000	33,916,309	8,302,646
Lease liabilities	7,432,788	23,827,944	31,260,732	7,652,566
Borrowings	870,376,654	303,229,621	1,173,606,275	287,296,518
Subordinated debt	5,663,187	51,777,705	57,440,892	14,061,418
Total financial liabilities	1,782,037,521	633,030,057	2,415,067,578	591,203,814
Non-Financial liabilities				
Provision for income tax	453,919	-	453,919	111,118
Other liabilities	9,481,141	-	9,481,141	2,320,966
Employee benefits	21,240,808	25,554,576	46,795,384	11,455,418
Total non-financial liabilities	31,175,868	25,554,576	56,730,444	13,887,502
Total liabilities	1,813,213,389	658,584,633	2,471,798,022	605,091,316

39. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	31 December 2022			
	Within one year KHR'000	**Beyond one year KHR'000**	**Total KHR'000**	**Total US$**
Financial assets				
Cash on hand	120,960,981	-	120,960,981	29,380,855
Balances with the NBC	132,967,991	-	132,967,991	32,297,302
Balances with other banks	180,986,348	-	180,986,348	43,960,735
Loans to customers	100,351,028	2,173,273,714	2,273,624,742	552,252,791
Debt securities measured at amortized cost	4,216,568	3,945,475	8,162,043	1,982,522
Other assets	1,137,906	2,665,808	3,803,714	923,904
Total financial assets	540,620,822	2,179,884,997	2,720,505,819	660,798,109
Non-Financial assets				
Balances with the NBC - statutory deposits	-	109,359,790	109,359,790	26,562,980
Property and equipment	-	14,746,749	14,746,749	3,581,916
Intangible assets	-	7,597,718	7,597,718	1,845,450
Right of use assets	8,063,104	20,921,898	28,985,002	7,040,321
Deferred tax asset	21,770,401	-	21,770,401	5,287,928
Other assets	21,611,501	-	21,611,501	5,249,333
Total non-financial assets	51,445,006	152,626,155	204,071,161	49,567,928
Total assets	592,065,828	2,332,511,152	2,924,576,980	710,366,037
Financial liabilities				
Deposits from customers	913,786,200	98,755,812	1,012,542,012	245,941,708
Deposits from other financial institutions	28,370,324	8,835,557	37,205,881	9,037,134
Lease liabilities	8,349,482	20,422,300	28,771,782	6,988,531
Borrowings	444,781,077	790,530,669	1,235,311,746	300,051,432
Subordinated debt	9,797,683	17,145,946	26,943,629	6,544,481
Total financial liabilities	1,405,084,766	935,690,284	2,340,775,050	568,563,286
Non-Financial liabilities				
Provision for income tax	11,768,961	-	11,768,961	2,858,625
Other liabilities	12,474,186	-	12,474,186	3,029,921
Employee benefits	22,829,979	20,299,958	43,129,937	10,476,060
Total non-financial liabilities	47,073,126	20,299,958	67,373,084	16,364,606
Total liabilities	1,452,157,892	955,990,242	2,408,148,134	584,927,892

40. FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Asset and Liability Management Committee (ALCO) and Board Risk Committee (BRC), which are responsible for approving and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities.

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

40.1 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company'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. The Company considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

(a) Credit risk management

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

- Ensuring that the Company has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Company's stated policies and procedures, CIFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Company, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Company 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 Company'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 Company'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 Company 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 Company in the management of credit risk.

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(a) Credit risk management (continued)

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

The Company 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 Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Company uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Company 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 the Company's internal credit risk grades.

(b) Significant increase in credit risk

The Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company 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 Company 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.

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(c) Incorporation of forward-looking information

The Company 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 unprecedented and widespread impact of COVID-19, and its impact on global markets, has significantly increased the estimation uncertainty in the preparation of these financial statements, including the calculation of ECL.

In March 2020, the IASB published 'IFRS 9 and COVID-19', which highlights the requirements within CIFRS 9 Financial Instruments relevant to the impact of COVID-19 on the recognition of expected credit losses. The publication reinforces the fact CIFRS 9 does not provide a mechanistic approach in accounting for impairment provisions.

In recognition of the significant uncertainty, management updated and recalibrated its macroeconomic modelling and forecasting, and assessed and identified clients with both quantitative and qualitative indicators of increased risk and upgraded the stage assessment as appropriate. Quantitative information may include the days past due of the asset, and the client's history with the Company. Qualitative information includes client specific information, such as the client's individual or business performance indicators and whether the client has been provided restructuring or other forms of relief, and portfolio specific information, such as risks associated with geographic regions or portfolio level risks.

This resulted in a conservative ECL calculation, in recognition of the significant uncertainty in the global economic landscape. The Company will continue to monitor the situation and actively mitigate the risks to the financial position and operating results of the Company.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as International Monetary Fund and World Bank.

The Company 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: Cambodia nominal GDP and constant GDP (2000), the current account balance as a percent of GDP, Cambodian gross foreign reserves and the interest deposit 12-month rate.

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(d) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD")

These figures are generally derived from internally developed statistical models and other historical data.

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 recovery from 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 Company'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 Company uses EAD models that reflect the characteristics of the portfolios.

The Company 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 irrevocable undrawn commitment component, the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Company's exposure to credit losses to the contractual notice period. For such financial instruments, the Company 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 Company 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 cancelled only when the Company 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 Company expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(d) Measurement of ECL (continued)

The ECL calculation for accounting purposes is different to the ECL calculation for regulatory purposes, although many inputs used are similar. The Company 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 days past due
- Forward-looking of macro-economic factors
- 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 below.

(e) Groupings based on shared risks characteristics

The Company has segmented its PD calculation based on the product account type, which have similar risk behaviours based on analysis of roll rates. Where there is insufficient historic data available, a proxy product account type may be used, which most closely represents the product type.

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

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(f) Concentration of credit risk

An analysis of the Company'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	
	KHR'000	**US$**	**KHR'000**	**US$**
Balances with banks at amortised cost				
Concentration by sector:				
Financial institution	247,966,832	60,701,795	181,276,814	44,031,288
Loans to customers at amortised cost				
Concentration by sector:				
Household	997,938,920	244,293,493	1,028,164,994	249,736,456
Agriculture	564,920,145	138,291,345	565,076,033	137,254,319
Trade and commerce	462,253,269	113,158,695	453,534,101	110,161,307
Services	291,775,679	71,426,115	244,031,159	59,274,025
Transportation	57,348,179	14,038,722	57,676,595	14,009,375
Construction	15,610,605	3,821,446	20,956,542	5,090,246
Others	-	-	1,612,151	391,584
	2,389,846,797	585,029,816	2,371,051,575	575,917,312

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis

An analysis of the Company's credit risk exposure per class of financial asset, days past due status 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	**Stage 2**	**Stage 3**	**Total**	
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**	**US$**
Balances with other banks:					
Current	247,966,832	-	-	247,966,832	60,701,795
Loss allowance	(1,084,529)	-	-	(1,084,529)	(265,491)
Carrying amount	246,882,303	-	-	246,882,303	60,436,304
Loans to customers:					
Current	2,057,604,228	179,666,771	18,702,625	2,255,973,624	552,257,923
Overdue < 90 days	-	16,316,796	7,223,652	23,540,448	5,762,656
Overdue ≥ 90 days	-	-	110,332,725	110,332,725	27,009,237
	2,057,604,228	195,983,567	136,259,002	2,389,846,797	585,029,816
Loss allowance	(12,080,900)	(32,409,507)	(81,313,634)	(125,804,041)	(30,796,583)
Carrying amount	2,045,523,328	163,574,060	54,945,368	2,264,042,756	554,233,233
Debt securities measured at amortised cost:					
Current	4,232,226	-	-	4,232,226	1,036,041
Loss allowance	(85,931)	-	-	(85,931)	(21,036)
Carrying amount	4,146,295	-	-	4,146,295	1,015,005
Other assets:					
Current	40,569	2,212	5,106	47,887	11,723
Overdue < 90 days	-	78,421	70,564	148,985	36,471
Overdue ≥ 90 days	-	-	6,082,658	6,082,658	1,489,023
	40,569	80,633	6,158,328	6,279,530	1,537,217
Loss allowance	(2,060)	(42,581)	(4,984,032)	(5,028,673)	(1,231,009)
Carrying amount	38,509	38,052	1,174,296	1,250,857	306,208

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Balances with other banks:					
Current	181,276,814	-	-	181,276,814	44,031,288
Loss allowance	(290,466)	-	-	(290,466)	(70,553)
Carrying amount	180,986,348	-	-	180,986,348	43,960,735
Loans to customers:					
Current	2,270,777,994	1,074,031	1,151,765	2,273,003,790	552,101,965
Overdue < 90 days	-	23,634,733	895,411	24,530,144	5,958,257
Overdue ≥ 90 days	-	-	73,517,641	73,517,641	17,857,090
	2,270,777,994	24,708,764	75,564,817	2,371,051,575	575,917,312
Loss allowance	(23,519,534)	(13,198,316)	(60,708,983)	(97,426,833)	(23,664,521)
Carrying amount	2,247,258,460	11,510,448	14,855,834	2,273,624,742	552,252,791
Debt securities measured at amortised cost:					
Current	8,292,622	-	-	8,292,622	2,014,239
Loss allowance	(130,579)	-	-	(130,579)	(31,717)
Carrying amount	8,162,043	-	-	8,162,043	1,982,522
Other assets:					
Current	58,632	302	339	59,273	14,397
Overdue < 90 days	-	117,503	8,314	125,817	30,560
Overdue ≥ 90 days	-	-	4,542,351	4,542,351	1,103,316
	58,632	117,805	4,551,004	4,727,441	1,148,273
Loss allowance	(2,947)	(58,757)	(3,517,488)	(3,579,192)	(869,369)
Carrying amount	55,685	59,048	1,033,516	1,148,249	278,904

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

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

	31 December 2023		31 December 2022	
	KHR'000	**US$**	**KHR'000**	**US$**
Loss allowance by classes				
Balances with other banks at amortised cost	1,084,529	265,491	290,466	70,553
Loans to customers at amortised cost	125,804,041	30,796,583	97,426,833	23,664,521
Debt securities measured at amortised cost	85,931	21,036	130,579	31,717
Other assets at amortised cost	5,028,673	1,231,009	3,579,192	869,369
	132,003,174	32,314,119	101,427,070	24,636,160

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

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:

Balances with other banks

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2023	181,276,815	-	-	181,276,815	44,031,289
Changes in gross carrying amount					
New financial assets originated	94,569,264	-	-	94,569,264	23,009,553
Financial assets which have been derecognised	(27,879,247)	-	-	(27,879,247)	(6,783,272)
Foreign exchange and other movements	-	-	-	-	444,225
Gross carrying amount as at 31 December 2023	247,966,832	-	-	247,966,832	60,701,795
Loss allowance as at 31 December 2023	(1,084,529)	-	-	(1,084,529)	(265,491)

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2022	59,658,047	-	-	59,658,047	14,490,660
Changes in gross carrying amount					
New financial assets originated	122,502,079	-	-	122,502,079	29,805,859
Financial assets which have been derecognised	(883,312)	-	-	(883,312)	(214,918)
Foreign exchange and other movements	-	-	-	-	(50,313)
Gross carrying amount as at 31 December 2022	181,276,814	-	-	181,276,814	44,031,288
Loss allowance as at 31 December 2022	(290,466)	-	-	(290,466)	(70,553)

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

Loans to customers at amortised cost

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2023	2,270,777,994	24,708,764	75,564,817	2,371,051,575	575,917,312
Changes in gross carrying amount					
- Transfer to stage 1	2,851,936	(1,836,394)	(1,015,542)	-	-
- Transfer to stage 2	(18,914,328)	18,945,569	(31,241)	-	-
- Transfer to stage 3	(88,572,248)	(14,326,240)	102,898,488	-	-
New financial assets originated	1,077,852,535	181,578,038	16,634,843	1,276,065,416	310,478,203
Financial assets which have been derecognised	(1,184,473,368)	(11,076,584)	(20,672,693)	(1,216,222,645)	(295,917,918)
Write-offs	(1,918,293)	(2,009,586)	(37,119,670)	(41,047,549)	(9,987,238)
Foreign exchange and other movements	-	-	-	-	4,539,457
Gross carrying amount as at 31 December 2023	2,057,604,228	195,983,567	136,259,002	2,389,846,797	585,029,816
Loss allowance as at 31 December 2023	(12,080,900)	(32,409,507)	(81,313,634)	(125,804,041)	(30,796,583)

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2022	1,882,164,769	60,399,450	20,399,032	1,962,963,251	481,827,013
Changes in gross carrying amount					
- Transfer to stage 1	15,150,574	(14,570,845)	(579,729)	-	-
- Transfer to stage 2	(19,803,861)	19,830,775	(26,914)	-	-
- Transfer to stage 3	(17,782,974)	(53,671,540)	71,454,514	-	-
New financial assets originated	1,491,744,084	9,360,025	7,662,361	1,508,766,470	369,162,337
Financial assets which have been derecognised	(1,077,408,810)	9,730,095	(14,534,455)	(1,082,213,170)	(264,794,020)
Write-offs	(3,285,788)	(6,369,196)	(8,809,992)	(18,464,976)	(4,517,978)
Foreign exchange and other movements	-	-	-	-	(5,760,040)
Gross carrying amount as at 31 December 2022	2,270,777,994	24,708,764	75,564,817	2,371,051,575	575,917,312
Loss allowance as at 31 December 2022	(23,519,534)	(13,198,316)	(60,708,983)	(97,426,833)	(23,664,521)

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

Debt securities measured at amortised cost

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2023	8,292,622	-	-	8,292,622	2,014,239
Changes in gross carrying amount					
New financial assets purchased	-	-	-	-	-
Financial assets which have been derecognised	(4,060,396)	-	-	(4,060,396)	(987,931)
Foreign exchange and other movements	-	-	-	-	9,733
Gross carrying amount as at 31 December 2023	4,232,226	-	-	4,232,226	1,036,041
Loss allowance as at 31 December 2023	(85,931)	-	-	(85,931)	(21,036)

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2022	-	-	-	-	-
Changes in gross carrying amount					
New financial assets purchased	8,292,622	-	-	8,292,622	2,029,024
Financial assets which have been derecognised	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	(14,785)
Gross carrying amount as at 31 December 2022	8,292,622	-	-	8,292,622	2,014,239
Loss allowance as at 31 December 2022	(130,579)	-	-	(130,579)	(31,717)

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

Other assets

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2023	58,632	117,805	4,551,003	4,727,440	1,148,273
Changes in gross carrying amount	-	-	-	-	-
- Transfer to stage 1	3,479	(915)	(2,564)	-	-
- Transfer to stage 2	(422)	469	(47)	-	-
- Transfer to stage 3	(14,198)	(43,187)	57,385	-	-
New financial assets originated	32,548	79,683	6,453,428	6,565,659	1,597,484
Financial assets which have been derecognised	(39,470)	(73,222)	(4,900,877)	(5,013,569)	(1,219,846)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	11,306
Gross carrying amount as at 31 December 2023	40,569	80,633	6,158,328	6,279,530	1,537,217
Loss allowance as at 31 December 2023	(2,060)	(42,581)	(4,984,032)	(5,028,673)	(1,231,009)

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Gross carrying amount as at 1 January 2022	80,203	113,219	1,890,191	2,083,613	511,442
Changes in gross carrying amount					
- Transfer to stage 1	8,858	(1,352)	(7,506)	-	-
- Transfer to stage 2	(734)	1,135	(401)	-	-
- Transfer to stage 3	(7,291)	(22,098)	29,389	-	-
New financial assets originated	41,018	116,431	4,134,037	4,291,486	1,050,033
Financial assets which have been derecognised	(63,422)	(89,530)	(1,494,706)	(1,647,658)	(403,146)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	(10,056)
Gross carrying amount as at 31 December 2022	58,632	117,805	4,551,004	4,727,441	1,148,273
Loss allowance as at 31 December 2022	(2,947)	(58,757)	(3,517,488)	(3,579,192)	(869,369)

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

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

Loss allowance – balances with other banks

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2023	290,466	-	-	290,466	70,553
Changes in loss allowance:					
New financial assets originated	816,918	-	-	816,918	198,764
Financial assets which have been derecognised	(22,855)	-	-	(22,855)	(5,561)
Foreign exchange and other movements	-	-	-	-	1,735
Loss allowance as at 31 December 2023	1,084,529	-	-	1,084,529	265,491

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2022	83,671	-	-	83,671	20,323
Changes in loss allowance:					
New financial assets originated	238,049	-	-	238,049	58,245
Financial assets which have been derecognised	(31,254)	-	-	(31,254)	(7,647)
Foreign exchange and other movements	-	-	-	-	(368)
Loss allowance as at 31 December 2022	290,466	-	-	290,466	70,553

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

Loss allowance - Loans to customers at amortised cost

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2023	23,519,534	13,198,316	60,708,983	97,426,833	23,664,521
Changes in loss allowance					
- Transfer to stage 1	1,596,923	(1,024,900)	(572,023)	-	-
- Transfer to stage 2	(216,974)	240,219	(23,245)	-	-
- Transfer to stage 3	(1,212,015)	(7,639,721)	8,851,736	-	-
Net remeasurement of loss allowance	(8,332,311)	2,180,269	40,222,165	34,070,123	8,289,568
Write-offs	(89,694)	(1,102,942)	(37,119,669)	(38,312,305)	(9,321,729)
New financial assets originated	6,942,615	29,837,819	7,441,510	44,221,944	10,759,597
Financial assets which have been derecognised	(10,127,178)	(3,279,553)	1,804,177	(11,602,554)	(2,823,006)
Foreign exchange and other movements	-	-	-	-	227,632
Loss allowance as at 31 December 2023	12,080,900	32,409,507	81,313,634	125,804,041	30,796,583

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2022	12,694,315	29,015,225	16,770,627	58,480,167	14,354,484
Changes in loss allowance					
- Transfer to stage 1	7,914,381	(7,574,962)	(339,419)	-	-
- Transfer to stage 2	(161,095)	176,782	(15,687)	-	-
- Transfer to stage 3	(567,645)	(8,951,730)	9,519,375	-	-
Net remeasurement of loss allowance	(5,863,098)	6,489,666	39,056,927	39,683,495	9,709,688
Write-offs	(93,220)	(2,945,802)	(7,312,583)	(10,351,605)	(2,532,813)
New financial assets originated	15,960,899	5,498,116	5,075,297	26,534,312	6,492,369
Financial assets which have been derecognised	(6,365,003)	(8,508,979)	(2,045,554)	(16,919,536)	(4,139,842)
Foreign exchange and other movements	-	-	-	-	(219,365)
Loss allowance as at 31 December 2022	23,519,534	13,198,316	60,708,983	97,426,833	23,664,521

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

(g) Credit quality analysis (continued)

Loss allowance – debt securities measured at amortised cost

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2023	130,579	-	-	130,579	31,717
Changes in loss allowance:					
- New financial assets originated	(44,648)	-	-	(44,648)	(10,863)
Foreign exchange and other movements	-	-	-	-	182
Loss allowance as at 31 December 2023	85,931	-	-	85,931	21,036

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2022	-	-	-	-	-
Changes in loss allowance:					
- New financial assets originated	130,579	-	-	130,579	31,950
Foreign exchange and other movements	-	-	-	-	(233)
Loss allowance as at 31 December 2022	130,579	-	-	130,579	31,717

40. FINANCIAL RISK MANAGEMENT (continued)

40.1 Credit risk (continued)

Loss allowance – other assets

	31 December 2023				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2023	2,948	58,757	3,517,487	3,579,192	869,369
Changes in loss allowance					
- Transfer to stage 1	1,969	(556)	(1,413)	-	-
- Transfer to stage 2	(7)	43	(36)	-	-
- Transfer to stage 3	(703)	(21,497)	22,200	-	-
Net remeasurement of loss allowance	(107)	39,876	4,092,433	4,132,202	1,005,402
Write-offs	-	-	-	-	-
New financial assets originated	120	2,436	236,940	239,496	58,272
Financial assets which have been derecognised	(2,159)	(36,477)	(2,883,581)	(2,922,217)	(711,002)
Foreign exchange and other movements	-	-	-	-	8,968
Loss allowance as at 31 December 2023	2,061	42,582	4,984,030	5,028,673	1,231,009

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance as at 1 January 2022	770	44,228	1,279,433	1,324,431	325,094
Changes in loss allowance					
- Transfer to stage 1	4,705	(636)	(4,070)	(1)	-
- Transfer to stage 2	(10)	226	(216)	-	-
- Transfer to stage 3	(85)	(8,112)	8,197	-	-
Net remeasurement of loss allowance	(3,492)	5,475	959,784	961,767	235,323
Write-offs	-	-	-	-	-
New financial assets originated	2,553	53,078	2,298,338	2,353,969	575,965
Financial assets which have been derecognised	(1,494)	(35,502)	(1,023,978)	(1,060,974)	(259,597)
Foreign exchange and other movements	-	-	-	-	(7,416)
Loss allowance as at 31 December 2022	2,947	58,757	3,517,488	3,579,192	869,369

(h) Collateral held as security and other credit enhancements

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

40. FINANCIAL RISK MANAGEMENT (continued)

40.2 Market risk

The Company 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.

(i) Market risk management

The Company'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, ALCO is responsible for ensuring the effective management of market risk throughout the Company. 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 Company's risk/return-oriented management; and
- monitoring risks and reporting on them.

The Company 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 Company's market risk appetite. The quantitative and qualitative factors limiting market price risk are determined by the Management ALCO by reference to the Company'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 Company'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 Company's market risk management objective is met.

The Company may also enter into currency swaps to manage its exposure to foreign currency risk.

The Company's exposure to market risk pertains to non-trading portfolios.

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

40. FINANCIAL RISK MANAGEMENT (continued)

40.2 Market risk (continued)

(ii) Foreign exchange risk

The Company operates in the Kingdom of Cambodia and transacts in US$, KHR and THB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

The balances in monetary assets and liabilities denominated in their respective currencies were as follows:

	31 December 2023				
	KHR	**US$**	**THB**	**Total**	**Total**
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**	**US$**
Financial assets					
Cash on hand	45,968,326	48,474,367	19,840,757	114,283,450	27,976,365
Balances with the NBC	83,540,223	36,607,248	-	120,147,471	29,411,866
Balances with other banks (*)	37,243,745	210,723,087	-	247,966,832	60,701,795
Loans to customers (*)	1,167,880,741	1,176,006,667	45,959,389	2,389,846,797	585,029,816
Debt securities measured at amortised cost (*)	4,232,226	-	-	4,232,226	1,036,041
Other assets (*)	3,938,217	3,931,993	132,324	8,002,534	1,959,005
Total financial assets	1,342,803,478	1,475,743,362	65,932,470	2,884,479,310	706,114,888
Financial liabilities					
Deposits from customers	336,376,715	759,305,774	23,160,881	1,118,843,370	273,890,666
Deposits from other financial institutions	2,087,885	30,597,367	1,231,057	33,916,309	8,302,646
Lease liabilities	-	31,260,732	-	31,260,732	7,652,566
Borrowings	397,885,069	749,988,001	25,733,205	1,173,606,275	287,296,518
Subordinated debts	-	57,440,892	-	57,440,892	14,061,418
Total financial liabilities	736,349,669	1,628,592,766	50,125,143	2,415,067,578	591,203,814

(*) The balances exclude loss allowance as at the reporting period.

40. FINANCIAL RISK MANAGEMENT (continued)

40.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

	31 December 2022				
	KHR	**US$**	**THB**	**Total**	**Total**
	KHR'000	**KHR'000**	**KHR'000**	**KHR'000**	**US$**
Financial assets					
Cash on hand	48,084,855	54,624,858	18,251,268	120,960,981	29,380,855
Balances with the NBC	45,806,759	87,161,232	-	132,967,991	32,297,302
Balances with other banks (*)	16,702,987	164,573,827	-	181,276,814	44,031,288
Loans to customers (*)	1,199,920,967	1,115,673,394	55,457,214	2,371,051,575	575,917,312
Debt securities measured at amortised cost (*)	4,027,243	4,265,378	-	8,292,621	2,014,239
Other assets (*)	3,343,816	3,809,193	229,897	7,382,906	1,793,273
Total financial assets	1,317,886,627	1,430,107,882	73,938,379	2,821,932,888	685,434,269
Financial liabilities					
Deposits from customers	340,144,828	636,770,102	35,627,082	1,012,542,012	245,941,708
Deposits from other financial institutions	3,251,856	32,968,811	985,214	37,205,881	9,037,134
Lease liabilities	-	28,771,782	-	28,771,782	6,988,531
Borrowings	395,915,323	805,644,947	33,751,476	1,235,311,746	300,051,432
Subordinated debts	-	26,943,629	-	26,943,629	6,544,481
Total financial liabilities	739,312,007	1,531,099,271	70,363,772	2,340,775,050	568,563,286

(*) The balances exclude loss allowance as at the reporting period.

40. FINANCIAL RISK MANAGEMENT (continued)

40.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity

The Company is primarily exposed to changes in KHR/US exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments and the impact on other components of equity arises from currency translation differences recognised in other comprehensive income.

	Impact on post-tax profit		Impact on other components of equity	
	KHR'000	US$	KHR'000	US$
At 31 December 2023				
KHR-USD exchange rate +1%	(6,260,776)	(1,587,683)	-	(1,255,410)
KHR-USD Exchange rate - 1%	6,260,776	1,588,796	-	1,282,153
At 31 December 2022				
KHR-USD exchange rate +1%	(4,527,170)	(999,915)	-	(1,126,296)
KHR-USD Exchange rate - 1%	4,527,170	1,020,115	-	1,149,050

The company's exposure to other foreign exchange movements is not material.

Currency swaps and forward contracts

The Company has two foreign exchange forward contracts (2022: one swap contract) with commercial banks outstanding as at 31 December 2023 to exchange US$ 2,500,000 with Thai Baht currency in order to manage its foreign exchange risk with a maturity of six months. As management considers that exposure to foreign exchange risk is deemed minimal, no sensitivity analysis for foreign currency exchange risk was presented.

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Company, 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 Company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

40. FINANCIAL RISK MANAGEMENT (continued)

40.2 Market risk (continued)

(iii) Interest rate risk (continued)

The following is a summary of the Company'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 Company's statement of financial position based on the maturity date if fixed rate.

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 Years	Non-interest sensitive	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
As at 31 December 2023							
Financial assets							
Cash on hand	-	-	-	-	-	114,283,450	114,283,450
Balances with the NBC	2,191	-	404,250			119,741,030	120,147,471
Balances with banks (*)	79,889,116	29,032,683	70,164,826	68,880,207	-	-	247,966,832
Loans to customers (*)	77,855,906	94,756,774	305,126,759	1,403,098,257	509,009,101	-	2,389,846,797
Debt securities measured at amortised cost	-	-	-	4,232,226	-	-	4,232,226
Other assets	3,537,066	503,656	1,126,775	1,018,504	93,529	1,723,004	8,002,534
	161,284,279	124,293,113	376,822,610	1,477,229,194	509,102,630	235,747,484	2,884,479,310
Financial liabilities							
Deposits from customers	432,483,750	89,420,185	350,914,649	245,869,704	155,082	-	1,118,843,370
Deposits from other financial institutions	14,702,268	-	11,044,041	8,170,000	-	-	33,916,309
Lease liabilities	-	-	-	-	-	31,260,732	31,260,732
Borrowings	22,721,913	407,933,626	439,721,115	284,023,402	19,206,219	-	1,173,606,275
Subordinated debts	-	-	5,663,187	35,597,172	16,180,533	-	57,440,892
	469,907,931	497,353,811	807,342,992	573,660,278	35,541,834	31,260,732	2,415,067,578
Total interest re-pricing gap	(308,623,652)	(373,060,698)	(430,520,382)	903,568,916	473,560,796	204,486,752	469,411,732
US$ equivalent	(75,550,466)	(91,324,528)	(105,390,546)	221,191,901	115,926,755	50,057,956	114,911,072

40. FINANCIAL RISK MANAGEMENT (continued)

40.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 Years	Non-interest sensitive	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
As at 31 December 2022							
Financial assets							
Cash on hand	-	-	-	-	-	120,960,981	120,960,981
Balances with the NBC	24,709,291	-	405,850			107,852,850	132,967,991
Balances with banks (*)	31,624,805	-	149,652,009	-	-	-	181,276,814
Loans to customers (*)	94,556,916	65,056,568	320,254,673	1,425,508,969	465,674,449	-	2,371,051,575
Debt securities measured at amortised cost	-	-	4,265,377	4,027,244	-	-	8,292,621
Other assets	4,025,130	142,198	233,645	315,816	10,652	2,655,465	7,382,906
	154,916,142	65,198,766	474,811,554	1,429,852,029	465,685,101	231,469,296	2,821,932,888
Financial liabilities							
Deposits from customers	464,757,164	80,012,106	369,016,930	98,755,812	-	-	1,012,542,012
Deposits from other financial institutions	16,251,155	3,294,910	8,824,259	8,835,557	-	-	37,205,881
Lease liabilities	-	-	-	-	-	28,771,782	28,771,782
Borrowings	20,821,555	208,911,207	215,048,315	783,500,785	7,029,884	-	1,235,311,746
Subordinated debts	-	-	9,797,683	17,145,946	-	-	26,943,629
	501,829,874	292,218,223	602,687,187	908,238,100	7,029,884	28,771,782	2,340,775,050
Total interest re-pricing gap	(346,913,732)	(227,019,457)	(127,875,633)	521,613,929	458,655,217	202,697,514	481,157,838
US$ equivalent	(84,923,802)	(55,573,918)	(31,303,705)	127,690,068	112,277,899	49,619,954	117,786,496

(*) The balances exclude loss allowance as at the reporting period.

40. FINANCIAL RISK MANAGEMENT (continued)

40.3 Liquidity risk

Liquidity risk is the risk that the Company 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 all non-derivative financial liabilities of the Company by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates. The Company's exposure to other derivative financial liabilities by maturity is not material so the analysis of derivate financial liabilities is not disclosed in the financial statements.

40. FINANCIAL RISK MANAGEMENT (continued)

40.3 Liquidity risk (continued)

	Up to 1 month KHR'000	> 1 – 3 months KHR'000	> 3 – 12 months KHR'000	1 – 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
As at 31 December 2023						
Financial liabilities						
Deposits from customers	436,815,091	97,325,524	374,065,328	260,077,015	155,361	1,168,438,319
Deposits from other financial institutions	14,781,769	152,202	11,568,342	8,214,387	-	34,716,700
Lease liabilities	909,597	1,842,586	6,791,559	22,652,100	5,045,201	37,241,043
Borrowings	131,844,926	103,783,823	467,760,130	541,540,173	19,374,805	1,264,303,857
Subordinated debts	424,531	849,063	9,387,984	47,654,129	17,602,431	75,918,138
Total financial liabilities	584,775,914	203,953,198	869,573,343	880,137,804	42,177,798	2,580,618,057
US$ equivalent	143,151,999	49,927,343	212,869,851	215,456,011	10,325,042	631,730,246
As at 31 December 2022						
Financial liabilities						
Deposits from customers	467,925,522	85,894,670	385,227,397	108,240,109	-	1,047,287,698
Deposits from other financial institutions	16,328,931	3,433,591	9,297,400	9,350,887	-	38,410,809
Lease liabilities	847,466	1,693,102	7,409,363	19,368,869	4,125,686	33,444,486
Borrowings	27,788,428	222,176,891	261,806,690	846,753,745	7,136,465	1,365,662,219
Subordinated debts	231,382	462,764	11,517,843	20,285,229	-	32,497,218
Total financial liabilities	513,121,729	313,661,018	675,258,693	1,003,998,839	11,262,151	2,517,302,430
US$ equivalent	124,634,863	76,186,791	164,017,171	243,866,611	2,735,524	611,440,960

40. FINANCIAL RISK MANAGEMENT (continued)

40.3 Liquidity risk (continued)

The Company performs maturity analysis for financial liabilities that shows the remaining contractual maturities. However, the Company monitors the assets held to manage liquidity risk on a continuous basis and it could obtain temporary fund from the overdraft facilities with other banks anytime it encounters liquidity problem.

Liquidity reserves

The Company 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 Company's liquidity reserves are analysed below:

	31 December 2023		31 December 2022	
	KHR'000	US$	KHR'000	US$
Cash on hand	114,283,450	27,976,365	120,960,981	29,380,855
Balances with the NBC	119,741,030	29,312,370	107,852,850	26,196,952
Balances with other banks	100,321,139	24,558,418	56,207,412	13,652,517
Statutory deposits	162,144,734	39,692,713	109,359,790	26,562,980
Undrawn credit lines	526,976,000	129,002,693	142,590,000	34,634,443
	1,023,466,353	250,542,559	536,971,033	130,427,747

40. FINANCIAL RISK MANAGEMENT (continued)

40.3 Liquidity risk (continued)

Financial assets to support future funding

	Encumbered	Unencumbered		
	Pledged as collateral (i)	Other(ii)	Carrying amount	
	KHR'000	KHR'000	KHR'000	US$
31 December 2023				
Cash on hand	-	114,283,450	114,283,450	27,976,365
Balances with the NBC	406,441	119,741,030	120,147,471	29,411,866
Balances with other banks	147,645,693	99,236,610	246,882,303	60,436,304
Loans to customers	-	2,264,042,756	2,264,042,756	554,233,233
Debt securities measured at amortised cost		4,146,295	4,146,295	1,015,005
	148,052,134	2,601,450,141	2,749,502,275	673,072,773
31 December 2022				
Cash on hand	-	120,960,981	120,960,981	29,611,011
Balances with the NBC	405,850	132,562,141	132,967,991	32,550,304
Balances with other banks	125,069,402	55,916,946	180,986,348	44,305,104
Loans to customers	-	2,273,624,742	2,273,624,742	556,578,884
Debt securities measured at amortised cost	-	8,162,044	8,162,044	1,998,052
	125,475,252	2,591,226,854	2,716,702,106	665,043,355

(i) This represents balances held with the NBC for its FAST and CSS against overdraft loans and with other banks pledged as collateral.

(ii) This represents assets that are not restricted for use as collateral, but that the Company would not consider readily available to secure funding in the normal course of business.

40. FINANCIAL RISK MANAGEMENT (continued)

40.4 Fair value of financial assets and liabilities

Financial instruments comprise of financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statements of financial position date.

(a) Financial instruments measured at fair value

The Company's financial asset at FVOCI is investment in unlisted equity securities where the fair values have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

The Company's exposure to financial instruments measured at fair value is not material so further analysis is not disclosed in the financial statements.

(b) Financial instruments not measured at fair value

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

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

i) Deposits and placements with the central bank and banks

Balances with other banks include non-interest-bearing current accounts, savings deposits and margin deposits. The carrying amounts of deposits and placements with the central bank and banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

ii) Loans and advances to customers

Loans to customers are net of allowance for expected credit losses determined following the requirements of CIFRS 9.

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

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

iii) Debt investments

The fair value of debt investment with maturities of less than one year approximate its carrying amount due to the relatively short maturity of this instrument. The fair value of debt investment with remaining maturities of more than one year are expected to approximate its carrying amount as the interest rate of the instrument is similar with its maturities and terms.

40. FINANCIAL RISK MANAGEMENT (continued)

40.4 Fair value of financial assets and liabilities (continued)

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

iv) Deposits from banks, other financial institutions and customers

The fair value of deposits from banks, other financial institutions and customers with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits from banks and customers with remaining maturities of more than one year are expected to approximate their carrying amount due to the Company offered similar interest rate of the instrument with similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing deposits, deposits payable on demand is the amount payable at the reporting date.

v) Other financial assets and other financial liabilities

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

vi) Borrowings and subordinated debts

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

The borrowings are not quoted in an active market and their value approximates the carrying amount.

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

40. FINANCIAL RISK MANAGEMENT (continued)

40.5 Capital risk

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

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

Capital risk management

As with liquidity and market risks, the ALCO is responsible for ensuring the effective management of capital risk throughout the Company.

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 23 November 2023, the NBC issued the announcement B7-023-2621 to financial institution, advising that conservation capital ratio rate shall be 1.25% until December 31, 2024.

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