

KB PRASAC BANK PLC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

KB PRASAC BANK PLC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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DIRECTORS' REPORT

The Board of Directors (the Directors) hereby submits their report and the audited financial statements of KB PRASAC Bank Plc. for the year ended 31 December 2023.

KB PRASAC BANK PLC.

KB PRASAC Bank Plc. is a wholly owned subsidiary of Kookmin Bank Co., Ltd., domiciled in Republic of Korea.

PRASAC Microfinance Institution Plc. received letter No. B7.023.1125 Chhor.Tor, dated 16 June 2023 from National Bank of Cambodia, which approved its merger with Kookmin Bank Cambodia Plc. and received a commercial bank license No. C.B. 66, dated 8 June 2023 and is renamed as KB PRASAC Bank Plc. (the Bank). The Bank received letter No. 1207 Por.Nor Chor Bor Po, dated 4 August 2023 for its registration with the Ministry of Commerce.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to provide sustainable access to financial services to communities, and micro, small and medium enterprises of Cambodia through its head office in Phnom Penh and various branches in Phnom Penh and provinces in the Kingdom of Cambodia.

RESULTS OF OPERATION

The results of financial performance for the year ended 31 December 2023 are set out in the statement of profit or loss and other comprehensive income on page 8.

SHARE CAPITAL

The Bank issued 20,272,269 new ordinary shares at a par value of US\$1 per share in exchange for assets and liabilities transferred from Kookmin Bank Cambodia Plc for the merger.

During the year, the Bank converted its retained earning amounting to US\$179,727,731 into share capital.

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of allowance for impairment losses, and satisfied themselves that all known bad loans and advances had been written off and that adequate loss allowance has been made for bad and doubtful loans and advances.

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

ASSETS

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

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) no contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

The financial performance of the Bank for the financial year was 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 financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the financial performance of the Bank for the current financial year in which this report is made.

THE BOARD OF DIRECTORS

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

- | | | |
|----|---------------------|----------------------|
| 1. | Mr. JUN Kwi Sang | Chairman |
| 2. | Mr. CHUNG Hui Tae | Director |
| 3. | Mr. OUM Sam Oeun | Director |
| 4. | Mr. CHOI Dong Hyun | Director |
| 5. | Mr. LEE Kyung Cheon | Independent Director |
| 6. | Mr. PAK Jaehong | Independent Director |
| 7. | Mr. CHAN Sophal | Independent Director |

DIRECTORS' RESPONSIBILITY 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 Bank as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards (CIFRS).

In preparing these financial statements, the Directors are required to:

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

The Directors confirm that the Bank have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and the financial performance and cash flows of the Bank for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Board of Directors.

Signed in accordance with an approval of the Board of Directors.


Mr. JUN Kwi Sang
Chairman



Phnom Penh, Kingdom of Cambodia

29 MAR 2024



Independent auditor's report

To the Shareholder of the KB PRASAC Bank Plc.

Our opinion

In our opinion, the financial statements (financial statements) present fairly, in all material respects, the financial position of KB PRASAC Bank Plc. (the Bank) 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 Bank'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 ended; and
- the notes to the financial statements, which include 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 Bank 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.



Other information

The management is responsible for the other information. The other information comprises director's report and the supplementary financial information required by the National Bank of Cambodia, but does 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, 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
29 March 2024

KB PRASAC BANK PLC.
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

		31 December 2023		31 December 2022	
	Notes	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	114,593,282	468,113,557	127,423,827	524,603,896
Deposits and placements with the National Bank of Cambodia	5	545,984,865	2,230,348,174	326,284,541	1,343,313,455
Deposits and placements with other banks	6	17,826,886	72,822,829	5,946,137	24,480,246
Loans and advances to customers	7	4,906,047,296	20,041,203,204	4,296,121,785	17,687,133,389
Financial assets at FVOCI		53,755	219,589	28,167	115,964
Property and equipment	8	13,823,702	56,469,823	4,786,735	19,706,988
Right-of-use assets	9	19,562,109	79,911,215	18,483,310	76,095,787
Intangible assets	10	16,480,293	67,321,997	1,079,327	4,443,589
Deferred tax assets	11	21,708,495	88,679,202	14,516,880	59,765,995
Other assets	12	8,216,032	33,562,491	4,346,141	17,893,062
TOTAL ASSETS		<u>5,664,296,715</u>	<u>23,138,652,081</u>	<u>4,799,016,850</u>	<u>19,757,552,371</u>
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	13	109,827,245	448,644,296	50,037,118	206,002,815
Deposits from customers	14	3,000,373,984	12,256,527,725	2,727,207,862	11,227,914,768
Borrowings	15	1,394,794,360	5,697,734,961	971,259,425	3,998,675,053
Debts securities issued	16	-	-	31,168,428	128,320,418
Lease liabilities	9	19,922,591	81,383,784	18,973,227	78,112,776
Income tax payable	17	22,538,754	92,070,810	41,048,919	168,998,400
Provision for employee benefits	18	411,731	1,681,921	1,031,425	4,246,377
Other liabilities	19	10,871,604	44,410,502	12,998,586	53,515,176
Subordinated debts	20	50,804,364	207,535,827	89,677,427	369,201,967
TOTAL LIABILITIES		<u>4,609,544,633</u>	<u>18,829,989,826</u>	<u>3,943,402,417</u>	<u>16,234,987,750</u>
EQUITY					
Share capital	21	600,000,000	2,400,000,000	400,000,000	1,600,000,000
Reserve	35	91,944,796	367,779,184	-	-
Retained earnings		358,260,660	1,492,163,210	423,741,506	1,742,202,594
Regulatory reserve	22	4,546,626	18,068,117	31,872,927	129,696,057
Translation adjustments		-	30,651,744	-	50,665,970
TOTAL SHAREHOLDERS' EQUITY		<u>1,054,752,082</u>	<u>4,308,662,255</u>	<u>855,614,433</u>	<u>3,522,564,621</u>
TOTAL LIABILITIES AND EQUITY		5,664,296,715	23,138,652,081	4,799,016,850	19,757,552,371

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

KB PRASAC BANK PLC.
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	For the year ended 31 December 2023		For the year ended 31 December 2022	
		US\$	KHR'000	US\$	KHR'000
Interest income	23	667,712,623	2,744,298,881	606,766,278	2,479,853,778
Interest expense	23	(319,087,361)	(1,311,449,054)	(245,638,068)	(1,003,922,784)
Net interest income		<u>348,625,262</u>	<u>1,432,849,827</u>	<u>361,128,210</u>	<u>1,475,930,994</u>
Fee and commission income	24	1,824,999	7,500,746	682,171	2,788,033
Fee and commission expense	24	(2,674,733)	(10,993,153)	(1,516,730)	(6,198,876)
Net fee and commission income		<u>(849,734)</u>	<u>(3,492,407)</u>	<u>(834,559)</u>	<u>(3,410,843)</u>
Other income	25	330,693	1,359,147	1,034,510	4,228,043
Grant income		-	-	933,070	3,813,457
Gains/(losses)		<u>2,451,712</u>	<u>10,076,537</u>	<u>(3,133,423)</u>	<u>(12,806,300)</u>
Total other operating income		<u>350,557,933</u>	<u>1,440,793,104</u>	<u>359,127,808</u>	<u>1,467,755,351</u>
Credit impairment losses	26	(123,102,868)	(505,952,787)	(14,899,246)	(60,893,219)
Net other operating income		<u>227,455,065</u>	<u>934,840,317</u>	<u>344,228,562</u>	<u>1,406,862,132</u>
Personnel expenses	27	(86,743,642)	(356,516,369)	(92,965,159)	(379,948,605)
Depreciation and amortisation charges	28	(7,696,640)	(31,633,190)	(6,781,962)	(27,717,879)
Other operating expenses	29	(23,673,806)	(97,299,343)	(18,387,563)	(75,149,970)
Profit before income tax		<u>109,340,977</u>	<u>449,391,415</u>	<u>226,093,878</u>	<u>924,045,678</u>
Income tax expense	30(a)	(22,420,393)	(92,147,815)	(44,818,533)	(183,173,344)
Profit for the year		<u>86,920,584</u>	<u>357,243,600</u>	<u>181,275,345</u>	<u>740,872,334</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	(20,014,226)	-	34,434,842
Other comprehensive income for the year, net of tax		-	(20,014,226)	-	34,434,842
Total comprehensive income for the year		<u>86,920,584</u>	<u>337,229,374</u>	<u>181,275,345</u>	<u>775,307,176</u>
Profit attributable to:					
Owners of the Bank		<u>86,920,584</u>	<u>337,243,600</u>	<u>181,275,345</u>	<u>740,872,334</u>
Total comprehensive income attributable to:					
Owners of the Bank		<u>86,920,584</u>	<u>337,229,374</u>	<u>181,275,345</u>	<u>775,307,176</u>

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

KB PRASAC BANK PLC.
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Attributable to owners of the Bank										
	Share capital		Reserves		Retained earnings		Regulatory reserves		Translation adjustments		Total
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$ KHR'000
Balance at 1 January 2022	300,000,000	1,200,000,000	-	-	349,600,939	1,430,490,098	24,738,149	100,536,219	-	16,231,128	674,339,088 2,747,257,445
Profit for the year	-	-	-	-	181,275,345	740,872,334	-	-	-	-	181,275,345 740,872,334
Transfer to regulatory reserve	-	-	-	-	(7,134,778)	(29,159,838)	7,134,778	29,159,838	-	-	- -
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	34,434,842	- 34,434,842
Total comprehensive income for the year	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>-</u>	<u>-</u>	<u>523,741,506</u>	<u>2,142,202,594</u>	<u>31,872,927</u>	<u>129,696,057</u>	<u>-</u>	<u>50,665,970</u>	<u>855,614,433 3,522,564,621</u>
Transactions with owners in their capacity as owners:											
Capitalization of retained earnings	100,000,000	400,000,000	-	-	(100,000,000)	(400,000,000)	-	-	-	-	- -
Total transactions with owners	<u>100,000,000</u>	<u>400,000,000</u>	<u>-</u>	<u>-</u>	<u>(100,000,000)</u>	<u>(400,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>- -</u>
Balance at 31 December 2022	<u>400,000,000</u>	<u>1,600,000,000</u>	<u>-</u>	<u>-</u>	<u>423,741,506</u>	<u>1,742,202,594</u>	<u>31,872,927</u>	<u>129,696,057</u>	<u>-</u>	<u>50,665,970</u>	<u>855,614,433 3,522,564,621</u>
Balance at 1 January 2023	400,000,000	1,600,000,000	-	-	423,741,506	1,742,202,594	31,872,927	129,696,057	-	50,665,970	855,614,433 3,522,564,621
Profit for the year	-	-	-	-	86,920,584	357,243,600	-	-	-	-	86,920,584 357,243,600
Transfer from regulatory reserve	-	-	-	-	27,326,301	111,627,940	(27,326,301)	(111,627,940)	-	-	- -
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	(20,014,226)	- (20,014,226)
Total comprehensive income for the year	<u>400,000,000</u>	<u>1,600,000,000</u>	<u>-</u>	<u>-</u>	<u>537,988,391</u>	<u>2,211,074,134</u>	<u>4,546,626</u>	<u>18,068,117</u>	<u>-</u>	<u>30,651,744</u>	<u>942,535,017 3,859,793,995</u>
Transactions with owners in their capacity as owners:											
Merger with Kookmin Bank Cambodia Plc. (Note 35)	20,272,269	81,089,076	91,944,796	367,779,184	-	-	-	-	-	-	112,217,065 448,868,260
Capitalization of retained earnings	179,727,731	718,910,924	-	-	(179,727,731)	(718,910,924)	-	-	-	-	- -
Total transactions with owners	<u>200,000,000</u>	<u>800,000,000</u>	<u>91,944,796</u>	<u>367,779,184</u>	<u>(179,727,731)</u>	<u>(718,910,924)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,217,065 448,868,260</u>
Balance at 31 December 2023	<u>600,000,000</u>	<u>2,400,000,000</u>	<u>91,944,796</u>	<u>367,779,184</u>	<u>358,260,660</u>	<u>1,492,163,210</u>	<u>4,546,626</u>	<u>18,068,117</u>	<u>-</u>	<u>30,651,744</u>	<u>1,054,752,082 4,308,662,255</u>

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

KB PRASAC BANK PLC.
**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

		For the year ended 31 December 2023		For the year ended 31 December 2022	
	Notes	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Cash used in operations	32(a)	(304,664,103)	(1,252,169,464)	(600,800,232)	(2,455,470,548)
Interest received		659,728,719	2,711,485,035	602,365,418	2,461,867,462
Interest paid		(285,991,632)	(1,175,425,608)	(235,049,874)	(960,648,835)
Income tax paid	17	(47,241,948)	(194,164,406)	(40,712,538)	(166,392,143)
Employee benefits paid		(4,825,789)	(19,833,993)	(4,115,527)	(16,820,159)
Net cash used in operating activities		<u>17,005,247</u>	<u>69,891,564</u>	<u>(278,312,753)</u>	<u>(1,137,464,223)</u>
INVESTING ACTIVITIES					
Purchases of property and equipment	8	(10,594,631)	(43,543,933)	(2,042,693)	(8,348,486)
Purchases of intangible assets	10	(15,557,472)	(63,941,210)	(16,800)	(68,662)
Proceeds from disposals of property and equipment		-	-	110,688	452,382
Placement with NBC		-	-	(919,122)	(3,756,452)
Placements with other banks		-	-	-	-
Proceeds from investment in NCD		(5,521,662)	(22,694,031)	521,990	2,133,373
Collections from investment in NCD		545,316	2,241,249	-	-
Capital guarantee deposits		(27,500,000)	(113,025,000)	(10,000,000)	(40,870,000)
Net cash used in investing activities		<u>(58,628,449)</u>	<u>(240,962,925)</u>	<u>(12,345,937)</u>	<u>(50,457,845)</u>
Cash flows from financing activities					
Proceeds from borrowings	15	781,383,461	3,211,486,025	764,262,412	3,123,540,478
Repayments of borrowings		(716,956,103)	(2,946,689,583)	(620,842,352)	(2,537,382,693)
Repayments of subordinated debts	20	(38,500,000)	(158,235,000)	(15,321,929)	(62,620,724)
Repayments of bond payable	16	(30,911,300)	(127,045,443)	-	-
Principal element of lease payments		(6,126,540)	(25,180,079)	(3,973,113)	(16,238,113)
Net cash (used in)/generated from financing activities		<u>(11,110,482)</u>	<u>(45,664,080)</u>	<u>124,125,018</u>	<u>507,298,948</u>
Net decrease in cash and cash equivalents		<u>(52,733,684)</u>	<u>(216,735,441)</u>	<u>(166,533,672)</u>	<u>(680,623,120)</u>
Cash and cash equivalents at beginning of year		198,393,513	810,437,501	364,927,185	1,486,713,352
Cash and cash equivalents from legal merger with Kookmin Bank Cambodia plc.		80,286,758	329,978,575	-	-
Currency translation differences		-	(688,827)	-	10,695,862
Cash and cash equivalents at end of year	31	<u>225,946,587</u>	<u>922,991,808</u>	<u>198,393,513</u>	<u>816,786,094</u>

Non-cash financing activities disclosed in other notes are:

- acquisition of right-of-use assets – Note 9
- business combination under common control – Note 35
- capitalisation of retained earnings into share capital – Note 21

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

KB PRASAC BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL

PRASAC Microfinance Institution Plc. (the Company), a licensed micro-finance institution, incorporated in the Kingdom of Cambodia. The Company registered with the Ministry of Commerce (MoC) as a public limited company under the registration number 00001157, dated 19 September 2011 and renewed on 28 April 2016. The Company's registered office is at Building No.212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon, Phnom Penh, the Kingdom of Cambodia.

The National Bank of Cambodia (NBC) granted a microfinance license to the Company effective on 14 December 2007. On 27 August 2010, the Company obtained a Micro-finance Deposit Taking Institution (MDI) license to conduct deposit taking business from National Bank of Cambodia (NBC or the central bank).

PRASAC Microfinance Institution Plc. received letter No. B7.023.1125 Chhor.Tor, dated 16 June 2023 from National Bank of Cambodia, which approved its merger with Kookmin Bank Cambodia Plc. and received a commercial bank license No. C.B. 66, dated 8 June 2023 and is renamed as KB PRASAC Bank Plc (the Bank). The Bank received letter No. 1207 Por.Nor Chor Bor Po, dated 4 August 2023 for its registration with the Ministry of Commerce.

The Bank is a wholly owned subsidiary of Kookmin Bank Co., Ltd. (KB), domiciled in Republic of Korea.

The principal activity of the Bank is to provide sustainable access to financial services to communities, and micro, small and medium enterprises of Cambodia through its head office in Phnom Penh and various branches in Phnom Penh and provinces in the Kingdom of Cambodia.

The financial statements (financial statements) were authorised and approved for issue by the Board of Directors on 29 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of potentially material accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention except for financial assets of equity instrument that measured at fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Bank discloses the amount for each asset and liability that expected to be recovered or settled no more than 12 months after the reporting period as current, and more than 12 months after the reporting period as non-current.

The preparation of the 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 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 financial statements shall prevail.

2.2 New and amended accounting standards and interpretations

(a) New and amended accounting standards and interpretations adopted

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- Disclosure of Accounting Policies – Amendments to CIAS 1 and CIFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to CIAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to CIAS 12

The Bank 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 amendments above do not have an impact on the presentation of the financial statements but have an impact on disclosure of deferred tax resulting from leases. Hence, the Bank decided to re-disclose the deferred tax resulting from leases of the prior periods (note 11).

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

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Bank. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Principles of business combination under common control

Under predecessor accounting for the merger, the Bank receives a transfer of assets and liabilities (net assets) from another entity (acquiree) under common control and initially recognises the assets and liabilities transferred at their carrying amounts in the accounts of the acquiree at the date of transfer. No assets or liabilities are restated to their fair value at the date of transfer.

Where there is no goodwill previously recognised at the highest entity that has common control, no goodwill is recorded for the merger. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in a reserve within equity.

The Bank decides to choose prospective approach, the statement of profit or loss and other comprehensive income does not reflect the acquiree's results for the period before the date of transfer. The corresponding amounts for the previous year are then not restated.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The functional currency is the US\$ because of the significant influence of the US\$ on its operations. The financial statements are presented in United States dollars (US\$) which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US\$ are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within interest expense. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis.

(iii) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, the financial statements shall be expressed in Khmer Riel (KHR). The statement of profit or loss and other comprehensive income and the statement of cash flows are translated into KHR using the average exchange rates for the year. Assets and liabilities for each statement of financial position presented are translated at the closing rates as at the reporting dates, and shareholders' capital and reserves are translated at the rate at the date of transaction. Resulting exchange difference arising from the translation of reserves are recognised directly in equity; all other resulting exchange differences are recognised in the other comprehensive income.

The Bank has used the official rates of exchange published by the National Bank of Cambodia, and as at the reporting date, the average rate was US\$ 1 to KHR4,110 (2022: KHR4,087) and the closing rate was US\$ 1 to KHR4,085 (2022: KHR4,117).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Cash and cash equivalents

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

2.6 Financial instruments

2.6.1 Financial assets

i) Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI, and
- those to be measured at amortised cost.

For investments in equity instruments that are not held for trading, the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets to be measured at amortised cost include cash on hand, deposits and placements with the central bank, deposits and placements with other banks, loans and advances, and other financial assets.

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

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

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

ii) Recognition and derecognition

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

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

iii) Measurement

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

2.6.1 Financial assets (continued)

iii) Measurement (continued)

Debt instruments

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

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

iv) Impairment

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

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

The Bank applies a three-stage approach to measuring expected credit losses for the following categories:

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

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

Stage 1: 12-month ECL

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

Stage 2: Lifetime ECL – not credit impaired

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Financial instruments (continued)

2.6.1 Financial assets (continued)

iv) Impairment (continued)

Stage 3: Lifetime ECL – credit impaired

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

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

Please refer to Note 37.1 c) for credit risk in financial risk management for detailed measurement on ECL.

2.6.2 Financial liabilities

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

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.6.3 Credit commitments

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

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

2.7 Offsetting financial instruments

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.8 Property and equipment

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

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

Depreciation is calculated using the straight-line method to allocate the cost of assets less their residual values over the estimated useful lives.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, property and equipment, and other direct costs. Construction in-progress is not depreciated until such time when the relevant assets are completed and ready for operational use.

The estimated useful lives are as follows:

	Useful life
Office furniture	From 3 to 5 years
Office machinery	From 4 to 5 years
Vehicles and Motorcycles	From 4 to 5 years
Computer and peripherals	4 years
Communication equipment	4 years
Leasehold improvements	Shorter of lease term and its economic lives
Office	Lease term: from 1 to 10 years
ATM	Lease term: from 1 to 5 years

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

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

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

2.9 Intangible assets

Computer software is stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method over estimated useful life from five to ten years. Construction in-progress is not depreciated until such time when the relevant assets are completed and ready for operational use. Costs associated with maintenance of computer software are recognised as expenses when incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets

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

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

2.11 Employee benefits

i) Short-term employee benefits

Short-term employee benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

iii) Accrual for severance pay

This represents the accrual for severance pay for the fixed-duration contract employees who are entitled to receive 5% of the total contract cost at the end of the contract. Accrual for this severance pay is recognised at the present value of obligations at the reporting period.

iv) Pension fund scheme

The Bank pays monthly contributions for the compulsory pension scheme to National Social Security Fund (NSSF), a publicly administered social security scheme for pension in Cambodia. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

2.12 Interest income and expense

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

The effective interest method is a method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Interest income and expense (continued)

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

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

2.13 Fee and commission income

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

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

2.14 Leases

The Bank as a lessee

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

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

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

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

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

i) Lease liabilities

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

The Bank as a lessee (continued)

i) Lease liabilities (continued)

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

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

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

ii) Right-of-use assets

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

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

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

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

iii) Recognition exemptions

Payments associated with all leases of low-value assets and short-term leases are recognised as an expense in profit or loss.

2.15 Provisions

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.16 Current and deferred income tax

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

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

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

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

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

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

2.17 Regulatory reserves

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment, and Circular No. B7-021-2314 dated 28 December 2021 (implemented from 1 January 2022) on the classification and provisioning requirements for restructured loans. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation.

2.18 Rounding of amounts

All Khmer Riel amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behaviour. Explanation of the inputs assumptions and estimation techniques used in measuring ECL is further detailed in Note 37.1 (c).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- grouping financial assets sharing similar credit risk characteristics for the purposes of measuring ECL
- choosing appropriate models and assumptions to measure ECL
- determining criteria for identifying loans and advances to customers that have experienced a significant increase in credit risk (SICR)
- applying assumptions and analysis on expected future cash flows and forward-looking information

ii) Critical judgements in determining the lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

iii) Business combination under common control

The management assessed that both PRASAC Microfinance Institution Plc. (KB PRASAC Bank Plc.) and Kookmin Bank Cambodia Plc. were businesses prior to merger and were under common control of Kookmin Bank Co., Ltd. The merger is a business combination under common control. KB PRASAC Bank Plc. is the acquirer because the Bank has control over Kookmin Bank Cambodia Plc, acquiree. The Bank has power over the acquiree, right to variable returns from its involvements with the acquiree, and the ability to use its power over the acquiree to affect the amount of the shareholder's return.

There is no guidance in CIFRS for accounting treatment for business combination under common control, so the management applied CIAS 8 for the accounting policy and applied it consistently.

The management assessed that predecessor accounting is a suitable and appropriate method for the merger, and the prospective presentation method is opted. A number of facts and circumstances surrounding this business combination under common control have been used in determining that predecessor accounting best reflect the substance of the merger, such as:

- both entities were wholly owned and under common control of KB,
- consideration for the transfer is non-cash and through newly issued shares,
- both entities report to the same management, and
- there is no economic substance for an acquisition accounting (there is no fair value adjustments to the net assets transferred)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

iv) Loan paid off penalty

The Bank charges penalty for any loan paid off before expiry of its lock-up period. The estimate future cash flow over the lifetime of the loan should include estimate of penalty. However, due to the limitation to estimate the penalty amount and its timing, it is not reliably estimated at initial recognition of loans. The penalty is not material compared to the fair value of individual loan at the origination. Recognising penalty from early loan paid off when the transaction occurs is the best estimation of the interest income.

4. CASH ON HAND

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
Cash on Hand				
Current				
US Dollars	78,043,229	318,806,591	114,419,602	471,065,502
Khmer Riel	36,241,252	148,045,514	12,736,052	52,434,326
Thai Baht	308,801	1,261,452	268,173	1,104,068
	<u>114,593,282</u>	<u>468,113,557</u>	<u>127,423,827</u>	<u>524,603,896</u>

5. DEPOSITS AND PLACEMENTS WITH NATIONAL BANK OF CAMBODIA

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Deposits and placements				
Settlement accounts	48,707,958	198,972,009	5,766,778	23,741,825
Current accounts	42,274,245	172,690,291	58,823,840	242,177,749
Negotiable certificates of deposits	8,181,147	33,419,985	918,185	3,780,168
	<u>99,163,350</u>	<u>405,082,285</u>	<u>65,508,803</u>	<u>269,699,742</u>
Statutory deposits				
Reserve requirement	379,321,515	1,549,528,389	220,775,738	908,933,713
Capital guarantee deposit	67,500,000	275,737,500	40,000,000	164,680,000
	<u>446,821,515</u>	<u>1,825,265,889</u>	<u>260,775,738</u>	<u>1,073,613,713</u>
	<u>545,984,865</u>	<u>2,230,348,174</u>	<u>326,284,541</u>	<u>1,343,313,455</u>
Current	478,484,865	1,954,610,674	286,284,541	1,178,633,455
Non current	67,500,000	275,737,500	40,000,000	164,680,000
	<u>545,984,865</u>	<u>2,230,348,174</u>	<u>326,284,541</u>	<u>1,343,313,455</u>

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

5. DEPOSITS AND PLACEMENTS WITH NATIONAL BANK OF CAMBODIA (continued)

Annual interest rates are as follows:

	As at 31 December 2023	As at 31 December 2022
Current accounts		
USD	Nil	Nil
KHR	Nil	Nil
Negotiable certificates of deposits		
USD	1.00% - 2.80%	0.83% - 3.65%
KHR	0.30% - 1.35%	1.54% - 1.94%
Reserve requirement	Nil	Nil
Capital guarantee deposit	1.33%	1.19%

(i) Reserve deposits

The reserve requirement represents the minimum reserve which is calculated at 7% for KHR and 9% for foreign currencies (2022: 8% for KHR and other currencies) of customers' deposits and borrowings in Khmer Riel (KHR) and other foreign currencies of the Bank. The reserve requirement bears no interest.

(ii) Capital guarantee deposit

Under the NBC Prakas No. B7-01-136, dated 15 October 2001, banks are required to maintain a capital guarantee deposit of 10% of share capital. This deposit is refundable should the Bank voluntarily ceases its operations in Cambodia and it is not available for use in the Bank's day-to-day operations.

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

a) By residency status

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Deposits and placements with local banks	11,024,909	45,036,753	6,006,198	24,727,517
Deposits and placements with overseas banks	6,815,875	27,842,849	-	-
	17,840,784	72,879,602	6,006,198	24,727,517
Less:				
Allowance for expected credit loss	(13,898)	(56,773)	(60,061)	(247,271)
	17,826,886	72,822,829	5,946,137	24,480,246

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS (continued)

b) By account types

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Current accounts	17,101,048	69,857,780	2,858,502	11,768,453
Savings accounts	739,736	3,021,822	147,696	608,064
Time deposits	-	-	3,000,000	12,351,000
	<u>17,840,784</u>	<u>72,879,602</u>	<u>6,006,198</u>	<u>24,727,517</u>
<i>Less:</i>				
Allowance for losses on balances with other banks	<u>(13,898)</u>	<u>(56,773)</u>	<u>(60,061)</u>	<u>(247,271)</u>
	<u>17,826,886</u>	<u>72,822,829</u>	<u>5,946,137</u>	<u>24,480,246</u>

c) By maturity

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Current	17,840,784	72,879,602	6,006,198	24,727,517
Non-Current	-	-	-	-
	<u>17,840,784</u>	<u>72,879,602</u>	<u>6,006,198</u>	<u>24,727,517</u>
<i>Less:</i>				
Allowance for expected credit loss	<u>(13,898)</u>	<u>(56,773)</u>	<u>(60,061)</u>	<u>(247,271)</u>
	<u>17,826,886</u>	<u>72,822,829</u>	<u>5,946,137</u>	<u>24,480,246</u>

d) By maturity (continued)

Interest rates of deposits and placements with other banks are as follows:

	As at 31 December 2023	As at 31 December 2022
Current accounts		
USD	0% - 1.50%	0% - 0.54%
KHR	0% - 1.50%	0% - 0.75%
CNY	0%-0.35%	N/A
AUD, EUR, GBP, JPY, KWR, SGD, THB	NIL	N/A
Savings accounts		
USD	0% - 0.50%	0% - 0.50%
KHR	0% - 0.20%	0% - 0.20%
Term deposits		
USD	N/A	0% - 3%
KHR	N/A	N/A

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. LOANS AND ADVANCES AT AMORTISED COST

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost</i>				
Commercial loans	3,067,037,094	12,528,846,528	2,759,239,073	11,359,787,264
Overdrafts	8,419,453	34,393,466	-	-
Consumer loans				
Housing loans	712,160,427	2,909,175,344	650,645,398	2,678,707,104
Vehicle loans	336,250,726	1,373,584,216	326,560,541	1,344,449,747
Staff loans	6,383,648	26,077,202	5,333,814	21,959,312
Personal loans	936,225,996	3,824,483,194	608,306,337	2,504,397,189
Total gross loans	<u>5,066,477,344</u>	<u>20,696,559,950</u>	<u>4,350,085,163</u>	<u>17,909,300,616</u>
Impairment loss allowance	<u>(160,430,048)</u>	<u>(655,356,746)</u>	<u>(53,963,378)</u>	<u>(222,167,227)</u>
Total net loans	<u>4,906,047,296</u>	<u>20,041,203,204</u>	<u>4,296,121,785</u>	<u>17,687,133,389</u>

a) Allowance for expected credit loss

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
12-months ECL (Stage 1)	17,414,841	71,139,625	12,526,838	51,572,992
Lifetime ECL-not credit impaired (Stage 2)	22,012,672	89,921,765	11,679,826	48,085,844
Lifetime ECL-credit impaired (Stage 3)	121,002,535	494,295,356	29,756,714	122,508,391
	<u>160,430,048</u>	<u>655,356,746</u>	<u>53,963,378</u>	<u>222,167,227</u>

The movements of allowance for impairment losses on loans and advances to customers during the year were as follows:

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
At 1 January	53,963,378	222,167,227	56,790,432	231,364,220
Recognised in profit or loss	127,260,465	523,040,511	19,014,983	77,714,236
Increase under legal merger with KBC	4,288,060	17,598,198	-	-
Written off	(25,081,855)	(103,086,424)	(21,842,037)	(89,268,406)
Currency translation differences	-	(4,362,766)	-	2,357,177
At 31 December	<u>160,430,048</u>	<u>655,356,746</u>	<u>53,963,378</u>	<u>222,167,227</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. LOANS AND ADVANCES AT AMORTISED COST (continued)

b) By loan classification

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>				
Gross amount	4,430,926,206	18,100,333,552	4,063,756,209	16,730,484,312
Exposure at default	4,430,926,206	18,100,333,552	4,063,756,209	16,730,484,312
Allowance for expected credit loss	(17,414,841)	(71,139,625)	(12,526,838)	(51,572,992)
<i>Under-performing</i>				
Gross amount	441,243,616	1,802,480,170	232,790,030	958,396,554
Exposure at default	441,243,616	1,802,480,170	232,790,030	958,396,554
Allowance for expected credit loss	(22,012,672)	(89,921,765)	(11,679,826)	(48,085,844)
<i>Non-performing</i>				
Gross amount	194,307,522	793,746,228	53,538,924	220,419,750
Exposure at default	194,307,522	793,746,228	53,538,924	220,419,750
Allowance for expected credit loss	(121,002,535)	(494,295,356)	(29,756,714)	(122,508,391)
Total gross loans	5,066,477,344	20,696,559,950	4,350,085,163	17,909,300,616
Exposure at default	5,066,477,344	20,696,559,950	4,350,085,163	17,909,300,616
Allowance for expected credit loss	(160,430,048)	(655,356,746)	(53,963,378)	(222,167,227)

c) By maturity

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Within one month	3,640,019	14,869,478	2,300,418	9,470,821
More than 1 month to 3 months	10,178,769	41,580,271	6,684,757	27,521,145
More than 3 months to 12 months	106,438,485	434,801,211	59,951,413	246,819,967
More than 1 year to 5 years	1,949,116,767	7,962,141,993	1,883,960,708	7,756,266,235
More than 5 years	2,997,103,304	12,243,166,997	2,397,187,867	9,869,222,448
Total gross loans	5,066,477,344	20,696,559,950	4,350,085,163	17,909,300,616

d) By large exposure

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Large exposure	2,476,889,337	10,118,092,942	2,358,495,494	9,709,925,949
Non-large exposure	2,589,588,007	10,578,467,008	1,991,589,669	8,199,374,667
Total gross loans	5,066,477,344	20,696,559,950	4,350,085,163	17,909,300,616

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. LOANS AND ADVANCES AT AMORTISED COST (continued)

e) By relationship

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Related parties (including staff loans)	6,105,587	24,941,323	5,721,233	23,554,316
Non-related parties	5,060,371,757	20,671,618,627	4,344,363,930	17,885,746,300
Total gross loans	5,066,477,344	20,696,559,950	4,350,085,163	17,909,300,616

f) By residency

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Residents	5,066,477,344	20,696,559,950	4,350,085,163	17,909,300,616
Non-residents	-	-	-	-
Total gross loans	5,066,477,344	20,696,559,950	4,350,085,163	17,909,300,616

g) Interest rates

These loans and advances to customers earn annual interest rates as below:

	As at 31 December 2023	As at 31 December 2022
Short term loans		
USD	7% - 18%	9.6% - 18%
KHR	6.5% - 18%	10.8% - 18%
Long term loans		
USD	(14.40%-20.40% before April 2017) (4.10%-18.00% after April 2017)	(10.00%-21.60% before April 2017) (6.48%-18.00% after April 2017)
KHR	5.10%-18.00%	6.50%-18.00%
THB	(24.00%-25.20% before April 2017) (13.20%-18.00% after April 2017)	(22.80%-25.20% before April 2017) (12.60%-18.00% after April 2017)

Effective on 1 April 2017, the annual interest rates of all new loans and restructured loans are capped at 18% as required by Prakas B7-017-109 on interest capping on loans. Loans and advances to customers outstanding with annual interest rate more than 18% were for those loans which disbursed prior to the issuance of this Prakas and which remain outstanding at the reporting date.

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
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8. PROPERTY AND EQUIPMENT

	Office Furniture US\$	Office Machinery US\$	Vehicles and motorcycles US\$	Computer and peripherals US\$	Leasehold Improvement US\$	Communication Equipment US\$	Work in Progress US\$	Total US\$
As at 1 January 2023								
Cost	1,106,878	4,936,086	3,280,402	10,506,528	2,415,856	346,426	53,603	22,645,779
Accumulated depreciation	(947,276)	(3,884,950)	(2,700,923)	(7,994,251)	(2,020,744)	(310,900)	-	(17,859,044)
Net book amount	159,602	1,051,136	579,479	2,512,277	395,112	35,526	53,603	4,786,735
<i>In KHR'000 equivalents</i>	657,081	4,327,527	2,385,715	10,343,044	1,626,676	146,261	220,684	19,706,988
For the year ended 31 December 2023								
Opening net book amount	159,602	1,051,136	579,479	2,512,277	395,112	35,526	53,603	4,786,735
Increase under legal merger with KBC	91,925	12,640	59,340	266,112	329,702	42,689	-	802,408
Additions	41,733	961,821	-	669,702	17,406	5,393	8,898,576	10,594,631
Transfer from work in progress	-	623,648	-	501,679	528,070	-	(1,653,397)	-
Disposal-net	(476)	-	-	(442)	(7,752)	-	-	(8,670)
Depreciation charge	(143,177)	(440,932)	(261,763)	(1,280,183)	(199,718)	(25,629)	-	(2,351,402)
Closing net book amount	149,607	2,208,313	377,056	2,669,145	1,062,820	57,979	7,298,782	13,823,702
As at 31 December 2023								
Cost	1,390,219	6,364,556	3,326,777	11,888,209	3,236,673	383,432	7,298,782	33,888,648
Accumulated depreciation	(1,004,526)	(4,325,882)	(2,949,721)	(9,274,434)	(2,173,854)	(336,529)	-	(20,064,946)
Net book amount	385,693	2,038,674	377,056	2,613,775	1,062,819	46,903	7,298,782	13,823,702
<i>In KHR'000 equivalents</i>	1,575,556	8,327,983	1,540,274	10,677,271	4,341,616	191,599	29,815,524	56,469,823

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. PROPERTY AND EQUIPMENT (continued)

	Office Furniture US\$	Office machinery US\$	Vehicles and motorcycles US\$	Computer and peripherals US\$	Leasehold improvement US\$	Communication Equipment US\$	Work in progress US\$	Total US\$
As at 1 January 2022								
Cost	1,060,329	4,456,802	3,212,401	9,797,701	2,419,207	344,072	288,696	21,579,208
Accumulated depreciation	(904,193)	(3,677,986)	(2,667,127)	(7,235,877)	(1,952,147)	(280,360)	-	(16,717,690)
Net book amount	156,136	778,816	545,274	2,561,824	467,060	63,712	288,696	4,861,518
<i>In KHR'000 equivalents</i>	636,098	3,172,896	2,221,446	10,436,871	1,902,802	259,563	1,176,148	19,805,824
For the year ended 31 December 2022								
Opening net book amount	156,136	778,816	545,274	2,561,824	467,060	63,712	288,696	4,861,518
Additions	57,211	396,162	308,500	475,794	23,570	3,277	778,179	2,042,693
Transfer from work in progress	-	203,960	-	763,003	46,309	-	(1,013,272)	-
Disposal-net	(236)	(645)	-	(10,045)	(527)	-	-	(11,453)
Depreciation charge	(53,508)	(327,158)	(274,295)	(1,278,298)	(141,300)	(31,464)	-	(2,106,023)
Closing net book amount	159,603	1,051,135	579,479	2,512,278	395,112	35,525	53,603	4,786,735
As at 31 December 2022								
Cost	1,106,878	4,936,086	3,280,402	10,506,528	2,415,856	346,426	53,603	22,645,779
Accumulated depreciation	(947,276)	(3,884,950)	(2,700,923)	(7,994,251)	(2,020,744)	(310,900)	-	(17,859,044)
Net book amount	159,602	1,051,136	579,479	2,512,277	395,112	35,526	53,603	4,786,735
<i>In KHR'000 equivalents</i>	657,081	4,327,527	2,385,715	10,343,044	1,626,676	146,261	220,684	19,706,988

**NOTES TO THE FINANCIAL STATEMENTS
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9. LEASES

This note provides information for leases where the Bank is a lessee.

The Bank leases various buildings for its head office, branch operation and Automated teller machine (ATM). Rental contracts are typically made for fixed periods of one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(i) Amounts recognised in the statement of financial position

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>				
Buildings	19,261,762	78,684,298	18,167,095	74,793,930
ATM	300,347	1,226,917	316,215	1,301,857
	<u>19,562,109</u>	<u>79,911,215</u>	<u>18,483,310</u>	<u>76,095,787</u>
<i>Lease liabilities</i>				
Current	5,005,014	20,445,482	3,998,954	16,463,692
Non-Current	14,917,577	60,938,302	14,974,273	61,649,084
	<u>19,922,591</u>	<u>81,383,784</u>	<u>18,973,227</u>	<u>78,112,776</u>

Right-of-use assets' additions during the year were US\$ 5,371,423 (2022: US\$ 6,771,840).

Right-of-use assets transferred under legal merger with KBC were US\$ 1,205,079.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Depreciation of right-of-use assets</i>				
Buildings	4,832,826	19,862,914	4,202,112	17,174,032
ATM	214,016	879,606	181,825	743,119
	<u>5,046,842</u>	<u>20,742,520</u>	<u>4,383,937</u>	<u>17,917,151</u>
Interest expense (Note 23)	<u>1,500,528</u>	<u>6,167,170</u>	<u>1,898,088</u>	<u>7,757,486</u>
Rental expense related to short-term lease and lease of low-value assets (included in Other operating expenses) (Note 29)	<u>448,643</u>	<u>1,843,923</u>	<u>726,076</u>	<u>2,967,473</u>
Transportation expense to leases of low-value assets (included in other operating expenses)	<u>1,168,712</u>	<u>4,803,406</u>	<u>1,095,973</u>	<u>4,479,242</u>
Total expenses related to leases	<u>8,164,725</u>	<u>33,557,019</u>	<u>8,104,074</u>	<u>33,121,352</u>

Total cash outflow for lease during the period was US\$6,256,325 (2022: US\$4,356,349).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

10. INTANGIBLE ASSETS

	Computer software US\$	Core banking Software US\$	Work in progress US\$	Total US\$
As at 1 January 2023				
Cost	1,264,054	2,891,587	16,800	4,172,441
Accumulated amortisation	(1,029,487)	(2,063,627)	-	(3,093,114)
Net book amount	<u>234,567</u>	<u>827,960</u>	<u>16,800</u>	<u>1,079,327</u>
<i>In KHR'000 equivalents</i>	<u>965,712</u>	<u>3,408,711</u>	<u>69,166</u>	<u>4,443,589</u>
For the year ended December 2023				
Opening net book amount	234,567	827,960	16,800	1,079,327
Increase under legal merger with KBC	135,837	6,053	-	141,890
Transfer from work in progress	180,500	42,000	(222,500)	-
Additions	-	-	15,557,472	15,557,472
Amortisation charge	(106,961)	(191,435)	-	(298,396)
Closing net book amount	<u>443,943</u>	<u>684,578</u>	<u>15,351,772</u>	<u>16,480,293</u>
As at 31 December 2023				
Cost	1,580,390	2,939,641	15,351,772	19,871,803
Accumulated amortisation	(1,136,448)	(2,255,062)	-	(3,391,510)
Net book amount	<u>443,942</u>	<u>684,579</u>	<u>15,351,772</u>	<u>16,480,293</u>
<i>In KHR'000 equivalents</i>	<u>1,813,503</u>	<u>2,796,505</u>	<u>62,711,989</u>	<u>67,321,997</u>
As at 1 January 2022				
Cost	1,264,054	2,891,587	-	4,155,641
Accumulated amortisation	(925,837)	(1,875,275)	-	(2,801,112)
Net book amount	<u>338,217</u>	<u>1,016,312</u>	<u>-</u>	<u>1,354,529</u>
<i>In KHR'000 equivalents</i>	<u>1,377,896</u>	<u>4,140,455</u>	<u>-</u>	<u>5,518,351</u>
For the year ended 31 December 2022				
Opening net book amount	338,217	1,016,312	-	1,354,529
Transfer from work in progress	-	-	-	-
Additions	-	-	16,800	16,800
Amortisation charge	(103,650)	(188,352)	-	(292,002)
Closing net book amount	<u>234,567</u>	<u>827,960</u>	<u>16,800</u>	<u>1,079,327</u>
As at 31 December 2022				
Cost	1,264,054	2,891,587	16,800	4,172,441
Accumulated amortisation	(1,029,487)	(2,063,627)	-	(3,093,114)
Net book amount	<u>234,567</u>	<u>827,960</u>	<u>16,800</u>	<u>1,079,327</u>
<i>In KHR'000 equivalents</i>	<u>965,712</u>	<u>3,408,711</u>	<u>69,166</u>	<u>4,443,589</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. DEFERRED TAX ASSETS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
<i>Non-current</i>				
Deferred tax assets	25,646,033	104,764,045	18,485,117	60,884,073
Deferred tax liabilities	(3,937,538)	(16,084,843)	(3,968,237)	(1,118,078)
Deferred tax assets - net	<u>21,708,495</u>	<u>88,679,202</u>	<u>14,516,880</u>	<u>59,765,995</u>

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

	For the year ended 31 December 2023		For the year 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
At the beginning of the year	14,516,880	59,765,995	11,727,635	47,778,385
Charged to profit or loss	6,320,262	25,976,277	2,789,245	11,399,644
Increase under legal merger with KBC	871,353	3,581,261	-	-
Currency translation differences	-	(644,331)	-	587,966
At the end of the year	<u>21,708,495</u>	<u>88,679,202</u>	<u>14,516,880</u>	<u>59,765,995</u>

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. DEFERRED TAX ASSETS (continued)

	Impairment loss US\$	Unamortised loan fees US\$	Net accrued interest receivables US\$	Lease liabilities US\$	Interest expense US\$	Accrued expenses US\$	Unrealised exchange gain/loss US\$	Total US\$
2022								
At 1 January 2022	3,510,062	6,968,122	5,696	3,118,288	282,493	487,621	817,409	15,189,691
(Charged)/credited to profit or loss	313,606	1,046,073	59,915	676,357	(108,137)	652,538	655,074	3,295,426
At 31 December 2022	<u>3,823,668</u>	<u>8,014,195</u>	<u>65,611</u>	<u>3,794,645</u>	<u>174,356</u>	<u>1,140,159</u>	<u>1,472,483</u>	<u>18,485,117</u>
In KHR '000 equivalent	<u>15,742,041</u>	<u>32,994,441</u>	<u>270,120</u>	<u>15,622,553</u>	<u>717,824</u>	<u>4,694,034</u>	<u>6,062,213</u>	<u>76,103,226</u>
2023								
At 1 January 2023	3,823,668	8,014,195	65,611	3,794,645	174,356	1,140,159	1,472,483	18,485,117
(Charged)/credited to profit or loss	6,391,521	498,930	47,543	238,939	(86,660)	(299,868)	(681,793)	6,108,612
From legal merger with KBC	435,971	370,524	-	245,809	-	-	-	1,052,304
At 31 December 2023	<u>10,651,160</u>	<u>8,883,649</u>	<u>113,154</u>	<u>4,279,393</u>	<u>87,696</u>	<u>840,291</u>	<u>790,690</u>	<u>25,646,033</u>
In KHR '000 equivalent	<u>43,509,989</u>	<u>36,289,706</u>	<u>462,234</u>	<u>17,481,320</u>	<u>358,238</u>	<u>3,432,588</u>	<u>3,229,969</u>	<u>104,764,044</u>

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. DEFERRED TAX ASSETS (continued)

(i) Deferred tax liabilities

	Right-of-use assets US\$	Depreciation US\$	Net accrued interest receivables US\$	Total US\$
2022				
At 1 January 2022	3,219,529	242,527	-	3,462,056
Charged to profit or loss	477,133	29,048	-	506,181
At 31 December 2022	3,696,662	271,575	-	3,968,237
In KHR '000 equivalent	15,219,157	1,118,074	-	16,337,231
2023				
At 1 January 2023	3,696,662	271,575	-	3,968,237
Charged/(credited) to profit or loss	(215,598)	3,948	-	(211,650)
From legal merger with KBC	245,240	(64,289)	-	180,951
At 31 December 2023	3,726,304	211,234	-	3,937,538
In KHR '000 equivalent	15,221,952	862,891	-	16,084,843

The Bank applied deferred tax related to assets and liabilities arising from a Single Transaction – amendments to CIAS 12 (note 2.2). The deferred tax resulting from leases was re-disclosed, i.e the deferred tax asset from lease liabilities and deferred tax liabilities from right-of-use assets are separately disclosed in the note.

12. OTHER ASSETS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Prepayments	5,510,899	22,512,022	3,413,531	14,053,507
Account receivable	977,318	3,992,344	-	-
Deposits	1,623,165	6,630,629	950,824	3,914,542
Others account receivable	107,783	440,294	802	3,302
	8,219,165	33,575,289	4,365,157	17,971,351
<i>Less:</i>				
Allowance for ECLs on deposit	(3,133)	(12,798)	(19,016)	(78,289)
	8,216,032	33,562,491	4,346,141	17,893,062
Current	8,216,032	33,562,491	4,346,141	17,893,062
Non-current	-	-	-	-
	8,216,032	33,562,491	4,346,141	17,893,062

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Demand deposits	2,346,365	9,584,900	-	-
Savings deposits	405,539	1,656,627	180,687	743,888
Term deposits	104,576,020	427,193,042	48,910,925	201,366,278
	107,327,924	438,434,569	49,091,612	202,110,166
<i>Add:</i>				
Accrued interest payables	2,499,321	10,209,727	945,506	3,892,649
	109,827,245	448,644,296	50,037,118	206,002,815
Current	108,276,171	442,308,159	50,037,118	206,002,815
Non-current	1,551,074	6,336,137	-	-
	109,827,245	448,644,296	50,037,118	206,002,815

a) By currency

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
USD	109,765,364	448,391,512	50,013,944	205,907,408
KHR	61,881	252,784	23,174	95,407
	109,827,245	448,644,296	50,037,118	206,002,815

b) By relationship

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Non-related parties	85,782,915	350,423,208	27,277,134	112,299,961
Related parties	24,044,330	98,221,088	22,759,984	93,702,854
	109,827,245	448,644,296	50,037,118	206,002,815

c) By annual interest rate

Annual interest rates during the year are as follows:

	As at 31 December 2023	As at 31 December 2022
Current accounts	N/A	N/A
Savings accounts		
USD	0% - 0.50%	0% - 1.50%
KHR	0% - 0.70%	N/A
Fixed deposits		
USD	3.80% - 8.00%	3.00% - 6.50%
KHR	N/A	N/A

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. DEPOSITS FROM CUSTOMERS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Demand deposits	2,353,758	9,615,101	-	-
Savings deposits	140,661,574	574,602,530	150,603,768	620,035,713
Fixed deposits	2,772,337,993	11,325,000,702	2,508,599,863	10,327,905,636
	2,915,353,325	11,909,218,333	2,659,203,631	10,947,941,349
<i>Add:</i>				
Accrued interest payables	85,020,659	347,309,392	68,004,231	279,973,419
	<u>3,000,373,984</u>	<u>12,256,527,725</u>	<u>2,727,207,862</u>	<u>11,227,914,768</u>
Current	2,918,565,833	11,922,341,428	2,651,114,334	10,914,637,713
Non-current	81,808,151	334,186,297	76,093,528	313,277,055
	<u>3,000,373,984</u>	<u>12,256,527,725</u>	<u>2,727,207,862</u>	<u>11,227,914,768</u>

a) By currency

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
USD	2,768,636,776	11,309,881,230	2,546,046,345	10,482,072,803
KHR	231,685,625	946,435,778	181,026,036	745,284,190
THB	51,583	210,717	135,481	557,775
	<u>3,000,373,984</u>	<u>12,256,527,725</u>	<u>2,727,207,862</u>	<u>11,227,914,768</u>

b) By relationship

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Non-related parties	2,988,434,858	12,207,756,395	2,710,332,854	11,158,440,360
Related parties	11,939,126	48,771,330	16,875,008	69,474,408
	<u>3,000,373,984</u>	<u>12,256,527,725</u>	<u>2,727,207,862</u>	<u>11,227,914,768</u>

Annual interest rates during the year are as follows:

	As at 31 December 2023	As at 31 December 2022
Current accounts		
USD	0% - 0.20%	N/A
KHR	N/A	N/A
THB	N/A	N/A
Savings accounts		
USD	0.00% - 3.00%	0.00%-3.00%
KHR	0.00% - 3.00%	0.00%-3.00%
THB	0.00% - 0.10%	0.00%-0.10%
Fixed deposits		
USD	3.00% - 8.75%	2.75% - 8.50%
KHR	3.75% - 9.75%	2.00%-10.15%
THB	N/A	0.10%-7.25%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. BORROWINGS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Principal	1,381,324,112	5,642,708,998	965,576,466	3,975,278,311
Interest payable	13,470,248	55,025,963	5,682,959	23,396,742
	<u>1,394,794,360</u>	<u>5,697,734,961</u>	<u>971,259,425</u>	<u>3,998,675,053</u>

The Bank entered into borrowing agreements with various lenders, including both related and non-related parties. Borrowings are unsecured and the repayments of principal and interest are made either on quarterly, semi-annual or annual basis based on the repayment schedule for each of the borrowing agreements.

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Term loans	9,833,702	40,170,673	187,014,896	769,940,327
Overdraft	20,343,534	83,103,336	30,000,000	123,510,000
Total current	<u>30,177,236</u>	<u>123,274,009</u>	<u>217,014,896</u>	<u>893,450,327</u>
Total non-current	<u>1,364,617,124</u>	<u>5,574,460,952</u>	<u>754,244,529</u>	<u>3,105,224,726</u>
	<u>1,394,794,360</u>	<u>5,697,734,961</u>	<u>971,259,425</u>	<u>3,998,675,053</u>

a) By currency

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
USD	1,144,101,334	4,673,653,950	798,375,467	3,286,911,798
KHR	250,693,026	1,024,081,011	172,883,958	711,763,255
THB	-	-	-	-
	<u>1,394,794,360</u>	<u>5,697,734,961</u>	<u>971,259,425</u>	<u>3,998,675,053</u>

b) By relationship

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Non-related parties	764,129,263	3,121,468,040	689,092,420	2,836,993,493
Related parties	630,665,097	2,576,266,921	282,167,005	1,161,681,560
	<u>1,394,794,360</u>	<u>5,697,734,961</u>	<u>971,259,425</u>	<u>3,998,675,053</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. BORROWINGS (continued)

c) Changes in liabilities arising from financing activities – borrowings

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	965,576,466	3,975,278,311	824,197,753	3,357,781,646
Addition	781,383,461	3,211,486,025	764,262,412	3,123,540,478
Increase under legal merger with KBC	350,000,000	1,438,500,000	-	-
Repayment of principal	(667,206,103)	(2,742,217,083)	(620,842,352)	(2,537,382,693)
Repayment to be cleared	(49,750,000)	(204,472,500)	-	-
Others	-	-	-	-
Exchange difference	1,320,288	5,426,384	(2,041,347)	(8,342,985)
Currency translation differences	-	(41,292,139)	-	39,681,865
At the end of the year	<u>1,381,324,112</u>	<u>5,642,708,998</u>	<u>965,576,466</u>	<u>3,975,278,311</u>
<i>Interest payables</i>				
At 1 January	5,682,959	23,396,742	5,624,110	22,912,624
Change during the year	109,626,708	450,565,770	58,914,368	240,783,022
Increase under legal merger with KBC	3,742,924	15,383,418	-	-
Interest payments	(103,327,235)	(424,674,936)	(58,842,560)	(240,489,543)
Repayment to be cleared	(2,262,493)	(9,298,846)	-	-
Others	-	-	-	-
Exchange difference	7,385	30,352	(12,959)	(52,963)
Currency translation	-	(376,537)	-	243,602
At the end of the year	<u>13,470,248</u>	<u>55,025,963</u>	<u>5,682,959</u>	<u>23,396,742</u>

d) Annual interest rates for borrowings are as follows:

	As at 31 December 2023	As at 31 December 2022
Term loans		
USD	2.00% - 10.05%	2.00% - 10.21%
KHR	2.00% - 8.05%	2.00% - 7.40%
THB	N/A	N/A

16. DEBT SECURITIES

In April 2020, the Company issued KHR127.2 billion (equivalent to USD31.17 million) fixed rate guaranteed bonds due on 23 April 2023. The bonds are guaranteed by the Credit Guarantee and Investment Facility, a trust fund of Asian Development Bank ("ADB"). The bonds are listed on the Cambodia Securities Exchange ("CSX") and were priced at KHR100,000 per bond with a coupon rate of 7.50% per annum and are payable on a semi-annual basis commencing on 23 October 2020. The Company incurred debt's issuance costs amounting to KHR6.21 billion (equivalent to USD1.52 million).

On 21 April 2023, the Bank fully settled the outstanding balance of the corporate bonds including both principal and interest with the amount of KHR131,970,000,000 to the investors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

16. DEBT SECURITIES (continued)

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Principal	-	-	30,767,125	126,668,254
Interest payable	-	-	401,303	1,652,164
	-	-	31,168,428	128,320,418
Current	-	-	31,168,428	128,320,418
Non-current	-	-	-	-
	-	-	31,168,428	128,320,418

Changes in liabilities arising from financing activities – Debt securities

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	30,767,125	126,668,254	30,942,071	126,057,997
Additions	-	-	-	-
Repayments	(30,911,300)	(127,045,443)	-	-
Exchange difference	144,175	592,559	(174,946)	(715,004)
Currency translation	-	(215,370)	-	1,325,261
At the end of the year	-	-	30,767,125	126,668,254
<i>Interest payables</i>				
At 1 January	401,303	1,652,164	400,029	1,629,718
Charge during the year	773,136	3,177,589	2,510,158	10,259,016
Interest payments	(1,177,583)	(4,839,866)	(2,504,707)	(10,236,738)
Exchange difference	3,144	12,920	(4,177)	(17,071)
Currency translation	-	(2,807)	-	17,239
At the end of the year	-	-	401,303	1,652,164

17. INCOME TAX PAYABLE

	As at 31 December 2023		31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
At the beginning of the year	41,048,919	168,998,400	34,153,679	139,142,088
Current tax	28,290,655	116,274,592	47,234,851	193,048,836
Under provision from prior year	-	-	1,156,005	4,724,592
Tax incentive on bond listing	-	-	(783,078)	(3,200,440)
Increase under legal merger with KBC	441,128	1,834,210	-	-
Income tax paid	(47,241,948)	(194,164,406)	(40,712,538)	(166,392,143)
Currency translation differences	-	(871,986)	-	1,675,467
	22,538,754	92,070,810	41,048,919	168,998,400

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. PROVISION FOR EMPLOYEE BENEFITS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Severance payment obligation	411,731	1,681,921	1,031,425	4,246,377
	<u>411,731</u>	<u>1,681,921</u>	<u>1,031,425</u>	<u>4,246,377</u>

19. OTHER LIABILITIES

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Accrued bonuses and incentives	1,158,987	4,734,462	2,844,695	11,711,609
Accrued expenses	3,593,655	14,680,081	3,546,830	14,602,299
Withholding taxes	3,162,286	12,917,938	1,933,604	7,960,648
Account payable	1,297,652	5,300,908	498,573	2,052,625
Tax on salary	1,646,732	6,726,900	4,166,259	17,152,488
Others	12,292	50,213	8,625	35,507
	<u>10,871,604</u>	<u>44,410,502</u>	<u>12,998,586</u>	<u>53,515,176</u>

20. SUBORDINATED DEBTS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Principal	50,206,058	205,091,747	88,641,367	364,936,508
Interest payable	598,306	2,444,080	1,036,060	4,265,459
	<u>50,804,364</u>	<u>207,535,827</u>	<u>89,677,427</u>	<u>369,201,967</u>
Current	-	-	3,026,338	12,459,434
Non-current	50,804,364	207,535,827	86,651,089	356,742,533
	<u>50,804,364</u>	<u>207,535,827</u>	<u>89,677,427</u>	<u>369,201,967</u>
Foreign lenders (non-related parties)	10,572,075	43,186,926	39,402,454	162,219,903
Related parties	40,232,289	164,348,901	50,274,973	206,982,064
	<u>50,804,364</u>	<u>207,535,827</u>	<u>89,677,427</u>	<u>369,201,967</u>

These subordinated debts which are repayable based on the agreed schedules stated in each loan agreements. The subordinated debt from shareholder was approved by the NBC such that it can be included as Tier 2 Capital for purpose of net worth calculation. The subordinated debts were charged with the annual interest rates ranging from 6.98% to 8.95% (2022: 6.98% to 10.47%) during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

20. SUBORDINATED DEBTS (continued)

Changes in liabilities arising from financing activities – Subordinated debts

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	88,641,367	364,936,508	103,963,296	423,546,468
Repayments	(38,500,000)	(158,235,000)	(15,321,929)	(62,620,724)
Exchange differences	64,691	265,880	-	-
Currency translation	-	(1,875,641)	-	4,010,764
At the end of the year	<u>50,206,058</u>	<u>205,091,747</u>	<u>88,641,367</u>	<u>364,936,508</u>
<i>Interest payables</i>				
At 1 January	1,036,060	4,265,459	1,228,494	5,004,885
Charge during the year	7,673,985	31,540,078	9,397,981	38,409,548
Interest payments	(8,111,739)	(33,339,247)	(9,590,415)	(39,483,739)
Currency translation	-	(22,210)	-	334,765
At the end of the year	<u>598,306</u>	<u>2,444,080</u>	<u>1,036,060</u>	<u>4,265,459</u>

21. SHARE CAPITAL

The Bank issued 20,272,269 new ordinary shares at a par value of US\$1 per share in exchange for assets and liabilities transferred from Kookmin Bank Cambodia Plc for the merger.

During the year, the Bank converted its retained earning amounting to US\$179,727,731 into capital which was approved by the National Bank of Cambodia and the Ministry of Commerce.

The total authorised amount of share capital comprises 600 million shares as at 31 August 2023 (2022: 400 million shares) with a par value of US\$1 per share (2022: US\$1 per share). All issued shares have been fully paid for.

	31 December 2023		
	US\$	KHR'000	%
Kookmin Bank Co, Ltd.	<u>600,000,000</u>	<u>2,400,000,000</u>	<u>100%</u>
	31 December 2022		
	US\$	KHR'000	%
Kookmin Bank Co, Ltd.	399,999,999	1,599,999,996	100%
Kookmin Bank Cambodia Plc	1	4	0%
	<u>400,000,000</u>	<u>1,600,000,000</u>	<u>100%</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

22. REGULATORY RESERVES

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of the year	31,872,927	129,696,057	24,738,149	100,536,219
Transfers (to)/from retained earnings	(27,326,301)	(111,627,940)	7,134,778	29,159,838
Currency translation differences	-	-	-	-
Balance at the end of the year	<u>4,546,626</u>	<u>18,068,117</u>	<u>31,872,927</u>	<u>129,696,057</u>

23. NET INTEREST INCOME

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Interest income from financial assets at amortised cost:</i>				
Loans and advances	665,062,248	2,733,405,840	606,298,837	2,477,943,347
Deposits and placements with banks	1,553,086	6,383,183	75,197	307,330
Deposits and placements with National Bank of Cambodia	<u>1,097,289</u>	<u>4,509,858</u>	<u>392,244</u>	<u>1,603,101</u>
Total interest income	<u>667,712,623</u>	<u>2,744,298,881</u>	<u>606,766,278</u>	<u>2,479,853,778</u>
<i>Interest expense on financial liabilities at amortised cost:</i>				
Deposits from customers	(195,042,924)	(801,626,418)	(170,880,491)	(698,388,567)
Deposit from other banks	(4,470,080)	(18,372,029)	(2,036,982)	(8,325,145)
Borrowings	(109,626,708)	(450,565,770)	(58,914,368)	(240,783,022)
Subordinated debts	(7,673,985)	(31,540,078)	(9,397,981)	(38,409,548)
Debt securities	(773,136)	(3,177,589)	(2,510,158)	(10,259,016)
Lease liabilities	<u>(1,500,528)</u>	<u>(6,167,170)</u>	<u>(1,898,088)</u>	<u>(7,757,486)</u>
Total interest expense	<u>(319,087,361)</u>	<u>(1,311,449,054)</u>	<u>(245,638,068)</u>	<u>(1,003,922,784)</u>
Net interest income	<u>348,625,262</u>	<u>1,432,849,827</u>	<u>361,128,210</u>	<u>1,475,930,994</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

24. NET FEE AND COMMISSION INCOME

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>				
Fee income from loans	215,844	887,119	-	-
Local remittance and services	1,609,155	6,613,627	682,171	2,788,033
Total fee and commission income	1,824,999	7,500,746	682,171	2,788,033
Borrowing service charges	(2,472,436)	(10,161,712)	(1,388,196)	(5,673,557)
Bank charges	(200,608)	(824,499)	(123,142)	(503,281)
Others fee expense	(1,689)	(6,942)	(5,392)	(22,038)
Total fee and commission expense	(2,674,733)	(10,993,153)	(1,516,730)	(6,198,876)
Net fee and commission income	(849,734)	(3,492,407)	(834,559)	(3,410,843)

25. OTHER INCOME

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Other income	330,693	1,359,147	1,034,510	4,228,043
	330,693	1,359,147	1,034,510	4,228,043

26. CREDIT IMPAIRMENT LOSSES

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Expected Credit Loss (ECL)/ (Reversal):</i>				
Loans and advances to customers	127,845,934	525,446,789	19,014,983	77,714,236
Other assets	(16,723)	(68,732)	6,783	27,722
Deposits and placements with other banks	(70,643)	(290,343)	36,748	150,189
Off-balance sheet item	(479,524)	(1,970,844)	-	-
	127,279,044	523,116,870	19,058,514	77,892,147
Recovery on loans previously written off	(4,176,176)	(17,164,083)	(4,159,268)	(16,998,928)
	123,102,868	505,952,787	14,899,246	60,893,219

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

27. PERSONNEL EXPENSES

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Salaries	63,203,455	259,766,200	75,830,999	309,921,293
Incentives and bonuses	16,024,491	65,860,658	9,635,889	39,381,878
Employee benefits	4,220,796	17,347,472	4,909,046	20,063,271
Employee social welfare fund expenses	1,949,650	8,013,062	1,264,902	5,169,654
Medical expenses	91,217	374,902	75,730	309,509
Staff uniform	714,145	2,935,136	611,542	2,499,372
Other staff benefits	539,888	2,218,939	637,051	2,603,628
	<u>86,743,642</u>	<u>356,516,369</u>	<u>92,965,159</u>	<u>379,948,605</u>

28. DEPRECIATION AND AMORTISATION CHARGES

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Depreciation of property and equipment (note 8)	2,351,402	9,664,262	2,106,023	8,607,316
Amortisation of intangible assets (note 10) – Software cost	298,396	1,226,408	292,002	1,193,412
Depreciation charge of right-of-use assets (note 9.ii)	5,046,842	20,742,520	4,383,937	17,917,151
	<u>7,696,640</u>	<u>31,633,190</u>	<u>6,781,962</u>	<u>27,717,879</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

29. OTHER OPERATING EXPENSES

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Fuel costs	4,990,185	20,509,660	4,300,351	17,575,535
Professional fees	3,510,561	14,428,406	2,884,305	11,788,155
Maintenance	3,089,687	12,698,614	1,683,302	6,879,655
Marketing and promotions	1,485,557	6,105,639	631,883	2,582,506
Utilities	1,413,761	5,810,558	1,190,345	4,864,940
Printing and stationery	1,222,579	5,024,800	1,217,217	4,974,766
Transportation expense to leases of low-value assets	1,168,712	4,803,406	1,095,973	4,479,242
Communications	1,066,772	4,384,433	930,355	3,802,361
Other tax expenses	927,479	3,811,939	815,266	3,331,992
Donation	647,950	2,663,075	237,589	971,026
License fees	597,179	2,454,406	505,754	2,067,017
Rental expense related to short- term lease and lease of low- value assets	448,643	1,843,923	726,076	2,967,473
Office supplies	394,847	1,622,821	301,365	1,231,679
Per diem and travelling	356,793	1,466,419	153,715	628,233
Bank charges	342,049	1,405,821	131,464	537,293
Training	298,277	1,225,918	158,229	646,682
Stamp Tax	284,073	1,167,540	257,488	1,052,353
Entertainment expense	247,714	1,018,105	383,029	1,565,440
Transportation	195,181	802,194	170,223	695,701
Others expenses	985,807	4,051,666	613,634	2,507,921
	<u>23,673,806</u>	<u>97,299,343</u>	<u>18,387,563</u>	<u>75,149,970</u>

Audit fee information

The following fees were paid or are payable to PricewaterhouseCoopers (Cambodia) Ltd.

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Statutory audit	114,000	468,540	-	-
Assurance engagements				
Special purpose financial statements audit	60,000	246,600	-	-
Quarter 1 ending 31 March 2023 review	18,500	76,035	-	-
	<u>192,500</u>	<u>791,175</u>		

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

30. INCOME TAX EXPENSE

a) Income tax expense

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Current income tax	28,731,783	118,087,628	47,234,851	193,048,836
Under provision from prior year	-	-	1,156,005	4,724,592
Tax incentive on bond listing	-	-	(783,078)	(3,200,440)
Deferred income tax	(6,311,390)	(25,939,813)	(2,789,245)	(11,399,644)
	<u>22,420,393</u>	<u>92,147,815</u>	<u>44,818,533</u>	<u>183,173,344</u>

b) Reconciliation between income tax expenses and accounting profit

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	109,340,977	449,391,416	226,093,878	924,045,678
Effective tax rate at 20%	21,868,195	89,878,281	45,218,776	184,809,138
<i>Tax effects in respect of:</i>				
Expenses not deductible for tax purposes	552,198	2,269,534	382,835	1,564,646
Tax incentive on bond listing	-	-	(783,078)	(3,200,440)
Income tax expenses	<u>22,420,393</u>	<u>92,147,815</u>	<u>44,818,533</u>	<u>183,173,344</u>

Under the Cambodian tax regulations, the Bank is subject to 20% Income Tax.

c) Other matters

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

On 26 April 2022, the Company received a tax notification letter from the General Department of Taxation ("GDT") for a comprehensive tax audit for the period from 1 January 2020 to 31 December 2021. As at the date of this report, the GDT has yet issued any result to the Bank.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

31. CASH AND CASH EQUIVALENTS

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
Cash on hand	114,593,282	468,113,557	127,423,827	524,603,896
<i>Deposits and placements with National Bank of Cambodia:</i>				
Current accounts	90,982,203	371,662,299	64,590,618	265,919,574
Term deposits (original term of three months or less)	2,530,318	10,336,349	372,869	1,535,102
<i>Deposits and placements with the other banks:</i>				
Current accounts	17,101,048	69,857,781	2,858,502	11,768,453
Savings accounts	739,736	3,021,822	147,697	608,069
Term deposits (original term of three months or less)	-	-	3,000,000	12,351,000
Cash and cash equivalents	<u>225,946,587</u>	<u>922,991,808</u>	<u>198,393,513</u>	<u>816,786,094</u>

32. CASHFLOW INFORMATION**a) Cash flow from operations**

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Profit for before income tax	109,340,977	449,391,416	226,093,878	924,045,678
<i>Adjustments for:</i>				
Depreciation and amortisation charges (Note 28)	7,696,640	31,633,190	6,781,962	27,717,879
Credit impairment loss (Note 26)	123,102,868	505,952,787	14,899,246	60,893,219
Loss/(Gain) on disposal of property and equipment	8,670	35,634	(99,235)	(405,573)
Gain on early terminate and modification of lease contract	(269,623)	(1,108,151)	-	-
Employee benefits expenses (Note 27)	4,220,796	17,347,472	4,909,046	20,063,271
Unrealised gain/loss	(2,451,712)	(10,076,537)	3,284,314	13,422,991
Net Interest income (Note 23)	(348,625,262)	(1,432,849,827)	(361,128,210)	(1,475,930,994)
<i>Changes in working capital:</i>				
Statutory deposits	(116,912,764)	(480,511,460)	(22,734,931)	(92,917,663)
Loans and advances	(317,468,154)	(1,304,794,113)	(620,522,212)	(2,536,074,280)
Other assets	(2,934,136)	(12,059,299)	(2,552,587)	(10,432,424)
Deposits from banks and other financial institutions	20,145,061	82,796,201	(31,120,531)	(127,189,610)
Deposits from customers	222,071,980	912,715,838	183,018,294	747,995,768
Other liabilities	(2,589,444)	(10,642,615)	(1,629,266)	(6,658,810)
Cash used in operations	<u>(304,664,103)</u>	<u>(1,252,169,464)</u>	<u>(600,800,232)</u>	<u>(2,455,470,548)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

32. CASHFLOW INFORMATION (continued)**b) Net debt reconciliation**

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
Net debt				
Cash and cash equivalents	225,946,587	922,991,808	198,393,513	816,786,094
Borrowings	(1,394,794,360)	(5,697,734,961)	(971,259,425)	(3,998,675,053)
Subordinated debts	(50,804,364)	(207,535,827)	(89,677,427)	(369,201,967)
Debt securities	-	-	(31,168,428)	(128,320,418)
Lease liabilities	(19,922,591)	(81,383,784)	(18,973,227)	(78,112,776)
Net debt	<u>(1,239,574,728)</u>	<u>(5,063,662,764)</u>	<u>(912,684,994)</u>	<u>(3,757,524,120)</u>
Cash and liquid investments	225,946,587	922,991,808	198,393,513	816,786,094
Gross debt – fixed interest rates	(29,605,235)	(120,937,385)	(440,970,024)	(1,815,473,589)
Gross debt – variable interest rates	<u>(1,435,916,080)</u>	<u>(5,865,717,187)</u>	<u>(670,108,483)</u>	<u>(2,758,836,625)</u>
Net debt	<u>(1,239,574,728)</u>	<u>(5,063,662,764)</u>	<u>(912,684,994)</u>	<u>(3,757,524,120)</u>

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

32. CASHFLOW INFORMATION (continued)

b) Net debt reconciliation (continued)

	Borrowings US\$	Subordinated debt US\$	Debt securities US\$	Lease liabilities US\$	Sub-total US\$	Cash and cash equivalents US\$	Total US\$
Net debt as at 1 January 2022	(829,821,864)	(105,191,790)	(31,342,099)	(15,591,438)	(981,947,191)	364,927,185	(617,020,006)
Cash flows	(143,420,060)	15,321,929	-	2,534,300	(125,563,831)	(166,533,672)	(292,097,503)
New leases	-	-	-	(6,782,138)	(6,782,138)	-	(6,782,138)
Foreign exchange differences	2,041,347	-	174,946	(187,487)	2,028,806	-	2,028,806
Other changes - non cash	(58,848)	192,434	(1,275)	1,053,536	1,185,847	-	1,185,847
Net debt as at 31 December 2022	(971,259,425)	(89,677,427)	(31,168,428)	(18,973,227)	(1,111,078,507)	198,393,513	(912,684,994)
In KHR '000 equivalent	<u>(3,998,675,053)</u>	<u>(369,201,967)</u>	<u>(128,320,418)</u>	<u>(78,112,776)</u>	<u>(4,574,310,214)</u>	<u>816,786,094</u>	<u>(3,757,524,120)</u>
Net debt as at 1 January 2023	(971,259,425)	(89,677,427)	(31,168,428)	(18,973,227)	(1,111,078,507)	198,393,513	(912,684,994)
Cash flows	(114,177,358)	38,500,000	30,911,300	4,638,970	(40,127,088)	27,553,074	(12,574,014)
New leases	-	-	-	(5,066,817)	(5,066,817)	-	(5,066,817)
Foreign exchange differences	(1,320,288)	(64,691)	(144,175)	(114,988)	(1,644,142)	-	(1,644,142)
Other changes - non cash	(308,037,289)	437,754	401,303	(406,529)	(307,604,761)	-	(307,604,761)
Net debt as at 31 December 2023	(1,394,794,360)	(50,804,364)	-	(19,922,591)	(1,465,521,315)	225,946,587	(1,239,574,728)
In KHR '000 equivalent	<u>(5,697,734,961)</u>	<u>(207,535,827)</u>	<u>-</u>	<u>(81,383,784)</u>	<u>(5,986,654,572)</u>	<u>922,991,808</u>	<u>(5,063,662,764)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

33. COMMITMENTS**a) Loan commitments**

Contractual amounts arising from off-balance sheet financial instruments that the Bank committed to extend credit to customers are as follows:

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
Unused portion of overdrafts	3,145,352	12,848,763	-	-
Guarantees	2,371,315	9,686,822	-	-
Net exposure	5,516,667	22,535,585	-	-

b) Lease commitment

Lease commitments for low-value assets and short-term leases are immaterial.

34. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank 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 year end and relating expenses and income for the year are as follows:

a) Related parties and relationship

The related parties of and their relationship with the Bank are as follows:

Relationship	Related party
Ultimate parent	KB FINANCIAL GROUP INC.
Immediate parent	Kookmin Bank Co, Ltd.
Related company	Kookmin Bank Cambodia Plc KB Daehan Specialised Bank Plc. Kookmin Bank Hong Kong Branch KB Bank Myanmar Co., Ltd.
Key management personnel	All directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Loans and advances to key management personnel

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Loans to key management personnel	818,519	3,343,650	527,521	2,171,804
	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Interest income	61,415	252,416	62,386	254,972

Loans and advances to key management personnel are secured and having interest rate of 4.10% to 10.80% per annum (2022: 8.00% to 10.80% per annum). Allowances for expected credit losses for loans to related parties recognised during the year of US\$ 3,279 (31 December 2022: US\$ 690).

c) Borrowings from parent and related companies

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Outstanding borrowings</i>				
Kookmin Bank Co, Ltd.	630,665,097	2,576,266,921	135,444,846	557,626,431
Kookmin Bank Cambodia Plc	-	-	7,938,656	32,683,447
KB Daehan Specialized Bank Plc	-	-	2,922,965	12,033,847
Kookmin Bank Hong Kong Branch	-	-	135,860,538	559,337,835
	<u>630,665,097</u>	<u>2,576,266,921</u>	<u>282,167,005</u>	<u>1,161,681,560</u>
	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Interest expense</i>				
Kookmin Bank Co. Ltd	42,722,378	175,588,974	2,389,394	9,765,453
Kookmin Bank Hong Kong Branch	-	-	7,386,081	30,186,913
	<u>42,722,378</u>	<u>175,588,974</u>	<u>9,775,475</u>	<u>39,952,366</u>

Please refer to Note 16 for key terms and conditions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Subordinated debts from parent

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Outstanding subordinated debts</i>				
Kookmin Bank Hong Kong Branch	<u>40,232,289</u>	<u>164,348,901</u>	<u>50,274,973</u>	<u>206,982,064</u>
	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Interest expense</i>				
Kookmin Bank Hong Kong Branch	<u>4,402,132</u>	<u>18,092,763</u>	<u>4,538,921</u>	<u>18,550,570</u>

Please refer to Note 21 for key terms and conditions.

e) Deposits from related parties

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
Board of directors	74,627	304,851	60,534	249,218
Key management personnel	11,864,499	48,466,478	15,994,386	65,848,887
KB Daehan Specialized Bank Plc	374,006	1,527,815	970	3,993
KB Bank Myanmar Co., Ltd	23,127,290	94,474,980	22,451,500	92,432,826
Kookmin Bank Seoul	-	-	-	-
Interest payable	<u>543,034</u>	<u>2,218,294</u>	<u>575,177</u>	<u>2,368,002</u>
	<u>35,983,456</u>	<u>146,992,418</u>	<u>39,082,567</u>	<u>160,902,926</u>
	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Interest expense</i>				
Board of directors	3,946	16,218	1,424	5,820
Key managements	667,518	2,743,499	818,664	3,345,880
KB Bank Myanmar Co., Ltd	<u>1,059,622</u>	<u>4,355,046</u>	<u>617,686</u>	<u>2,543,013</u>
	<u>1,731,086</u>	<u>7,114,763</u>	<u>1,437,774</u>	<u>5,894,713</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

34. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

e) Deposits from related parties (continued)

Annual interest rates during the year are as follows:

	31 December 2023		31 December 2022	
	Min	Max	Min	Max
Shareholders				
Board of directors				
Savings				
- KHR		1.50%		N/A
- USD		1.50%-2.50%		2.50%
Time Deposits				
- USD		5.75%-8.25%		5.50%-7.50%
Key management personnel				
Savings				
- KHR		1.50%-2.50%		1.50%-2.50%
- USD		1.50%-2.75%		1.50%-2.75%
Time Deposits				
- KHR		6.00%-8.50%		4.00%-8.00%
- USD		3.50%-8.25%		3.50%-8.00%
Related companies				
Time Deposits				
- USD		6.00%		3.50%
Borrowing				
- KHR		N/A		6.20%
- USD		6.48%-10.46%		4.84%-9.57%

f) Key management compensation

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	US\$	KHR'000	US\$	KHR'000
<i>Directors' fees</i>	284,816	1,170,594	277,097	1,132,495
<i>Key management personnel</i>				
Management incentive – short term	2,356,423	9,684,899	5,636,800	23,037,602
Salaries and employee benefits – short term	8,176,118	33,603,845	5,199,957	21,252,224
	<u>10,532,541</u>	<u>43,288,744</u>	<u>10,836,757</u>	<u>44,289,826</u>

KB PRASAC BANK PLC.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****35. BUSINESS COMBINATION**

PRASAC Microfinance Institution Plc. and Kookmin Bank Cambodia Plc. are wholly-owned subsidiaries of Kookmin Bank Co., Ltd. (KB), the management decided to use predecessor accounting for this merger and opted to use prospective approach from the date of merger. The balance of the merged entities as at 31 August 2023 would be the opening balance on 1 September 2023. PRASAC Microfinance Institution Plc. has changed its legal entity name to KB PRASAC Bank Plc. The merger is non-cash consideration and through issuance of 20,272,269 new shares to KB .

Under predecessor accounting, no goodwill is recognised for this merger. The difference between the carrying value of net assets and transaction costs is recorded as a reserve within equity. There was no business combination in 2022. The assets, liabilities and equity from the business combination under common control are as follows:

	US\$
Carrying value of net assets transferred	
ASSETS	
Cash on hand	4,869,052
Balances with the National Bank of Cambodia	84,642,956
Balances with other banks	32,834,405
Loans and advances to customers	403,766,048
Financial assets at FVOCI	25,588
Property and equipment	802,408
Right-of-use assets	1,205,079
Intangible assets	141,890
Deferred tax assets	880,227
Other assets	919,034
TOTAL ASSETS	530,086,687
LIABILITIES	
Deposits from banks and other financial institutions	38,892,784
Deposits from customers	23,219,005
Borrowings	353,742,924
Lease liabilities	1,229,044
Income tax payable	450,000
Other liabilities	335,865
TOTAL LIABILITIES	417,869,622
NET ASSETS	112,217,065
Issuance of share capital	20,272,269
Reserves (1)	91,944,796
	112,217,065
Cash and cash equivalents acquired	80,270,504
Effect of elimination of intercompany balances (2)	16,254
Cash and cash equivalents – adjusted	80,286,758

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

35. BUSINESS COMBINATION (continued)

- (1) The central bank issued letter No. B7-023-2377 Chor. Tor dated 30 October 2023 approving the inclusion of equity transferred from Kookmin Bank Cambodia Plc. into reserves, other than revaluation reserves. The initial approved amount was US\$112,675,751. As at 31 December 2023, US\$91,944,796 was allocated to the reserves.
- (2) Effect of elimination to net assets upon merger consists of deposits balance that KB PRASAC BANK PLC had with Kookmin Bank Cambodia Plc of US\$13,941 and other interest income of US\$2,313.

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

36. YEAR RECLASSIFICATION

The statement of profit or loss and other comprehensive income of prior year has been restated to reclassify certain information that is more relevant to its nature and consistent with the current year.

	As at 31 December 2022		Reclassification		As at 31 December 2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	<i>(Previously reported)</i>	<i>(Previously reported)</i>			<i>(Reclassified)</i>	<i>(Reclassified)</i>
Statement of profit or loss and other comprehensive income (extract)						
Interest income	593,225,622	2,424,513,117	13,540,656	55,340,661	606,766,278	2,479,853,778
Other income	9,738,461	39,801,090	(8,703,951)	(35,573,047)	1,034,510	4,228,043
Fees and commission income	9,678,144	39,554,575	(8,995,973)	(36,766,542)	682,171	2,788,033
Credit impairment losses	(19,058,514)	(77,892,147)	4,159,268	16,998,928	(14,899,246)	(60,893,219)
	<u>593,583,713</u>	<u>2,425,976,635</u>	<u>-</u>	<u>-</u>	<u>593,583,713</u>	<u>2,425,976,635</u>

Notes on reclassification:

- 1) Penalty from early loans paid off of US\$4,544,683 was reclassified from other income to interest income.
- 2) Refinancing fee charged for loan modification is a modification gain and is an integral part of the effective interest rate, so US\$8,995,973 was reclassified from fee and commission income to interest income.
- 3) Recovery from loan previously written is a reversal of impairment loss, so US\$4,159,268 was reclassified from other income to credit impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT

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

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

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

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
Financial assets				
<i>Financial assets measured at amortised costs:</i>				
Cash on hand	114,593,282	468,113,557	127,423,827	524,603,896
Deposits and placements with National Bank of Cambodia	99,163,350	405,082,285	65,508,803	269,699,742
Deposits and placements with other banks	17,826,886	72,822,829	5,946,137	24,480,246
Loans and advances	4,906,047,296	20,041,203,204	4,296,121,785	17,687,133,389
Other financial assets	2,705,133	11,050,468	932,610	3,839,555
	<u>5,140,335,947</u>	<u>20,998,272,343</u>	<u>4,495,933,162</u>	<u>18,509,756,828</u>
Financial assets at fair value through other comprehensive income	53,755	219,589	28,167	115,964
Total financial assets	<u>5,140,389,702</u>	<u>20,998,491,932</u>	<u>4,495,961,329</u>	<u>18,509,872,792</u>
Financial liabilities				
<i>Financial liabilities measured at amortised cost:</i>				
Deposits from banks and other financial institutions	109,827,245	448,644,296	50,037,118	206,002,815
Deposits from customers	3,000,373,984	12,256,527,725	2,727,207,862	11,227,914,768
Borrowings	1,394,794,360	5,697,734,961	971,259,425	3,998,675,053
Debt securities	-	-	31,168,428	128,320,418
Lease liabilities	19,922,591	81,383,784	18,973,227	78,112,776
Subordinated debts	50,804,364	207,535,827	89,677,427	369,201,967
Other liabilities	6,062,586	24,765,664	6,898,723	28,402,043
Total financial liabilities	<u>4,581,785,130</u>	<u>18,716,592,257</u>	<u>3,895,222,210</u>	<u>16,036,629,840</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk

a) Credit risk measurement

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises from deposits and placements with the central bank, deposits and placements with other banks, loans and advances, other financial assets at amortised cost, and credit commitments. Credit exposure arises principally in lending activities. Credit risk is managed on a group basis.

Central bank has no historical loss, and with strong capacity to meet obligation in near term, expected credit loss for deposits and placements with the central bank are nil. Deposits and placements with other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows a three-stage approach in Note 37.1 (c).

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

b) Risk limit control and mitigation policies

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

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

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

c) Impairment (expected credit loss), write-off, and modification of financial assets policies

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

- c) Impairment (expected credit loss), write-off, and modification of financial assets policies (continued)

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

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

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

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

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition. A borrower is considered to have credit risk increased significantly since initial recognition if past due is 30 days or more.

- (ii) Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

c) Impairment (expected credit loss), write-off, and modification of financial assets policies (continued)

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

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

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

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

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

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

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

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting year except for the change described in Note 37 f) (iv).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

c) Impairment (expected credit loss), write-off, and modification of financial assets policies (continued)

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

The estimation of ECL considers forward-looking information. The Bank has performed statistical analysis based on historical experience to identify the key economic variables impacting credit risk and expected credit losses for each portfolio.

The analysis is performed on PD to understand the impact changes in these variables have had historically on default rate. Historical economic variables for analysis are sourced from National Bank of Cambodia, International Monetary Fund and World Bank published data.

As at 31 December 2023

The statistic regression analysis shows no relationship of these economic variables on historical default rate, which is a reflective relationship of the current economic condition.

The Bank assumed a certain correlation and applied a forward-looking scalar estimate on the historical probability of default and loss given default. The Bank has performed directional verification as a back-testing and assessed that the scalar is appropriate. The management assessed that the approach effectively absorb the credit risk for the recent economic condition.

MEVs for baseline, upside, and downside scenarios are computed by adjusting the baseline MEVs with plus/minus two standard deviation. A probability-weighted scenarios is then applied as the followings:

Probability weighted outcome

PWO	Baseline	Upside	Downside
As at 31 December 2023	20%	20%	60%

As at 31 December 2022

In order to forecast the probability of default for future years, the known quarterly Observed Default Rates (ODRs) are regressed against the quarterly macro-economic variables ("MEVs") values. The Bank applied probability weighted scenarios to forecast future MEVs.

A forward-looking scalar is computed as the ratio of the ODR based on the most recently known MEVs and the forecasted MEVs.

MEVs for baseline, upside, and downside scenarios are computed by adjusting the baseline MEVs with plus/minus two standard deviation. A probability-weighted scenarios is then applied as the followings:

Probability weighted outcome

PWO	Baseline	Upside	Downside
As at 31 December 2022	40%	20%	40%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

c) Impairment (expected credit loss), write-off, and modification of financial assets policies (continued)

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

The Bank is to periodically perform statistical analysis and monitor its portfolio's circumstances.

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

Sensitivity analysis:

The most significant assumptions affecting the ECL allowance is the change in weightings determined for each of the economic scenarios.

The Bank is to periodically perform statistical analysis and monitor its portfolios's circumstances.

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

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

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The appropriateness of groupings is monitored and reviewed on a periodic basis.

(v) Write off policy

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.1 Credit risk (continued)**

c) Impairment (expected credit loss), write-off, and modification of financial assets policies (continued)

(vii) Modification of loans

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

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

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

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

	Maximum credit exposure US\$	Maximum credit exposure KHR '000
31 December 2022		
On-balance sheet items		
Deposits and placements with other banks	5,946,137	24,480,246
Loans and advances to customers	4,296,121,785	17,687,133,389
Other financial assets	932,610	3,839,555
Total	4,303,000,532	17,715,453,190
Off-balance sheet items		
Commitments	-	-
31 December 2023		
On-balance sheet items		
Deposits and placements with other banks	17,826,886	72,822,829
Loans and advances to customers	4,906,047,296	20,041,203,204
Other financial assets	2,705,133	11,050,469
Total	4,926,579,315	20,125,076,502
Off-balance sheet items		
Commitments	3,145,352	12,848,763

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
37. FINANCIAL RISK MANAGEMENT (continued)
37.1 Credit risk (continued)

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

The above table represents a worst-case scenario of credit risk exposure to the Bank, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As shown above, 99.9% for the Bank (2022: 99.9%) of total maximum exposure is derived from deposits and placements with the central banks, deposits and placements with other banks, and loans and advances. While deposits and placements with the central bank and deposits and placements with other banks are low credit risk, management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Bank's loans and advances due to the following:

- Most loans and advances are collateralised
- The Bank has a proper credit evaluation process in place for granting of loans and advances.

- e) Credit quality of financial assets

Loans and advances and credit commitments

The Bank assesses credit quality of loans, advances and financing using NBC classification. Credit quality description is summarised as follows:

NBC classification	Days past due (DPD)	Credit Quality	Description
Standard	Short term: $0 \leq \text{DPD} \leq 14$ Long term: $0 \leq \text{DPD} < 30$	Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment.
Special mention	Short term: $15 \leq \text{DPD} \leq 30$ Long term: $30 \leq \text{DPD} < 90$	Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Sub-standard	Short term: $31 \leq \text{DPD} \leq 60$ Long term: $90 \leq \text{DPD} < 180$		
Doubtful	Short term: $61 \leq \text{DPD} \leq 90$ Long term: $180 \leq \text{DPD} < 360$	Default/Credit impaired	Obligors are assessed to be impaired.
Loss	Short term: $\text{DPD} \geq 91$ Long term: $\text{DPD} \geq 360$		

Financial assets other than loans and advances and credit commitments

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.1 Credit risk** (continued)

e) Credit quality of financial assets (continued)

Financial assets other than loans and advances and credit commitments (continued)

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

	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
31 December 2023				
Deposits and placements with other banks				
Investment grade	16,950,564	-	-	16,950,564
Non-investment grade	-	-	-	-
No rating	890,220	-	-	890,220
Gross carrying amount	17,840,784	-	-	17,840,784
Loss allowance (ECL)	(13,898)	-	-	(13,898)
Net carrying amount	17,826,886	-	-	17,826,886
In KHR '000 equivalent	72,822,829	-	-	72,822,829
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
31 December 2022				
Deposits and placements with other banks				
Investment grade	5,846,558	-	-	5,846,558
Non-investment grade	-	-	-	-
No rating	159,640	-	-	159,640
Gross carrying amount	6,006,198	-	-	6,006,198
Loss allowance (ECL)	(60,061)	-	-	(60,061)
Net carrying amount	5,946,137	-	-	5,946,137
In KHR '000 equivalent	24,480,246	-	-	24,480,246

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.1 Credit risk** (continued)

e) Credit quality of financial assets (continued)

Financial assets other than loans and advances and credit commitments (continued)

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

	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
31 December 2023				
Loans and advances at amortised cost				
Standard monitoring	4,430,926,206	-	-	4,430,926,206
Special monitoring	-	441,243,616	-	441,243,616
Default	-	-	194,307,522	194,307,522
Gross carrying amount	4,430,926,206	441,243,616	194,307,522	5,066,477,344
Loss allowance (ECL)	(17,414,841)	(22,012,672)	(121,002,535)	(160,430,048)
Net carrying amount	4,413,511,365	419,230,944	73,304,987	4,906,047,296
In KHR '000 equivalent	18,029,193,925	1,712,558,406	299,450,872	20,041,203,203
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
31 December 2022				
Loans and advances at amortised cost				
Standard monitoring	4,063,756,209	-	-	4,063,756,209
Special monitoring	-	232,790,030	-	232,790,030
Default	-	-	53,538,924	53,538,924
Gross carrying amount	4,063,756,209	232,790,030	53,538,924	4,350,085,163
Loss allowance (ECL)	(12,526,838)	(11,679,826)	(29,756,714)	(53,963,378)
Net carrying amount	4,051,229,371	221,110,204	23,782,210	4,296,121,785
In KHR '000 equivalent	16,678,911,320	910,310,710	97,911,359	17,687,133,389

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.1 Credit risk (continued)**

f) Loss allowance

Expected credit loss reconciliation – loans and advances to customers

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Expected Credit Losses				
Loss allowance as at 1 January 2023	12,526,838	11,679,826	29,756,714	53,963,378
<i>Changes due to exposure:</i>				
Transfer to stage 1	624,023	(278,544)	(345,479)	-
Transfer to stage 2	(908,257)	1,580,984	(672,727)	-
Transfer to stage 3	(2,133,234)	(5,890,494)	8,023,728	-
Net remeasurement of loss allowance	2,346,324	8,827,886	102,904,053	114,078,263
New financial assets originated or purchased	7,671,485	8,445,691	5,701,926	21,819,102
Financial assets collected during the period	(3,578,206)	(2,619,299)	(2,439,395)	(8,636,900)
Increase under legal merger with KBC	865,868	266,622	3,155,570	4,288,060
Written-off during the year	-	-	(25,081,855)	(25,081,855)
Loss allowance as at 31 December 2023	<u>17,414,841</u>	<u>22,012,672</u>	<u>121,002,535</u>	<u>160,430,048</u>
<i>In KHR'000 equivalent</i>	<u>71,139,625</u>	<u>89,921,765</u>	<u>494,295,355</u>	<u>655,356,745</u>

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

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2023	4,063,756,210	232,790,029	53,538,925	4,350,085,164
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	1,926,074	(1,272,168)	(653,906)	-
Transfer to stage 2	(251,678,188)	252,900,615	(1,222,427)	-
Transfer to stage 3	(125,249,906)	(41,936,434)	167,186,340	-
New financial assets originated or purchased	1,502,577,503	63,245,252	453,233	1,566,275,988
Financial assets collected during the period	(1,161,107,860)	(67,316,053)	(4,432,379)	(1,232,856,292)
Increase under legal merger with KBC	400,702,373	2,832,375	4,519,591	408,054,339
Written-off during the year	-	-	(25,081,855)	(25,081,855)
Gross carrying amount as at 31 December 2023	<u>4,430,926,206</u>	<u>441,243,616</u>	<u>194,307,522</u>	<u>5,066,477,344</u>
<i>In KHR'000 equivalent</i>	<u>18,100,333,552</u>	<u>1,802,480,171</u>	<u>793,746,227</u>	<u>20,696,559,950</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
37. FINANCIAL RISK MANAGEMENT (continued)**37.1 Credit risk (continued)**

f) Loss allowance (continued)

Expected credit loss reconciliation – loans and advances to customers (continued)

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Expected Credit Losses				
Loss allowance as at 1 January 2022	8,693,888	18,871,562	29,224,982	56,790,432
<i>Changes due to exposure:</i>				
Transfer to stage 1	1,437,316	(317,784)	(1,119,532)	-
Transfer to stage 2	(143,271)	3,113,461	(2,970,190)	-
Transfer to stage 3	(241,676)	(2,762,603)	3,004,279	-
Net remeasurement of loss allowance	(98,827)	(4,394,464)	23,742,902	19,249,611
New financial assets originated or purchased	5,029,391	712,317	795,085	6,536,793
Financial assets collected during the period	(2,149,983)	(3,542,663)	(1,078,775)	(6,771,421)
Written-off during the year	-	-	(21,842,037)	(21,842,037)
Loss allowance as at for the year ended 31 December 2022	<u>12,526,838</u>	<u>11,679,826</u>	<u>29,756,714</u>	<u>53,963,378</u>
<i>In KHR'000 equivalent</i>	<u>51,572,991</u>	<u>48,085,844</u>	<u>122,508,392</u>	<u>222,167,227</u>

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

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2022	3,324,506,816	377,764,550	50,740,126	3,753,011,492
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	2,789,401	(1,146,288)	(1,643,113)	-
Transfer to stage 2	(13,666,953)	18,091,345	(4,424,392)	-
Transfer to stage 3	(16,074,833)	(18,981,138)	35,055,971	-
New financial assets originated or purchased	2,183,870,650	3,149,529	1,461,860	2,188,482,039
Financial assets collected during the period	(1,417,668,871)	(146,087,969)	(5,809,491)	(1,569,566,331)
Write-offs	-	-	(21,842,037)	(21,842,037)
Gross carrying amount as at 31 December 2022	<u>4,063,756,210</u>	<u>232,790,029</u>	<u>53,538,924</u>	<u>4,350,085,163</u>
<i>In KHR'000 equivalent</i>	<u>16,730,484,317</u>	<u>958,396,549</u>	<u>220,419,750</u>	<u>17,909,300,616</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.1 Credit risk (continued)**

g) Concentration of financial assets with credit risk exposure

i. Industry sector

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

	Deposits and placements with other banks US\$	Loans and advances to customers US\$	Other assets US\$	Total US\$
31 December 2023				
Financial intermediaries	17,840,784	-	-	17,840,784
Trade and Commerce	-	1,291,884,451	-	1,291,884,451
Service	-	980,647,134	-	980,647,134
Real-estate Loans	-	729,505,406	-	729,505,406
Home Improvement	-	719,608,709	-	719,608,709
Agriculture	-	579,337,096	-	579,337,096
Auto Loan	-	337,341,289	-	337,341,289
Transportation	-	241,478,409	-	241,478,409
Construction	-	68,067,724	-	68,067,724
Personal Loan	-	65,621,582	-	65,621,582
Manufacture	-	52,985,544	-	52,985,544
Others	-	-	2,705,133	2,705,133
Total	17,840,784	5,066,477,344	2,705,133	5,087,023,261
Less: Expected credit loss	(13,898)	(160,430,048)	-	(160,443,946)
Net carrying amount	17,826,886	4,906,047,296	2,705,133	4,926,579,315
In KHR '000 equivalent	72,822,829	20,041,203,204	11,050,468	20,125,076,501
31 December 2022				
Financial intermediaries	6,006,198	-	-	6,006,198
Trade and Commerce	-	1,168,443,276	-	1,168,443,276
Service	-	715,963,592	-	715,963,592
Real-estate Loans	-	666,094,479	-	666,094,479
Home Improvement	-	580,109,380	-	580,109,380
Agriculture	-	514,068,358	-	514,068,358
Auto Loan	-	327,666,923	-	327,666,923
Transportation	-	253,111,335	-	253,111,335
Construction	-	47,556,510	-	47,556,510
Personal Loan	-	28,640,428	-	28,640,428
Manufacture	-	48,430,882	-	48,430,882
Others	-	-	932,610	932,610
Total	6,006,198	4,350,085,163	932,610	4,357,023,971
Less: Expected credit loss	(60,061)	(53,963,378)	-	(54,023,439)
Net carrying amount	5,946,137	4,296,121,785	932,610	4,303,000,532
In KHR '000 equivalent	24,480,246	17,687,133,389	3,839,555	17,715,453,190

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Market risk

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

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

a) Foreign exchange risk

The Bank operates in Cambodia and transacts in many currencies and is exposed to currency risks primarily with respect to Khmer Riel and Thai Baht.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.2 Market risk (continued)**

a) Foreign exchange risk (continued)

	In US\$ equivalent				
	USD	KHR	THB	Others	Total
31 December 2023					
Financial assets					
Cash on hand	78,043,229	36,241,252	308,801	-	114,593,282
Deposits and placements with National Bank of Cambodia	59,318,986	39,844,364	-	-	99,163,350
Deposits and placements with banks	16,353,715	787,101	46,829	639,241	17,826,886
Loans and advances	4,300,626,639	604,553,464	867,193	-	4,906,047,296
Financial assets at FVOCI	53,755	-	-	-	53,755
Other financial assets	2,702,449	2,684	-	-	2,705,133
	<u>4,457,098,773</u>	<u>681,428,865</u>	<u>1,222,823</u>	<u>639,241</u>	<u>5,140,389,702</u>
Financial liabilities					
Deposits from banks and other financial institutions	109,765,364	61,881	-	-	109,827,245
Deposits from customers	2,768,636,776	231,685,625	51,583	-	3,000,373,984
Borrowings	1,144,101,334	250,693,026	-	-	1,394,794,360
Debt securities issued	-	-	-	-	-
Lease liabilities	19,922,591	-	-	-	19,922,591
Subordinated debts	50,804,364	-	-	-	50,804,364
Other liabilities	5,768,506	293,090	990	-	6,062,586
	<u>4,098,998,935</u>	<u>482,733,622</u>	<u>52,573</u>	<u>-</u>	<u>4,581,785,130</u>
Net asset position	<u>358,099,838</u>	<u>198,695,243</u>	<u>1,170,250</u>	<u>639,241</u>	<u>558,604,572</u>
In KHR '000 equivalents	<u>1,462,837,838</u>	<u>811,670,068</u>	<u>4,780,471</u>	<u>2,611,299</u>	<u>2,281,899,676</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.2 Market risk (continued)**

a) Foreign exchange risk (continued)

	In US\$ equivalent			Total
	USD	KHR'000	THB	
31 December 2022				
Financial assets				
Cash on hand	114,419,602	12,736,052	268,173	127,423,827
Deposits and placements with National Bank of Cambodia	49,672,662	15,836,141	-	65,508,803
Deposits and placements with other banks	4,167,119	1,779,018	-	5,946,137
Loans and advances	3,758,355,853	534,637,214	3,128,718	4,296,121,785
Financial assets at fair value through other comprehensive income	28,167	-	-	28,167
Other financial assets	930,319	2,291	-	932,610
	<u>3,927,573,722</u>	<u>564,990,716</u>	<u>3,396,891</u>	<u>4,495,961,329</u>
Financial liabilities				
Deposits from banks and other financial institutions	50,013,944	23,174	-	50,037,118
Deposits from customers	2,546,046,345	181,026,036	135,481	2,727,207,862
Borrowings	798,375,467	172,883,958	-	971,259,425
Debt securities issued	-	31,168,428	-	31,168,428
Lease liabilities	18,973,227	-	-	18,973,227
Subordinated debts	89,677,427	-	-	89,677,427
Other liabilities	6,610,121	287,716	886	6,898,723
	<u>3,509,696,531</u>	<u>385,389,312</u>	<u>136,367</u>	<u>3,895,222,210</u>
Net asset position	<u>417,877,191</u>	<u>179,601,404</u>	<u>3,260,524</u>	<u>600,739,119</u>
In KHR '000 equivalents	<u>1,720,400,395</u>	<u>739,418,980</u>	<u>13,423,577</u>	<u>2,473,242,953</u>

Sensitivity analysis

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

The analysis below is based on the assumption that USD/KHR and USD/THB exchange rate had not increased or decreased over/under 2% or -2%, which is set based on the 1-year moving average of exchange rate from 2021 to 2023.

	31 December 2023		31 December 2022	
	-2% Depreciation US\$	+2% Appreciation US\$	-2% Depreciation US\$	+2% Appreciation US\$
KHR	(3,895,985)	4,055,005	(3,521,598)	3,665,335
THB	(22,947)	23,883	(63,932)	66,541
	<u>(3,918,932)</u>	<u>4,078,888</u>	<u>(3,585,530)</u>	<u>3,731,876</u>
In KHR '000 equivalents	<u>(16,008,837)</u>	<u>16,662,257</u>	<u>(14,761,627)</u>	<u>15,364,133</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Market risk (continued)

b) Securities price risk

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

c) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise.

The Bank's main interest rate risk arises from borrowings with variable rates if any, which exposes the Bank to cash flow interest rate risk. Majority of the borrowings at fixed rates are around 22.41% of the total borrowings of the Bank (2022: majority of the borrowings at fixed rates are around 31.04% of the total borrowings of the Bank). The Bank does not have fair value interest rate risk as the interest rates of financial instruments measured at amortised cost are similar to prevailing market rates.

The Bank have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken, and the management regularly monitors the mismatch. In addition, the management regularly analyses and foresees the expected changes in the interest rates and manages cash flow interest rate risk by assessing its impacts and developed actions to respond to the interest rate risk.

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

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Market risk (continued)

c) Interest rate risk (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
As at 31 December 2023							
Financial assets							
Cash on hand	-	-	-	-	-	114,593,282	114,593,282
Deposits and placements with National Bank of Cambodia	-	7,658,974	522,173	-	-	90,982,203	99,163,350
Deposits and placements with other banks	-	-	-	-	-	17,826,886	17,826,886
Loans and advances to customers	2,938,632	9,862,759	103,954,922	1,880,429,359	2,908,861,624	-	4,906,047,296
Financial assets at fair value through other comprehensive income	-	-	-	-	-	53,755	53,755
Other financial assets	-	-	-	-	-	2,705,133	2,705,133
	<u>2,938,632</u>	<u>17,521,733</u>	<u>104,477,095</u>	<u>1,880,429,359</u>	<u>2,908,861,624</u>	<u>226,161,259</u>	<u>5,140,389,702</u>
Financial liabilities							
Deposits from banks and other financial institutions	20,346,755	6,265,596	81,663,820	1,551,074	-	-	109,827,245
Deposits from customers	366,035,324	649,857,940	1,869,736,595	113,843,641	900,484	-	3,000,373,984
Borrowings	38,977,099	106,564,408	420,637,672	827,397,285	1,217,896	-	1,394,794,360
Debt securities issued	460,224	878,892	3,665,897	11,268,888	3,648,690	-	19,922,591
Lease liabilities	-	-	-	-	-	-	-
Subordinated debts	-	-	-	50,804,364	-	-	50,804,364
	-	-	-	-	-	6,062,586	6,062,586
Other liabilities	<u>425,819,402</u>	<u>763,566,836</u>	<u>2,375,703,984</u>	<u>1,004,865,252</u>	<u>5,767,070</u>	<u>6,062,586</u>	<u>4,581,785,130</u>
Interest sensitivity gap	<u>(422,880,770)</u>	<u>(746,045,103)</u>	<u>(2,271,226,889)</u>	<u>875,564,107</u>	<u>2,903,094,554</u>	<u>220,098,673</u>	<u>558,604,572</u>
In KHR '000 equivalent	<u>(1,727,467,945)</u>	<u>(3,047,594,246)</u>	<u>(9,277,961,842)</u>	<u>3,576,679,377</u>	<u>11,859,141,253</u>	<u>899,103,079</u>	<u>2,281,899,677</u>

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Market risk (continued)

c) Interest rate risk (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
As at 31 December 2022							
Financial assets							
Cash on hand	-	-	-	-	-	127,423,827	127,423,827
Deposits and placements with National Bank of Cambodia	150,000	370,027	398,158	-	-	64,590,618	65,508,803
Deposits and placements with other banks	3,094,930	-	-	-	-	2,851,207	5,946,137
Loans and advances to customers	2,079,893	6,599,797	59,254,626	1,859,305,813	2,368,881,656	-	4,296,121,785
Financial assets at fair value through other comprehensive income	-	-	-	-	-	28,167	28,167
Other financial assets	-	-	-	-	-	932,610	932,610
	<u>5,324,823</u>	<u>6,969,824</u>	<u>59,652,784</u>	<u>1,859,305,813</u>	<u>2,368,881,656</u>	<u>195,826,429</u>	<u>4,495,961,329</u>
Financial liabilities							
Other finance institutions	13,019,774	5,225,741	31,791,603	-	-	-	50,037,118
Deposits from customers	419,606,323	558,087,780	1,673,420,231	74,091,296	2,002,232	-	2,727,207,862
Borrowings	-	152,248,998	134,038,815	680,915,233	4,056,379	-	971,259,425
Debt securities issued	-	-	31,168,428	-	-	-	31,168,428
Lease liabilities	339,487	665,933	2,993,534	11,177,715	3,796,558	-	18,973,227
Subordinated debts	-	-	3,026,338	86,651,089	-	-	89,677,427
Other liabilities	-	-	-	-	-	6,898,723	6,898,723
	<u>432,965,584</u>	<u>716,228,452</u>	<u>1,876,438,949</u>	<u>852,835,333</u>	<u>9,855,169</u>	<u>6,898,723</u>	<u>3,895,222,210</u>
Interest sensitivity gap	<u>(427,640,761)</u>	<u>(709,258,628)</u>	<u>(1,816,786,165)</u>	<u>1,006,470,480</u>	<u>2,359,026,487</u>	<u>188,927,706</u>	<u>600,739,119</u>
In KHR '000 equivalent	<u>(1,760,597,013)</u>	<u>(2,920,017,771)</u>	<u>(7,479,708,641)</u>	<u>4,143,638,966</u>	<u>9,712,112,047</u>	<u>777,815,366</u>	<u>2,473,242,954</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.2 Market risk** (continued)

c) Interest rate risk (continued)

Sensitivity

Profit or loss is sensitive to higher or lower interest income from financial instruments at floating rate as a result of changes in interest rates. There are no other component of equity sensitive to higher or lower interest income from financial instruments at floating rate as a result of changes in interest rates.

Table below summarises impact on post tax profit for the Bank for the year and in 2022.

	Impact on post tax profit	
	US\$	KHR '000
2023		
Interest rate increase by 200 basis point		
Interest rate decrease by 200 basis point	17,314,770 (17,314,770)	70,730,835 (70,730,835)
2022		
Interest rate increase by 200 basis point	10,658,000	43,878,986
Interest rate decrease by 200 basis point	(10,658,000)	(43,878,986)

37.3 Liquidity risk

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

a) Liquidity risk management process

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

b) Funding approach

The Bank's main sources of liquidity arise from shareholders' capital contribution, customers' deposits, and borrowings. The sources of liquidity are regularly reviewed by management through review of maturity of term deposits and the key depositors.

c) Non-derivative cash flows

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

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
As at 31 December 2023						
Financial assets						
Cash on hand	114,593,282	-	-	-	-	114,593,282
Balance with the NBC	90,982,203	7,677,438	526,471	-	-	99,186,112
Deposit with other banks	17,826,886	-	-	-	-	17,826,886
Loans and advances to customers	188,166,353	283,915,851	1,212,770,999	4,203,805,347	1,214,066,651	7,102,725,201
Financial assets at fair value through other comprehensive income	53,755	-	-	-	-	53,755
Other assets	2,705,133	-	-	-	-	2,705,133
	<u>414,327,612</u>	<u>291,593,289</u>	<u>1,213,297,470</u>	<u>4,203,805,347</u>	<u>1,214,066,651</u>	<u>7,337,090,369</u>
Financial liabilities						
Deposits from banks and financial institutions	20,389,801	6,344,462	84,789,047	1,857,397	-	113,380,707
Deposits from customers	366,641,863	657,582,903	1,965,257,794	133,961,200	1,344,069	3,124,787,829
Borrowings	98,943,960	172,335,937	551,116,215	667,559,227	154,545	1,490,109,884
Debt securities issued	-	-	-	-	-	-
Lease liabilities	591,846	1,124,866	4,664,866	13,940,629	4,104,408	24,426,615
Subordinated debts	-	-	17,751,777	42,943,895	-	60,695,672
Other liabilities	6,062,586	-	-	-	-	6,062,586
	<u>492,630,056</u>	<u>837,388,168</u>	<u>2,623,579,699</u>	<u>860,262,348</u>	<u>5,603,022</u>	<u>4,819,463,293</u>
Liquidity gap	<u>(78,302,444)</u>	<u>(545,794,879)</u>	<u>(1,410,282,229)</u>	<u>3,343,542,999</u>	<u>1,208,463,629</u>	<u>2,517,627,076</u>
In KHR '000 equivalents	<u>(319,865,484)</u>	<u>(2,229,572,081)</u>	<u>(5,761,002,905)</u>	<u>13,658,373,151</u>	<u>4,936,573,924</u>	<u>10,284,506,605</u>
Off-balance-sheet items						
Unused portion of approved credit facilities – term loans and overdrafts, and guarantees	3,145,352	-	-	-	-	3,145,352
In KHR '000 equivalents	<u>12,848,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,848,763</u>

KB PRASAC BANK PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	6 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
As at 31 December 2022						
Financial assets						
Cash on hand	127,423,827	-	-	-	-	127,423,827
Balance with the NBC	64,740,618	391,420	500,999	-	-	65,633,037
Deposit with other banks	6,006,199	-	-	-	-	6,006,199
Loans and advances to customers	141,911,181	255,298,849	1,067,663,119	3,716,778,234	862,410,802	6,044,062,185
Financial assets at fair value through other comprehensive income	28,167	-	-	-	-	28,167
Other assets	932,610	-	-	-	-	932,610
	<u>341,042,602</u>	<u>255,690,269</u>	<u>1,068,164,118</u>	<u>3,716,778,234</u>	<u>862,410,802</u>	<u>6,244,086,025</u>
Financial liabilities						
Deposits from banks and financial institutions	13,032,147	5,263,713	32,631,988	-	-	50,927,848
Deposits from customers	413,518,730	571,016,909	1,749,573,986	85,818,661	2,015,988	2,821,944,274
Borrowings	12,242,344	220,123,777	254,501,684	584,379,659	787,943	1,072,035,407
Lease liabilities	325,315	674,796	3,298,928	12,925,861	4,812,874	22,037,774
Debt securities issued	-	-	32,054,894	-	-	32,054,894
Subordinated debts	1,290,065	23,750	28,793,408	79,416,823	-	109,524,046
Other liabilities	6,898,723	-	-	-	-	6,898,723
	<u>447,307,324</u>	<u>797,102,945</u>	<u>2,100,854,888</u>	<u>762,541,004</u>	<u>7,616,805</u>	<u>4,115,422,966</u>
Liquidity gap	<u>(106,264,722)</u>	<u>(541,412,676)</u>	<u>(1,032,690,770)</u>	<u>2,954,237,230</u>	<u>854,793,997</u>	<u>2,128,663,059</u>
In KHR '000 equivalents	<u>(437,491,861)</u>	<u>(2,228,995,987)</u>	<u>(4,251,587,900)</u>	<u>12,162,594,676</u>	<u>3,519,186,886</u>	<u>8,763,705,814</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.4 Fair value of financial assets and liabilities

a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Bank classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Bank's financial assets measured and recognised at fair value as at 31 December 2023 and 31 December 2022 on a recurring basis:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
As at 31 December 2023				
Financial assets				
Financial assets	-	-	-	-
Financial assets at FVOCI	-	-	-	-
Equity securities	-	-	53,755	53,755
Total financial assets	-	-	53,755	53,755
<i>In KHR'000 equivalent</i>	-	-	219,589	219,589
As at 31 December 2022				
Financial assets				
Financial assets	-	-	-	-
Financial assets at FVOCI	-	-	-	-
Equity securities	-	-	28,167	28,167
Total financial assets	-	-	28,167	28,167
<i>In KHR'000 equivalent</i>	-	-	115,964	115,964

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)

37.4 Fair value of financial assets and liabilities (continued)

b) Fair value measurements using significant unobservable inputs (level 3)

The unlisted equity securities are the investment in Credit Bureau Cambodia (CBC) to be measured at fair value through other comprehensive income as they are not held for trading and the Bank has irrevocably elected at initial recognition to recognize as the financial assets at FVOCI. These are the strategic investments and the Bank considers this classification to be more relevant.

The fair value of FVOCI have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

There is no gain/loss recognized in other comprehensive income due to fair value approximate the carrying amount.

c) Financial instruments not measured at fair value

As at the balance sheet date, the fair values of financial instruments of the Bank 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

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

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 is approximate to their carrying value as reporting date.

(iii) 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 values due to the relatively short maturity of these instruments. The fair value of deposits and placements of other banks and financial institutions and deposits from customers with remaining maturities of one year or more are expected to approximate their carrying amount due to the Bank offered similar interest rate of the instrument with similar maturities and terms.

(iv) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

37. FINANCIAL RISK MANAGEMENT (continued)**37.4 Fair value of financial assets and liabilities (continued)**

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

(v) Borrowings and subordinated debts

Borrowings and subordinated debts at fixed rate issued are not quoted in active market while float rate borrowings and subordinated debts are periodically reset, and their fair value approximate their carrying amount because the rates are similar to the prevailing market rates of borrowings with similar terms and maturities.

(vi) Debt securities

The estimated fair value of debt securities is generally based on quoted and observable market prices at the date of statement of financial position. They are not presently traded. The estimated fair values of debt securities are approximate their carrying values based on estimated future cash flows using prevailing market rates.

37.5 Capital management

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

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

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

The table below summarises the composition of the regulatory capital:

	As at 31 December 2023		As at 31 December 2022	
	US\$	KHR '000	US\$	KHR '000
Tier 1 capital				
Share capital	600,000,000	2,451,000,000	400,000,000	1,646,800,000
Reserves	91,944,796	375,594,492	-	-
Retained earnings	194,716,345	795,416,269	145,318,836	598,277,649
Net profit for the last financial year	86,920,584	355,070,586	181,275,345	746,310,595
Less: Intangible assets and goodwill	(16,480,293)	(67,321,997)	(1,079,327)	(4,443,589)
Less: Loans to related parties	(817,303)	(3,338,685)	(527,521)	(2,171,804)
	<u>956,284,129</u>	<u>3,906,420,665</u>	<u>724,987,333</u>	<u>2,984,772,851</u>
Tier 2 complementary capital				
General provision	47,411,359	193,675,402	40,776,537	167,877,003
Subordinated debt approved by NBC	<u>50,500,000</u>	<u>206,292,500</u>	<u>89,000,000</u>	<u>366,413,000</u>
	<u>97,911,359</u>	<u>399,967,902</u>	<u>129,776,537</u>	<u>534,290,003</u>
Total Net Worth	<u>1,054,195,488</u>	<u>4,306,388,567</u>	<u>854,763,870</u>	<u>3,519,062,854</u>