BANGKOK BANK PUBLIC COMPANY LIMITED,
CAMBODIA BRANCH

Financial Statements
for the year ended 31 December 2021
and
Report of the Independent Auditors

Corporate information

Branch	Bangkok Bank Public Company Limited, Cambodia Branch	
Registration No.	00011981	
Registered office	No. 344 (1st and 2nd Floor), Mao Tse Toung Boulevard Sangkat Toul Svay Prey I Khan Chamkarmon Phnom Penh, Kingdom of Cambodia	
Head Office	Bangkok Bank Public Company Limited, Thailand	
Executive Management	Ms. Yiamsri Ubonpong	Assistant Vice President and Branch Manager (transferred to Head office on 6 April 2022)
	Ms. Narisa Panumas	Assistant Vice President and Operation Manager
	Ms. Pranee Siriswaspiphat	Assistant Vice President and Compliance Manager
	Mr. Wanchat Mangkhalodom	Assistant Credit & Marketing Manager
	Ms. Pisey Kuy	Senior Human Resources & General Administration Specialist (resigned on 5 January 2022)
Auditors	KPMG Cambodia Ltd	

Bangkok Bank Public Company Limited, Cambodia Branch

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Bangkok Bank

Executive Management's report

The Executive Management has pleasure in submitting their report together with the audited financial statements of Bangkok Bank Public Company Limited, Cambodia Branch ("the Branch") for the year ended 31 December 2021.

Principal activities

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

There were no significant changes to these principal activities during the financial year.

Financial results

The financial results of the Branch for the year ended 31 December 2021 were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Profit/(Loss) before income tax	601,324	(1,316,065)	2,446,186	(5,365,596)
Income tax (expense)/benefit	(190,701)	239,864	(775,772)	977,926
Net profit/(loss) for the year	410,623	(1,076,201)	1,670,414	(4,387,670)

Dividends

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

Branch capital

As at 31 December 2021, the Branch's contributed capital is US$50,000,000 (31 December 2020: US$50,000,000).

Reserves and provisions

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

Bangkok Bank Public Company Limited, Cambodia Branch
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Written off and allowance for financial assets

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

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

Assets

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

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

Valuation methods

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

Contingent and other liabilities

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

(a) any charge on the assets of the Branch which has arisen since the end of the financial year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Branch that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

Bangkok Bank Public Company Limited, Cambodia Branch

Change of circumstances

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

Items of unusual nature

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

Covid-19 and its impact on ECL

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across the world including Cambodia, causing disruption to business and economic activity. The impact on GDP and other key indicators has been considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Branch, however, this estimate may move materially as events unfold.

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 Executive Management, to affect substantially the results of the operations of the Branch for the current period in which this report is made.

Executive Management

The Executive Management who served during the year and at the date of this report are:

Ms. Yiamsri Ubonpong	Assistant Vice President and Branch Manager (transferred to Head Office on 6 April 2022)
Ms. Narisa Panumas	Assistant Vice President and Operation Manager
Ms. Pranee Siriswaspiphat	Assistant Vice President and Compliance Manager
Mr. Wanchat Mangkhalodom	Assistant Credit & Marketing Manager
Ms. Pisey Kuy	Senior Human Resources & General Administration Specialist (resigned on 5 January 2022)

Executive Management's interests

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

Executive Management's benefits

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

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

Executive Management's responsibility in respect of the financial statements

The Executive Management is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2021, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Executive Management is required to:

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

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

(iii) oversee the Branch's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

(iv) assess the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Executive Management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so; and

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

The Executive Management confirms that they have complied with the above requirements in preparing the financial statements.

Bangkok Bank Public Company Limited, Cambodia Branch

Approval of the financial statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 93 which in our opinion, present fairly, in all material respects, the financial position of the Branch as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

Signed on behalf of the Branch,

Ms. Narisa Panumas
Assistant Vice President and Operation Manager

Mr. Wanchat Mangkhalodom
Assistant Credit & Marketing Manager

Phnom Penh, Kingdom of Cambodia

12 April 2022

KPMG

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Report of the Independent Auditors
To the Head Office of
Bangkok Bank Public Company Limited, Cambodia Branch

Opinion

We have audited the financial statements of Bangkok Bank Public Company Limited, Cambodia Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 93 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

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

Other Information

Executive Management is responsible for the other information. The other information comprises Executive Management's report as set out on pages 1 to 5, and the annual report but does not include the financial statements on our auditors' report thereon. The annual report is expected to made available to us after the date of this auditors' report.

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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

When we read the annual report, if we conclude that there is a material misstated therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Management.

- Conclude on the appropriateness of Executive Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG Cambodia Ltd**

Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

12 April 2022

Bangkok Bank Public Company Limited, Cambodia Branch

Statement of financial position as at 31 December 2021

	Note	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
ASSETS					
Cash and cash equivalents – net	6	52,306,470	65,999,118	213,096,559	266,966,432
Placements with NBC	7	7,088,128	479,101	28,877,033	1,937,964
Statutory deposits	8	13,683,491	23,683,689	55,746,542	95,800,522
Loans and advances to customers – net	9	30,981,473	14,872,201	126,218,521	60,158,053
Other assets	10	275,636	303,312	1,122,942	1,226,897
Intangible assets	11	309,190	246,752	1,259,640	998,112
Property and equipment	12	267,856	378,625	1,091,245	1,531,538
Right-of-use assets	13	227,785	363,319	927,996	1,469,625
Deferred tax assets – net	20B	343,600	534,301	1,399,826	2,161,248
Total assets		105,483,629	106,860,418	429,740,304	432,250,391
LIABILITIES AND HEAD OFFICE'S ACCOUNTS					
Liabilities					
Deposits from customers	14	48,401,393	49,054,055	197,187,275	198,423,652
Deposits from banks	15	68,595	5,709,437	279,456	23,094,673
Borrowings	16	5,008,863	447,986	20,406,108	1,812,103
Subordinated debts	17	3,000,000	3,000,000	12,222,000	12,135,000
Lease liabilities	18	215,338	348,740	877,287	1,410,653
Other liabilities	19	126,179	189,880	514,053	768,065
Provision for off-balance sheet commitments	28A	212,784	70,414	866,882	284,825
Provision for employee benefits		19,256	19,308	78,449	78,101
Total liabilities		57,052,408	58,839,820	232,431,510	238,007,072
Head Office's accounts					
Head Office's capital contribution	21	50,000,000	50,000,000	200,000,000	200,000,000
Regulatory reserves	22	-	-	-	-
Accumulated losses		(1,568,779)	(1,979,402)	(6,357,070)	(8,027,484)
Currency translation reserves		-	-	3,665,864	2,270,803
Total Head Office's accounts		48,431,221	48,020,598	197,308,794	194,243,319
Total liabilities and Head Office's accounts		105,483,629	106,860,418	429,740,304	432,250,391

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

Bangkok Bank Public Company Limited, Cambodia Branch

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Operating income					
Interest income	23	1,419,187	1,534,606	5,773,253	6,256,589
Interest expense	24	(738,420)	(683,016)	(3,003,893)	(2,784,656)
Net interest income		680,767	851,590	2,769,360	3,471,933
Other operating income		46,489	112,400	189,117	458,255
Net fee and commission income	25	436,164	477,103	1,774,315	1,945,149
Total operating income		1,163,420	1,441,093	4,732,792	5,875,337
Personnel expenses	26	(684,837)	(785,711)	(2,785,917)	(3,203,344)
Other operating expenses	27	(851,630)	(803,857)	(3,464,430)	(3,277,325)
Total operating expenses		(1,536,467)	(1,589,568)	(6,250,347)	(6,480,669)
Operating loss before impairment		(373,047)	(148,475)	(1,517,555)	(605,332)
Impairment gains/(losses) on financial instruments	9A(ii)	974,371	(1,167,590)	3,963,741	(4,760,264)
Profit/(loss) before income tax		601,324	(1,316,065)	2,446,186	(5,365,596)
Income tax (expense)/benefit	20	(190,701)	239,864	(775,772)	977,926
Net profit /(loss) for the year		410,623	(1,076,201)	1,670,414	(4,387,670)
Other comprehensive income/(loss)					
Currency translation difference		-	-	1,395,061	(1,438,467)
Total comprehensive income /(loss) for the year		410,623	(1,076,201)	3,065,475	(5,826,137)

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

Bangkok Bank Public Company Limited, Cambodia Branch

Statement of changes in equity
for the year ended 31 December 2021

	Head Office's capital contribution		Regulatory reserves		Accumulated losses		Currency translation reserves		Total	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
At 1 January 2021	50,000,000	200,000,000	-	-	(1,979,402)	(8,027,484)	-	2,270,803	48,020,598	194,243,319
Total comprehensive income										
Net profit for the year	-	-	-	-	410,623	1,670,414	-	-	410,623	1,670,414
Currency translation difference	-	-	-	-	-	-	-	1,395,061	-	1,395,061
At 31 December 2021	50,000,000	200,000,000	-	-	(1,568,779)	(6,357,070)	-	3,665,864	48,431,221	197,308,794
At 1 January 2020	50,000,000	200,000,000	234,323	949,477	(1,137,524)	(4,589,291)	-	3,709,270	49,096,799	200,069,456
Transactions recognised directly in equity										
Transfers	-	-	(234,323)	(949,477)	234,323	949,477	-	-	-	-
Total comprehensive loss										
Net loss for the year	-	-	-	-	(1,076,201)	(4,387,670)	-	-	(1,076,201)	(4,387,670)
Currency translation difference	-	-	-	-	-	-	-	(1,438,467)	-	(1,438,467)
At 31 December 2020	50,000,000	200,000,000	-	-	(1,979,402)	(8,027,484)	-	2,270,803	48,020,598	194,243,319

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

Bangkok Bank Public Company Limited, Cambodia Branch

Statement of cash flows
for the year ended 31 December 2021

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cash flows from operating activities				
Net profit/(loss) for the year	410,623	(1,076,201)	1,670,414	(4,387,670)
Adjustment for:				
Depreciation and amortisation	418,181	302,168	1,701,161	1,231,939
Net interest income	(680,767)	(851,590)	(2,769,360)	(3,471,933)
Minimum tax expense	21,890	24,337	89,049	99,222
Income tax expense/(benefit)	190,701	(239,864)	775,772	(977,926)
Impairment (gains)/losses on financial instruments	(974,371)	1,167,590	(3,963,741)	4,760,264
Provision for employee benefits	987	3,169	4,015	12,920
	(612,756)	(670,391)	(2,492,690)	(2,733,184)
Changes in:				
Placements with NBC	(6,623,000)	323,999	(26,942,364)	1,320,944
Statutory deposits	10,000,198	(8,525,603)	40,680,805	(34,758,883)
Loans and advances to customers	(16,779,200)	(1,859,091)	(68,257,786)	(7,579,514)
Other assets	27,676	(48,284)	112,586	(196,854)
Deposits from customers	(5,640,842)	4,648,592	(22,946,945)	18,952,310
Deposits from banks	(580,053)	(49,136,687)	(2,359,656)	(200,330,273)
Other liabilities	(62,001)	(4,886,259)	(252,220)	(19,921,278)
Cash used in operations	(19,657,222)	(59,483,333)	(79,965,580)	(242,513,548)
Interest received	1,818,681	1,638,094	7,398,394	6,678,509
Interest paid	(702,100)	(872,174)	(2,856,143)	(3,555,853)
Interest paid for lease liability	(12,253)	(3,145)	(49,845)	(12,822)
Employee benefit paid	(1,039)	-	(4,227)	-
Minimum tax paid	(23,590)	(23,132)	(95,964)	(94,309)
Net cash used in operating activities	(19,190,279)	(59,414,081)	(78,066,055)	(242,231,207)
Cash flows from investing activities				
Purchase of property and equipment and intangible assets	(162,531)	(308,151)	(661,176)	(1,256,332)
Net cash used in investing activities	(162,531)	(308,151)	(661,176)	(1,256,332)

Bangkok Bank Public Company Limited, Cambodia Branch

Statement of cash flows (continued)
for the year ended 31 December 2021

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cash flows from financing activities				
Repayments of borrowings	(4,372,343)	(1,255,971)	(17,786,691)	(5,120,594)
Proceeds from borrowings	8,836,544	444,999	35,947,061	1,814,261
Payment of lease liabilities	(205,187)	(214,295)	(834,701)	(873,681)
Net cash generated from/(used in) financing activities	4,259,014	(1,025,267)	17,325,669	(4,180,014)
Net decrease in cash and cash equivalents	(15,093,796)	(60,747,499)	(61,401,562)	(247,667,553)
Cash and cash equivalents at 1 January	67,712,656	128,460,155	273,897,693	523,475,132
Currency translation difference	-	-	1,873,105	(1,909,886)
Cash and cash equivalents at 31 December (Note 6)	52,618,860	67,712,656	214,369,236	273,897,693

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

Bangkok Bank Public Company Limited, Cambodia Branch

Notes to the financial statements for the year ended 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

The Branch is a branch of Bangkok Bank Public Company Limited incorporated in Thailand. The Branch registered in Cambodia with the Ministry of Commerce under the Registration No. 00011981, dated 3 November 2014. The Branch obtained a license from the National Bank of Cambodia (the “NBC”) to operate as a commercial branch with effect from 12 November 2014 and officially commenced its operations on 30 December 2014.

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

The registered office of the Branch is located at No. 344 (1st and 2nd Floor), Mao Tse Toung Boulevard, Sangkat Toul Svay Prey I, Khan Chamkarmon, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2021, the Branch had employees 22 (31 December 2020: 22 employees).

2. Basis of accounting

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

Details of the Branch’s accounting policies are included in Note 32.

The financial statements were authorised for issued by the Branch’s Executive Management on 12 April 2022.

3. Functional and presentation currency

The Branch transacts its business and maintains its accounting records in United States Dollars (“US$”). Executive Management has determined the US$ to be the Branch’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Branch.

These financial statements are presented in US$, which is the Branch’s functional currency. All US$ amounts have been rounded to the nearest dollar and translated to thousand Khmer Riel in accordance with Note 5, except when otherwise indicated.

4. Use of judgments and estimates

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

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

A. Judgements

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

- Note 32C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 32C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Note 30B(iv): credit quality of gross loans and advances to customers – incorporation of forward-looking information.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are included in the following notes:

- Note 32C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 32C(vii): impairment of financial instruments, determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 32C(vii): impairment of financial instruments, key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riel

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

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

The Branch uses the following exchange rates:

			Closing rate	**Average rate**
31 December 2021	US$1	=	KHR 4,074	KHR 4,068
31 December 2020	US$1	=	KHR 4,045	KHR 4,077

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

6. Cash and cash equivalents – net

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Cash equivalents with other banks	25,161,097	38,636,952	102,506,309	156,286,470
Cash equivalents with NBC	24,758,034	27,680,599	100,864,231	111,968,023
Cash on hand	2,698,534	1,395,105	10,993,828	5,643,200
Other cash equivalents	1,195	-	4,868	-
Cash and cash equivalents on the statement of cash flows	52,618,860	67,712,656	214,369,236	273,897,693
Less: Impairment loss allowance	(312,390)	(1,713,538)	(1,272,677)	(6,931,261)
	52,306,470	65,999,118	213,096,559	266,966,432

6. Cash and cash equivalents – net (continued)

The movements of impairment loss allowance were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	1,713,538	96,383	6,931,261	392,761
Allowance for the year (Note 9A(ii))	(1,401,148)	1,617,155	(5,699,870)	6,593,141
Currency translation difference	-	-	41,286	(54,641)
At 31 December	312,390	1,713,538	1,272,677	6,931,261

7. Placements with NBC

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Negotiable Certificate of Deposits ("NCD")	7,088,128	479,101	28,877,033	1,937,964

During the year, the Branch has pledged the Negotiable Certificate of Deposits ("NCD") with the NBC amounting to US$7,083,000 with maturity 3.5 months and earned interest ranging from 0.50% to 2.25% per annum (2020: US$460,000 with maturity 6 months and earned interest ranging from 0.14% to 0.65% per annum) as collateral for Liquidity Providing Collateralised Operation ("LPCO") (Note 16). The Branch management has applied the low credit exemption and assessed that the PD of placements with NBC is almost zero, hence no impairment loss allowance is recognised.

8. Statutory deposits

		31 December		31 December	
		2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Statutory capital deposit	A	5,000,000	5,000,000	20,370,000	20,225,000
Reserve requirements on customers' and other banks' deposits	B	8,683,491	18,683,689	35,376,542	75,575,522
		13,683,491	23,683,689	55,746,542	95,800,522

8. Statutory deposits (continued)

A. Statutory capital deposit

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

B. Reserve requirements on customers' and other banks' deposits

This is a reserve requirement which fluctuates depending on the level of the Branch's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-012-140 dated 27 September 2012 at the rates of 8.00% of daily average deposits from customers in KHR and 12.50% in currency other than KHR and bear no interest effective from 29 August 2018.

The National Bank of Cambodia ("NBC") issued a Prakas dated 18 March 2020 announcing the reduction of the Reserve Requirements Rate ("RRR") on KHR and foreign currencies to 7% for both local and foreign currencies deposits and borrowings in order to help mitigate the impact of the Covid-19 pandemic on Cambodia's economy, which is still applicable for the year ended 31 December 2021.

C. By interest rate (per annum):

	2021	2020
Statutory capital deposit	0.02%	0.09%
Reserve requirements on customers' and other banks' deposits	N/A	N/A

9. Loans and advances to customers – net

(A) Analysis by type of loans

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Commercial loans:				
Overdrafts	155,587	520,975	633,861	2,107,344
Short-term loans	14,614,074	7,787,053	59,537,737	31,498,629
Long-term loans	15,865,463	6,931,175	64,635,896	28,036,603
Trust receipts	3,744,184	2,746,426	15,253,807	11,109,293
	34,379,308	17,985,629	140,061,301	72,751,869
Less: Impairment loss allowance	(3,397,835)	(3,113,428)	(13,842,780)	(12,593,816)
	30,981,473	14,872,201	126,218,521	60,158,053

9. Loans and advances to customers – net (continued)

(A) Analysis by type of loans (continued)

(i) The movements of impairment loss allowance for loans and advances to customers were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	3,113,428	3,501,799	12,593,816	14,269,831
Addition/(Reversal) for the year (Note 9(A)(ii))	284,407	(388,371)	1,156,968	(1,583,389)
Currency translation difference	-	-	91,996	(92,626)
At 31 December	3,397,835	3,113,428	13,842,780	12,593,816

(ii) The impairment (gains)/losses on financial instruments that recognised in profit or loss were summarised as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Net impairment loss on:				
Cash and cash equivalents (Note 6)	(1,401,148)	1,617,155	(5,699,870)	6,593,141
Loans and advances to customers (Note 9(A)(i))	284,407	(388,371)	1,156,968	(1,583,389)
Off-balance sheet commitments (Note 28A)	142,370	(61,194)	579,161	(249,488)
	(974,371)	1,167,590	(3,963,741)	4,760,264

(B) Analysis by type of maturity

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Within 1 month	-	-	-	-
> 1 to 3 months	7,511,972	5,788,381	30,603,774	23,414,001
> 3 to 6 months	9,078,769	4,730,991	36,986,905	19,136,859
> 6 to 12 months	1,767,501	-	7,200,799	-
> 1 to 3 years	1,683,320	-	6,857,846	-
> 3 to 5 years	752,697	1,091,829	3,066,488	4,416,448
Over 5 years	13,585,049	6,374,428	55,345,489	25,784,561
	34,379,308	17,985,629	140,061,301	72,751,869

9. Loans and advances to customers – net (continued)

(C) Analysis by type of customer

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
External customers	34,379,308	17,985,629	140,061,301	72,751,869

(D) Analysis by type of interest rate (per annum)

	2021	2020
Commercial loans:		
Overdrafts	7.5% - 9%	6% - 7.5%
Short-term loans	2.7% - 6%	6% - 7.5%
Long-term loans	2.9% - 5.7%	2.75% - 15%
Trust receipts	7.25%	3.4% - 7.5%

For additional analysis of gross amount of loans and advances to customers, refer to Note 30B.

10. Other assets

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Refundable deposits	111,347	111,498	453,628	451,009
Prepayments	90,853	85,955	370,135	347,688
Others	73,436	105,859	299,179	428,200
	275,636	303,312	1,122,942	1,226,897

11. Intangible assets

	Software	Work in progress	Total	
	US$	US$	US$	KHR'000 (Note 5)
2021				
Cost				
At 1 January 2021	33,940	231,064	265,004	1,071,941
Additions	140,939	-	140,939	573,340
Transfer	231,064	(231,064)	-	-
Currency translation difference	-	-	-	8,531
At 31 December 2021	405,943	-	405,943	1,653,812
Less: **Accumulated amortisation**				
At 1 January 2021	18,252	-	18,252	73,829
Amortisation	78,501	-	78,501	319,342
Currency translation difference	-	-	-	1,001
At 31 December 2021	96,753	-	96,753	394,172
Carrying amounts				
At 31 December 2021	309,190	-	309,190	1,259,640
2020				
Cost				
At 1 January 2020	33,940	-	33,940	138,306
Additions	-	231,064	231,064	942,048
Currency translation difference	-	-	-	(8,413)
At 31 December 2020	33,940	231,064	265,004	1,071,941
Less: **Accumulated amortisation**				
At 1 January 2020	11,449	-	11,449	46,655
Amortisation	6,803	-	6,803	27,736
Currency translation difference	-	-	-	(562)
At 31 December 2020	18,252	-	18,252	73,829
Carrying amounts				
At 31 December 2020	15,688	231,064	246,752	998,112

12. Property and equipment

2021	Leasehold improvements US$	Computer equipment US$	Office equipment, furniture and fitting US$	Motor vehicles US$	Work In progress US$	Total US$	Total KHR'000 (Note 5)
Cost							
At 1 January 2021	661,569	306,132	92,343	1,110	12,364	1,073,518	4,342,380
Additions	-	20,694	898	-	-	21,592	87,836
Transfer	-	12,364	-	-	(12,364)	-	-
Currency translation difference	-	-	-	-	-	-	31,262
At 31 December 2021	661,569	339,190	93,241	1,110	-	1,095,110	4,461,478
Less: **Accumulated depreciation**							
At 1 January 2021	396,542	210,258	86,983	1,110	-	694,893	2,810,842
Depreciation	66,103	64,931	1,327	-	-	132,361	538,445
Currency translation difference	-	-	-	-	-	-	20,946
At 31 December 2021	462,645	275,189	88,310	1,110	-	827,254	3,370,233
Carrying amounts							
At 31 December 2021	198,924	64,001	4,931	-	-	267,856	1,091,245

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12. Property and equipment (continued)

2020	Leasehold improvements US$	Computer equipment US$	Office equipment, furniture and fitting US$	Motor vehicles US$	Work In progress US$	Total US$	Total KHR'000 (Note 5)
Cost							
At 1 January 2020	661,569	246,177	87,575	1,110	-	996,431	4,060,457
Additions	-	59,955	4,768	-	12,364	77,087	314,284
Currency translation difference	-	-	-	-	-	-	(32,361)
At 31 December 2020	661,569	306,132	92,343	1,110	12,364	1,073,518	4,342,380
Less: **Accumulated depreciation**							
At 1 January 2020	330,259	157,961	85,218	1,051	-	574,489	2,341,043
Depreciation	66,283	52,297	1,765	59	-	120,404	490,887
Currency translation difference	-	-	-	-	-	-	(21,088)
At 31 December 2020	396,542	210,258	86,983	1,110	-	694,893	2,810,842
Carrying amounts							
At 31 December 2020	265,027	95,874	5,360	-	12,364	378,625	1,531,538

13. Right-of-use assets

The Branch renew the lease contract of its office space for another 2 years from 15 February 2021 to 15 August 2022 with an option to extend until 15 February 2023.

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cost				
At 1 January	888,202	539,462	3,592,777	2,167,558
Addition (*)	71,785	348,740	292,021	1,421,813
Currency translation difference	-	-	26,189	3,406
At 31 December	959,987	888,202	3,910,987	3,592,777
Accumulated depreciation				
At 1 January	524,883	349,922	2,123,152	1,425,932
Depreciation for the year	207,319	174,961	843,374	713,316
Currency translation difference	-	-	16,465	(16,096)
At 31 December	732,202	524,883	2,982,991	2,123,152
Carrying amounts				
At 31 December	227,785	363,319	927,996	1,469,625

(*) This addition refers to remeasurement of lease liability due to the extension of lease term.

14. Deposits from customers

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Saving accounts	33,171,581	31,919,253	135,141,021	129,113,378
Fixed deposits	9,664,997	8,889,549	39,375,198	35,958,226
Demand deposits	5,564,815	8,245,253	22,671,056	33,352,048
	48,401,393	49,054,055	197,187,275	198,423,652

14. Deposits from customers (continued)

Deposits from customers were analysed as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	38,736,396	40,647,473	157,812,077	164,419,028
> 1 to 3 months	299,271	53,041	1,219,230	214,551
> 3 to 6 months	420,685	1,542,679	1,713,871	6,240,137
> 6 to 12 months	7,577,798	5,738,544	30,871,949	23,212,410
From 1 to 3 years	1,367,243	1,072,318	5,570,148	4,337,526
	48,401,393	49,054,055	197,187,275	198,423,652
B. By customer type:				
Individuals	15,614,168	21,537,388	63,612,120	87,118,734
Business enterprises	32,787,225	27,516,667	133,575,155	111,304,918
	48,401,393	49,054,055	197,187,275	198,423,652
C. By relationship:				
Related parties	104,374	157,104	425,220	635,486
Non-related parties	48,297,019	48,896,951	196,762,055	197,788,166
	48,401,393	49,054,055	197,187,275	198,423,652
D. By residency status:				
Residents	46,222,184	46,923,679	188,309,178	189,806,282
Non-residents	2,179,209	2,130,376	8,878,097	8,617,370
	48,401,393	49,054,055	197,187,275	198,423,652

E. By interest rate (per annum):

	2021	2020
Saving accounts	0.5% - 1.00%	0.5% - 1.00%
Fixed deposits	1.00% - 5.00%	1.00% - 4.75%
Demand deposits	Nil	Nil

15. Deposits from banks

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Fixed deposits	-	5,640,825	-	22,817,137
Demand deposits	68,595	68,612	279,456	277,536
	68,595	5,709,437	279,456	23,094,673

Deposits from banks were analysed as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
A. By maturity:				
Within 1 month	68,595	5,709,437	279,456	23,094,673
> 1 to 3 months	-	-	-	-
	68,595	5,709,437	279,456	23,094,673
B. By relationship:				
Related parties	-	5,047,500	-	20,417,138
Non-related parties	68,595	661,937	279,456	2,677,535
	68,595	5,709,437	279,456	23,094,673
C. By residency status:				
Residents	68,595	661,937	279,456	2,677,535
Non-residents	-	5,047,500	-	20,417,138
	68,595	5,709,437	279,456	23,094,673

D. By interest rate (per annum):

	2021	2020
Fixed deposits	Nil	0.62% -2.00%
Demand deposits	Nil	Nil

16. Borrowings

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Borrowings – Liquidity Providing Collateralised Operation ("LPCO")	5,008,863	447,986	20,406,108	1,812,103

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
By maturity				
> 1 to 3 months	-	-	-	-
> 3 to 6 months	-	-	-	-
> 6 to 12 months	5,008,863	447,986	20,406,108	1,812,103
> 1 to 3 years	-	-	-	-
	5,008,863	447,986	20,406,108	1,812,103

These refer to borrowings from the National Bank of Cambodia in which the Negotiable Certificate of Deposits (Note 7) are collateralised. These borrowings bear interest rate at 3% (2020: 2.50%) per annum.

17. Subordinated debts

This represents a long-term unsecured borrowing from Head Office and having an outstanding amount as at 31 December 2021 of US$3,000,000 (31 December 2020: US$3,000,000) based on agreement on 25 July 2018 and the memorandum on 25 June 2021 with the following terms and conditions.

Total credit facilities	US$3,000,000
Maturity	7 years starting from 31 July 2018 to 30 June 2025.
Principal repayment	Five equal annual instalments with US$600,000 each and have extended the repayment schedule as below: - 1st principal repayment on June 30, 2024 - 2nd principal repayment on June 30, 2025 - 3rd principal repayment on June 30, 2026 - 4th principal repayment on June 30, 2027 - 5th principal repayment on June 30, 2028
Interest repayment	Quarterly based on Head Office's notice
Interest rate	LIBOR (3 months) + 1.50%

17. Subordinated debts (continued)

The Branch obtained an approval from the NBC allowing to include the above subordinated debts in Tier II capital for the purpose of Net Worth calculation on 8 August 2018.

The movements of subordinated debts were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	3,000,000	3,000,000	12,135,000	12,225,000
Currency translation difference	-	-	87,000	(90,000)
At 31 December	3,000,000	3,000,000	12,222,000	12,135,000

18. Lease liabilities

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Present value of lease liabilities				
Current	215,338	169,291	877,287	684,782
Non-current	-	179,449	-	725,871
Total present value of lease liabilities	215,338	348,740	877,287	1,410,653
Maturity analysis – contractual undiscounted cash flows				
Less than one year	217,440	181,200	885,851	732,954
One to five years	-	181,200	-	732,954
Total undiscounted lease liabilities	217,440	362,400	885,851	1,465,908

18. Lease liabilities (continued)

Amounts recognised in profit or loss

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Interest on lease liabilities	12,253	3,145	49,845	12,822
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	26,627	24,472	108,319	99,772
	38,880	27,617	158,164	112,594

Amounts recognised in the statement of cash flows

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Principal portion of lease payment	205,187	214,295	834,701	873,681
Interest portion of lease payment	12,253	3,145	49,845	12,822
Total cash outflow for leases	217,440	217,440	884,546	886,503

19. Other liabilities

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Other tax payables	26,697	112,954	108,764	456,899
Accruals and other payables	99,482	76,926	405,289	311,166
	126,179	189,880	514,053	768,065

20. Income tax

A. Current income tax liability

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

B. Deferred tax assets – net

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Deferred tax assets	395,311	628,615	1,610,497	2,542,748
Deferred tax liabilities	(51,711)	(94,314)	(210,671)	(381,500)
Deferred tax assets – net	343,600	534,301	1,399,826	2,161,248

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

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Impairment loss allowance on financial instruments	189,383	384,258	771,546	1,554,324
Right-of-use assets	(45,557)	(72,664)	(185,599)	(293,926)
Lease liabilities	43,068	69,748	175,459	282,131
Deferred income	23,122	8,229	94,199	33,286
Depreciation and amortisation	(6,154)	(21,650)	(25,071)	(87,574)
Tax losses carried forward	139,738	166,380	569,292	673,007
Tax assets	343,600	534,301	1,399,826	2,161,248

Notes to the financial statements (continued)
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20. Income tax (continued)

B. Deferred tax assets – net (continued)

The movements of deferred tax were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	534,301	294,437	2,161,248	1,199,831
Recognised in profit or loss	(190,701)	239,864	(775,772)	977,926
Currency translation difference	-	-	14,350	(16,509)
At 31 December	343,600	534,301	1,399,826	2,161,248

C. Income tax (benefit)/expense

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Current income tax	-	-	-	-
Deferred tax(income)/expense	(190,701)	239,864	(775,772)	977,926
	(190,701)	239,864	(775,772)	977,926
Minimum tax expense (Note 27)	21,890	24,337	89,049	99,222

20. Income tax (continued)

C. Income tax (benefit)/expense (continued)

The reconciliation of income tax computed at the statutory tax rate to the income tax (benefit)/expense shown in statement of profit or loss and other comprehensive income is as follows:

	2021			2020		
	US$	KHR'000 (Note 5)	%	US$	KHR'000 (Note 5)	%
Profit /(Loss) before income tax	601,324	2,446,186		(1,316,065)	(5,365,596)	
Income tax using statutory rate at 20%	120,265	489,238	20%	(263,213)	(1,073,119)	20%
Non-deductible expenses	11,715	47,657	2%	23,349	95,193	-2%
Others	58,721	238,877	10%	-	-	-
Income tax expense/(benefit)	190,701	775,772	32%	(239,864)	(977,926)	18%

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

21. Head Office's capital contribution

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Contributed capital	50,000,000	50,000,000	200,000,000	200,000,000

On 22 March 2016, the NBC issued Prakas B7-016-117 on *Minimum Registered Capital of Banking and Financial Institutions* that commercial banks incorporated as foreign branches, whose parent bank is rated "investment grade" shall have a minimum registered capital of at least KHR200 billion (equivalent to US$50 million).

On 16 June 2016, the NBC issued Circular No B7-016-003 on *Implementation of Prakas on minimum registered capital of banking and financial institution*, "Investment grade" of the parent bank shall be rated by at least one of the international independent rating agencies: Moody's Investors Service, Standard and Poor's, Fitch or other international independent rating agencies acknowledged by the NBC. "Investment grade" refers to any rating equal to or above and rating shall not be longer than one year at the date of its reporting to the NBC:

- Baa3 by Moody's Investors service
- BBB- by Standard and Poor's and
- BBB- by Fitch

The Branch's capital contribution is wholly held in form of Head Office's capital contribution from Bangkok Bank Public Company Limited incorporated in Thailand ("Head Office").

On 3 January 2022, the Branch notified to the NBC on the investment grade rated BBB of its Head Office rating by Fitch on 1 December 2021 (2020: BBB+ by Standard and Poor's).

22. Regulatory reserves

Regulatory reserves represented the variance of provision between impairment loss allowance in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia.

	Cash and cash equivalents US$	Loan and advances US$	Off -balance sheet commitments US$	Total US$	KHR'000 (Note 5)
31 December 2021					
Allowance per NBC	243,020	3,291,281	183,870	3,718,171	15,147,829
Allowance per CIFRSs (*)	312,390	3,397,835	212,784	3,923,009	15,982,339
31 December 2020					
Allowance per NBC	386,371	3,126,422	188,114	3,700,907	14,970,169
Allowance per CIFRSs (*)	1,713,538	3,113,428	70,414	4,897,380	19,809,902

(*) Due to allowance per CIFRSs is higher than allowance per NBC, therefore no regulatory reserves was recognised as at 31 December 2021. However, as at 31 December 2020, there was a transfer of US$234,323 from regulatory reserves to accumulated losses during the year.

23. Interest income

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Loans and advances to customers	1,242,752	1,010,552	5,055,516	4,120,021
Placements with other banks	174,947	512,120	711,684	2,087,913
Placements with the NBC	1,488	11,934	6,053	48,655
	1,419,187	1,534,606	5,773,253	6,256,589

Bangkok Bank Public Company Limited, Cambodia Branch

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24. Interest expense

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Fixed deposits	327,518	346,059	1,332,343	1,410,883
Saving accounts	186,859	193,107	760,142	787,297
Borrowing and subordinated debts	211,790	140,705	861,563	573,654
Interest expense on lease liabilities	12,253	3,145	49,845	12,822
	738,420	683,016	3,003,893	2,784,656

25. Net fee and commission income

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Fee and commission income				
- Remittance	255,578	307,425	1,039,691	1,253,372
- Other fees	323,138	248,651	1,314,526	1,013,750
	578,716	556,076	2,354,217	2,267,122
Fee and commission expenses				
- Transfer fee	(142,552)	(78,973)	(579,902)	(321,973)
	436,164	477,103	1,774,315	1,945,149

26. Personnel expenses

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Salaries and wages	519,280	568,950	2,112,431	2,319,609
Fringe benefits – Executive Management (Note 29B)	87,636	99,942	356,503	407,464
Other benefits	77,921	116,819	316,983	476,271
	684,837	785,711	2,785,917	3,203,344

27. Other operating expenses

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Depreciation and amortisation	418,181	302,168	1,701,161	1,231,939
License fees	127,510	107,369	518,711	437,743
Communication	27,619	49,320	112,354	201,078
Professional fees	70,056	75,999	284,988	309,848
Other tax expenses	36,848	79,359	149,898	323,547
Utilities expenses	36,961	35,837	150,357	146,107
Minimum tax expense (Note 20C)	21,890	24,337	89,049	99,222
Travelling and entertainment	11,035	17,312	44,890	70,581
Rentals	26,627	24,472	108,319	99,772
Repairs and maintenance	20,315	10,694	82,641	43,599
Insurance expense	6,358	7,181	25,864	29,277
Office supplies	4,288	6,513	17,444	26,554
Public relations, marketing and advertising	3,017	2,023	12,273	8,248
Foreign exchange loss	25,478	23,232	103,645	94,717
Other expenses	15,447	38,041	62,836	155,093
	851,630	803,857	3,464,430	3,277,325

28. Commitments and contingencies

A. Operations

In the normal course of business, the Branch makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Unused portion of credit facilities	12,034,789	3,379,872	49,029,730	13,671,582
Letters of credits	4,599,059	9,497,823	18,736,566	38,418,694
Bankers' guarantees	1,753,162	4,495,740	7,142,382	18,185,268
	18,387,010	17,373,435	74,908,678	70,275,544

28. Commitments and contingencies (continued)

A. Operations (continued)

The movements of impairment loss allowance for off-balance sheet commitments were analysed as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	70,414	131,608	284,825	536,303
Addition/(Reversal) for the year (Note 9A(ii))	142,370	(61,194)	579,161	(249,488)
Currency translation difference	-	-	2,896	(1,990)
At 31 December	212,784	70,414	866,882	284,825

B. Tax contingencies

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

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

29. Related parties

A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Branch if the Branch has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Branch and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Branch have related party relationships with its Head Office, Head Office's substantial shareholders, associates and key Executive Management personnel.

29. Related parties (continued)

A. Identity of related parties (continued)

Key Executive Management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Branch either directly or indirectly. The key Executive Management personnel include all the Executive Management team of the Branch.

Key Executive Management have banking relationships with the Branch entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

B. Transactions with related parties

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Interest expense				
Bangkok Bank Public Company Limited	58,107	114,214	236,370	465,650
Key management personnel	1,493	1,024	6,073	4,175
Expenses paid on behalf by Head Office				
Bangkok Bank Public Company Limited	259,175	-	1,054,324	-
Executive Management remuneration				
Salary for Executive Management	391,794	491,381	1,593,753	2,003,360
Benefits for Executive Management	87,636	99,942	356,503	407,464
	479,430	591,323	1,950,256	2,410,824

29. Related parties (continued)

C. Balances with related parties

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Key Executive Management personnel				
- Saving accounts	30,700	69,948	125,072	282,940
- Fixed deposits	73,674	87,156	300,148	352,546
	104,374	157,104	425,220	635,486
Deposits and placements with and from:				
Bangkok Bank Public Company Limited				
- Current accounts	33,927	867,810	138,219	3,510,291
- Fixed deposits (*)	-	5,000,000	-	20,225,000
- Interest payable of subordinated debts	-	47,500	-	192,138

(*) This represented a short-term deposit from Head Office with the interest rate of 0.62% per annum and had a maturity of 14 days from 29 December 2020. As at 31 December 2021, there was no fixed deposits.

	2021 US$	2020 US$	2021 KHR'000	2020 KHR'000
Subordinated debts				
Bangkok Bank Public Company Limited – Head Office	3,000,000	3,000,000	12,222,000	12,135,000

Refer detailed term and condition to Note 17.

	2021 US$	2020 US$	2021 KHR'000	2020 KHR'000
Capital contribution				
Bangkok Bank Public Company Limited	50,000,000	50,000,000	200,000,000	200,000,000

30. Financial risk management

A. Introduction and overview

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

- credit risk;
- market risk;
- liquidity risk; and
- operational risk

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

Branch Management Committee

Branch Management Committee is responsible for monitoring, discussing and deciding any action to carry on the business and administration of the Branch properly and efficiently, including but not limited to the following:

- To provide corporate governance, direction and guideline to the Branch's staff
- To communicate and oversees the implementation of overall business strategy, policies, directives of the Branch and Head Office.
- To oversee the overall Branch's operations to ensure that all actions and efforts are coordinated, properly resourced and customer-focused.
- To consider and review Branch's targets and plan i.e. loans and deposits, development of new products and services, treasury, human resources, investment, budgets, etc.
- To identify, measure, monitor and mitigate the different categories of Business Risk (Market, Credit, Liquidity, Operations, Compliance Risk, etc.)
- To act as Asset and Liability Committee ("ALCO") to derive the most appropriate strategy of the Branch in terms of the mix of assets and liabilities.
- To consider and monitor the performance results of every unit in the Branch to ensure that the targets are met and complied with the plan.
- To manage internal communications to ensure that they are accurate and receive comprehensive coverage in order to promote teamwork.

Branch Management Committee conduct the meeting at least one time per month.

30. Financial risk management (continued)

B. Credit risk

'Credit risk' is the risk of financial loss to the Branch if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Branch's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Branch considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

(i). Management of credit risk

The Branch takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Branch by failing to discharge an obligation. Credit risk is the most important risk for the Branch's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Loan committee in International Banking Group.

Exposure to credit is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

Credit risk measurement

- The Branch has established the Core Credit Risk Policy which is designed to govern the Branch's risk undertaking activities. Extension of credit is governed by credit programmes that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.
- The Branch also ensures that there is a clear segregation of duties between loan originators, evaluators and approving authorities.

Risk limit control and mitigation policies

- The Branch operates and provides loans to individuals or enterprises within the Kingdom of Cambodia. The Branch manages limits and controls concentration of credit risk whenever they are identified. Large exposure is defined by the NBC as overall credit exposure to any individual beneficiary which exceeds 10% of the Branch's net worth.

30. Financial risk management (continued)

B. Credit risk (continued)

(i). Management of credit risk (continued)

Risk limit control and mitigation policies (continued)

- The Branch is required, under the conditions of Prakas No. B7-06-226 of the NBC, to maintain at all times a maximum ratio of 20% between the Branch's overall credit exposure to any beneficiary and the Branch's net worth. The aggregation of large credit exposure must not exceed 25% of the Branch's net worth.
- The Branch employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans to customers are: (1) mortgages over residential properties (land, buildings and corporate guarantee); and (2) Charges over business assets such as land and buildings.

Regular audits of Branch Credit processes are undertaken by Internal Audit from Head Office.

(ii). Concentration of risk

The Loan committee in International Banking Group are responsible for managing the Branch's credit risk.

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

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

30. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure

	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
31 December 2021					
On Balance sheet items					
Cash equivalents with other banks, gross	25,161,097	102,506,309	0%	0%	100%
Loans and advances to customers, gross	34,379,308	140,061,301	27.01%	54.79%	18.20%
Other assets	184,783	752,806	0%	0%	100%
Total	59,725,188	243,320,416			
Off-balance sheet items					
Contingent liabilities, gross	4,599,059	18,736,566	99%	1%	0%
Commitments, gross	13,787,951	56,172,112	10%	8%	82%
Total	18,387,010	74,908,678			

30. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure (continued)

	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
31 December 2020					
On Balance sheet items					
Cash equivalents with other banks, gross	38,636,952	156,286,470	0%	0%	100%
Loans and advances to customers, gross	17,985,629	72,751,869	43%	7%	50%
Other assets	217,357	879,209	0%	0%	100%
Total	56,839,938	229,917,548			
Off-balance sheet items					
Contingent liabilities, gross	9,497,823	38,418,694	95%	5%	0%
Commitments, gross	7,875,612	31,856,850	6%	3%	91%
Total	17,373,435	70,275,544			

30. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2021	Cash equivalent with other banks, gross US$	Loans and advances to customers, gross US$	Other assets US$	Total US$
Financial institutions	25,161,097	5,511,208	-	30,672,305
Agriculture	-	1,594,757	-	1,594,757
Service	-	1,033,499	-	1,033,499
Manufacturing	-	26,154,806	-	26,154,806
Import and export	-	85,038	-	85,038
Others	-	-	184,783	184,783
Total	25,161,097	34,379,308	184,783	59,725,188
Total (KHR'000 – Note 5)	102,506,309	140,061,301	752,806	243,320,416
31 December 2020				
Financial institutions	38,636,952	2,114,023	-	40,750,975
Agriculture	-	669,144	-	669,144
Service	-	1,252,742	-	1,252,742
Manufacturing	-	12,563,839	-	12,563,839
Import and export	-	1,385,881	-	1,385,881
Others	-	-	217,357	217,357
Total	38,636,952	17,985,629	217,357	56,839,938
Total (KHR'000 – Note 5)	156,286,470	72,751,869	879,209	229,917,548

***Concentration risk by residency and relationship, large-exposures and type of concession for loans and advances*:**

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
By residency status:				
Residents	34,379,308	17,985,629	140,061,301	72,751,869
By relationship:				
Non-related parties	34,379,308	17,985,629	140,061,301	72,751,869

30. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

***Concentration risk by residency and relationship, large-exposures and type of concession for loans and advances*: (continued)**

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
By large exposure:				
Non-large exposures	34,379,308	17,985,629	140,061,301	72,751,869
By concession:				
Restructure (**)	-	-	-	-
Non-restructured	34,379,308	17,985,629	140,061,301	72,751,869
	34,379,308	17,985,629	140,061,301	72,751,869

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

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

(iii). Collateral

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

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

Cash equivalents with other banks (including NBC), placement with other banks and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

Certain Loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by properties, fixed assets and movable assets.

30. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral (continued)

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

	Collateral/credit enhancement				Unsecured	
31 December 2021	Properties US$	Floating assets US$	Fixed deposits US$	Others US$	credit exposure US$	Total US$
Loan and advances to customers, gross	9,287,284	5,454,927	13,381,766	-	6,255,331	34,379,308
Contingent liabilities, gross	4,533,539	-	65,520	-	-	4,599,059
Commitments, gross	128,804	2,567,239	1,141,908	-	9,950,000	13,787,951
	13,949,627	8,022,166	14,589,194	-	16,205,331	52,766,318
KHR'000 equivalents - Note 5	56,830,780	32,682,305	59,436,376	-	66,020,518	214,969,979
31 December 2020						
Loan and advances to customers, gross	7,819,253	1,268,466	-	-	8,897,910	17,985,629
Contingent liabilities, gross	8,229,372	1,268,451	-	-	-	9,497,823
Commitments, gross	302,544	-	120,647	254,570	7,197,851	7,875,612
	16,351,169	2,536,917	120,647	254,570	16,095,761	35,359,064
KHR'000 equivalents - Note 5	66,140,478	10,261,829	488,017	1,029,736	65,107,353	143,027,413

30. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross loans and advances to customers

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

Normal

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

Special mention

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

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

Substandard

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

Factors leading to a substandard classification include:

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

30. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross loans and advances to customers (continued)

Doubtful

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

Loss

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

Recognition of ECL

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

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

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

30. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross loans and advances to customers (continued)

Recognition of ECL (continued)

Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD < 30	Performing
2	Credit risk increased significantly	Special Mention	30 ≤ DPD < 90	Underperforming
		Substandard	90 ≤ DPD < 180	
3	Credit impaired assets	Doubtful	180 ≤ DPD <360	Nonperforming
		Loss	DPD ≥ 360	

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD ≤ 14	Performing
2	Credit risk increased significantly	Special Mention	15 ≤ DPD ≤ 30	Underperforming
		Substandard	31 ≤ DPD ≤ 60	
3	Credit impaired assets	Doubtful	61 ≤ DPD ≤ 90	Nonperforming
		Loss	DPD ≥ 91	

The Branch will use the Day Past Due (“DPD”) information and NBC’s classification for staging criteria. Also, the Branch will incorporate credit scoring or more forward looking elements in the future when information is more readily available. Upon the implementation of credit scoring system, if the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under stage 2.

As for other financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing.

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for the year ended 31 December 2021

30. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross loans and advances to customers (continued)

Recognition of ECL (continued)

Short-term facilities (one year or less) (continued)

The table below summarises the credit quality of the Branch's gross financing according to the above classifications.

	31 December 2021			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	30,034,633	1,368,582	-	31,403,215
Substandard	-	-	-	-
Loss	-	-	2,976,093	2,976,093
	30,034,633	1,368,582	2,976,093	34,379,308
Less allowance	(412,182)	(9,560)	(2,976,093)	(3,397,835)
Carrying amounts	29,622,451	1,359,022	-	30,981,473
Carrying amounts (KHR'000 equivalents - Note 5)	120,681,865	5,536,656	-	126,218,521

	31 December 2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	12,349,331	2,660,205	-	15,009,536
Substandard	-	-	-	-
Loss	-	-	2,976,093	2,976,093
	12,349,331	2,660,205	2,976,093	17,985,629
Less allowance	(63,821)	(73,514)	(2,976,093)	(3,113,428)
Carrying amounts	12,285,510	2,586,691	-	14,872,201
Carrying amounts (KHR'000 equivalents - Note 5)	49,694,888	10,463,165	-	60,158,053

30. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross loans and advances to customers (continued)

Recognition of ECL (continued)

Incorporation of forward-looking information

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

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Branch operates, supranational organisations such as the International Monetary Fund, and selected private-sector and academic forecasters.

The Branch uses an analysis of historical data to estimates relationships between macro-economic variables and credit risk and credit losses.

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread globally including Cambodia, causing disruption to business and economic activity. The impact on Gross Domestic Product (“GDP”) and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL.

Additionally, National Bank of Cambodia has issued a circular on loan restructuring during Covid-19 outbreak which requires the institutions to work constructively with affected borrowers and allows for loan restructuring for priority sectors. However as at reporting date, there is no outstanding restructured loan.

The calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Branch; however, this estimate may move materially as events unfold. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Branch.

Bangkok Bank Public Company Limited, Cambodia Branch

Notes to the financial statements (continued)
for the year ended 31 December 2021

30. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL

Impairment Loss allowance

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

	2021			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balance at 1 January	63,821	73,514	2,976,093	3,113,428
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(521)	(36,084)	-	(36,605)
New financial assets originated or purchased	394,386	5,450	-	399,836
Financial assets that been derecognised	(45,504)	(33,320)	-	(78,824)
Balance at 31 December	412,182	9,560	2,976,093	3,397,835
Balance at 31 December (KHR'000 equivalents - Note 5)	1,679,230	38,947	12,124,603	13,842,780

	2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balance at 1 January	117,158	203,529	3,181,112	3,501,799
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	153,448	(153,448)	-
Net remeasurement of loss allowance	(56,614)	(282,861)	(40,193)	(379,668)
New financial assets originated or purchased	45,734	20,489	-	66,223
Financial assets that been derecognised	(42,457)	(21,091)	(11,378)	(74,926)
Balance at 31 December	63,821	73,514	2,976,093	3,113,428
Balance at 31 December (KHR'000 equivalents - Note 5)	258,156	297,364	12,038,296	12,593,816

30. Financial risk management (continued)

C. Market risk

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

As of 31 December 2021, the Branch does not have derivative financial instruments such as forward foreign exchange contract to hold its risk exposures. The Branch does not expose to securities price risk because it does not hold any investment that is classified in the balance sheet either as available-for-sale or at fair value through profit or loss.

(i). Interest rate risk

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

Bangkok Bank Public Company Limited, Cambodia Branch

Notes to the financial statements (continued)
for the year ended 31 December 2021

30. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

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

As at 31 December 2021	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate %
Financial assets									
Cash and cash equivalents– gross	-	49,919,131	-	-	-	-	2,699,729	52,618,860	0.78%-2.55%
Placements with NBC – gross	-	-	7,083,000	-	-	-	5,128	7,088,128	0.69%-0.83%
Loans and advances to customers – gross	5,077,695	6,124,277	7,273,072	151,416	5,215,042	10,537,806	-	34,379,308	4.4%-15%
Other assets	-	-	-	-	-	-	184,783	184,783	
	5,077,695	56,043,408	14,356,072	151,416	5,215,042	10,537,806	2,889,640	94,271,079	
Financial liabilities									
Deposits from customers	39,159,169	3,051,882	3,297,497	1,525,602	1,367,243	-	-	48,401,393	0.5%-4.75%
Deposits from banks	68,595	-	-	-	-	-	-	68,595	2%
Borrowings	-	-	-	5,008,863	-	-	-	5,008,863	2.9%-3.05%
Subordinated debts	-	-	-	-	3,000,000	-	-	3,000,000	4%
Lease liabilities	-	-	-	204,138	11,200	-	-	215,338	6%
Provision for employee benefit	-	-	-	6,357	12,899	-	-	19,256	
Other liabilities	-	-	-	-	-	-	99,482	99,482	
	39,227,764	3,051,882	3,297,497	6,744,960	4,391,342	-	99,482	56,812,927	
Interest sensitivity gap	(34,150,069)	52,991,526	11,058,575	(6,593,544)	823,700	10,537,806	2,790,158	37,458,152	
(KHR'000 equivalents - Note 5)	(139,127,381)	215,887,477	45,052,635	(26,862,099)	3,355,753	42,931,022	11,367,104	152,604,511	

Bangkok Bank Public Company Limited, Cambodia Branch

Notes to the financial statements (continued)
for the year ended 31 December 2021

30. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

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

As at 31 December 2020	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate %
Financial assets									
Cash and cash equivalents– gross	-	66,317,551	-	-	-	-	1,395,105	67,712,656	0.14%-0.65%
Placements with NBC – gross	-	-	460,000	-	-	-	19,101	479,101	0.14%-0.65%
Loans and advances to customers – gross	5,076,409	3,051,952	2,856,211	96,867	1,091,814	5,812,376	-	17,985,629	2.75%-15%
Other assets	-	-	-	-	-	-	217,357	217,357	
	5,076,409	69,369,503	3,316,211	96,867	1,091,814	5,812,376	1,631,563	86,394,743	
Financial liabilities									
Deposits from customers	40,873,917	3,932,265	3,197,342	1,047,547	2,984	-	-	49,054,055	0.5%-4.75%
Deposits from banks	5,709,437	-	-	-	-	-	-	5,709,437	0.62%-2%
Borrowings	-	-	-	447,986	-	-	-	447,986	2.5%
Subordinated debts	-	-	-	-	3,000,000	-	-	3,000,000	1.74%-3.46%
Lease liabilities	-	-	-	169,291	179,449	-	-	348,740	6%
Provision for employee benefit	-	-	-	4,910	14,398	-	-	19,308	
Other liabilities	-	-	-	-	-	-	76,926	76,926	
	46,583,354	3,932,265	3,197,342	1,669,734	3,196,831	-	76,926	58,656,452	
Interest sensitivity gap	(41,506,945)	65,437,238	118,348	(1,572,346)	(2,105,002)	-	1,554,637	27,738,291	
(KHR'000 equivalents - Note 5)	(167,895,593)	264,693,628	478,718	(6,360,140)	(8,514,733)	-	6,288,507	112,201,387	

30. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase US$	100 bp Decrease US$	100 bp Increase US$	100 bp Decrease US$
31 December 2021				
Variable rate instruments	313,793	(313,793)	313,793	(313,793)
KHR'000 – Note 5	1,276,510	(1,276,510)	1,276,510	(1,276,510)
31 December 2020				
Variable rate instruments	149,854	(149,854)	149,854	(149,854)
KHR'000 – Note 5	610,955	(610,955)	610,955	(610,955)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Branch has several exposure to IBORs on its financial assets instruments that will be reformed as part of this market-wide initiative. However, although sterling LIBOR and US dollar LIBOR were planned to be discontinued by the end of 2021, consultations and possible regulatory changes are in progress. This may mean that some LIBORs continue to be published beyond that date. The Branch is in the process of amending or preparing to amend contractual terms in response to IBOR reform, and there is still uncertainty over the timing and the methods of transition in some jurisdictions that the Branch operates in.

The main risks to which the Branch is exposed as a result of IBOR reform are operational. For example, the renegotiation of loan and advance contracts through bilateral negotiation with the customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

30. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

Interest rate benchmark reform (continued)

For existing contracts that are indexed to a LIBOR and mature after the expected cessation of the LIBOR rate, the Branch's credit department has not yet renegotiated with the customers to amend the contractual terms of affected contracts and the determination of alternative rates.

The alternative reference rate for US Dollar ("US$") LIBOR is the Secured Overnight Financing Rate (SOFR). Changes to the contractual terms of financial assets of the Branch indexed to US Dollar LIBOR to incorporate new benchmark rates are not yet completed as at 31 December 2021.

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Financial assets that reference US$ LIBOR				
Loans and advances to customers	13,440,422	2,606,148	54,756,279	10,541,869
Financial liability that reference US$ LIBOR				
Subordinated debt	3,000,000	3,000,000	12,222,000	12,135,000

(ii). Foreign currency exchange risk

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

The Branch mainly transacts in US$, which is the Branch's functional currency. Therefore, no sensitivity analysis for foreign currency exchange risk was presented. The management monitors their foreign exchange risk against functional currencies. However, the Branch is not required to hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

Bangkok Bank Public Company Limited, Cambodia Branch

Notes to the financial statements (continued)
for the year ended 31 December 2021

30. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk

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

	Denomination US$ equivalents				
31 December 2021	KHR	US$	THB	Others	Total
Financial assets					
Cash and cash equivalents	1,104,129	50,958,014	556,536	181	52,618,860
Placements with NBC	193	7,087,935	-	-	7,088,128
Loans and advances to customers	3,829,601	30,549,707	-	-	34,379,308
Other assets	53,085	128,985	2,713	-	184,783
	4,987,008	88,724,641	559,249	181	94,271,079
Financial liabilities					
Deposits from customers	108,554	48,069,092	223,747	-	48,401,393
Deposits from banks	1,001	67,594	-	-	68,595
Borrowings	5,008,863	-	-	-	5,008,863
Subordinated debts	-	3,000,000	-	-	3,000,000
Lease liabilities	-	215,338	-	-	215,338
Provision for employee benefits	-	19,256	-	-	19,256
Other liabilities	806	98,676	-	-	99,482
	5,119,224	51,469,956	223,747	-	56,812,927
Net asset position	(132,216)	37,254,685	335,502	181	37,458,152
KHR'000 – Note 5	(538,648)	151,775,587	1,366,835	737	152,604,511

Bangkok Bank Public Company Limited, Cambodia Branch

Notes to the financial statements (continued)
for the year ended 31 December 2021

30. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination US$ equivalents				
31 December 2020	KHR	US$	THB	Others	Total
Financial assets					
Cash and cash equivalents	85,709	67,421,218	205,051	678	67,712,656
Placements with NBC	-	479,101	-	-	479,101
Loans and advances to customers	2,118,870	15,866,759	-	-	17,985,629
Other assets	82,480	131,857	3,020	-	217,357
	2,287,059	83,898,935	208,071	678	86,394,743
Financial liabilities					
Deposits from customers	39,471	48,844,259	170,325	-	49,054,055
Deposits from banks	594,333	5,115,104	-	-	5,709,437
Borrowings	447,986	-	-	-	447,986
Subordinated debts	-	3,000,000	-	-	3,000,000
Lease liabilities	-	348,740	-	-	348,740
Provision for employee benefits	-	19,308	-	-	19,308
Other liabilities	-	76,926	-	-	76,926
	1,081,790	57,404,337	170,325	-	58,656,452
Net asset position	1,205,269	26,494,598	37,746	678	27,738,291
KHR'000 – Note 5	4,875,313	107,170,649	152,683	2,742	112,201,387

30. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Branch as at reporting date is summarised as follows:

	31 December 2021		31 December 2020	
	- 1% Depreciation US$	+ 1% Appreciation US$	- 1% Depreciation US$	+ 1% Appreciation US$
KHR	1,479	(1,479)	(11,661)	11,661
THB	(3,377)	3,377	(377)	377
Others	(12)	12	(7)	7
	(1,910)	1,910	(12,045)	12,045
KHR'000 – Note 5	(7,770)	7,770	(49,107)	49,107

D. Liquidity risk

'Liquidity risk' is the risk that the Branch will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Branch's operations and investments.

Management of liquidity risk

The 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 project for the next day, week and month respectively, as these are key periods for liquidity management. The management monitors movements of main depositors and projection of their withdrawals.

The Branch's main sources of liquidities arise from Head Office's capital contributions and deposits from customers. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

30. Financial risk management (continued)

D. Liquidity risk (continued)

Management of liquidity risk (continued)

The Branch performs maturity analysis for financial liabilities that shows the remaining contractual maturities. However, the Branch monitors the assets held to manage liquidity risk only one month ahead as it has short-term borrowing which is called money market from head office and its related branches anytime it encounters liquidity problem.

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

30. Financial risk management (continued)

D. Liquidity risk (continued)

Management of liquidity risk (continued)

As at 31 December 2021	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1-5 years US$	Over 5 years US$	No maturity US$	Total US$
Financial liabilities								
Deposits from customers	39,159,169	3,051,882	3,297,497	1,525,602	1,367,243	-	-	48,401,393
Deposits from banks	68,595	-	-	-	-	-	-	68,595
Borrowings	-	-	-	5,008,863	-	-	-	5,008,863
Subordinated debts	-	-	-	-	3,000,000	-	-	3,000,000
Lease liabilities	-	-	-	217,440	-	-	-	217,440
Provision for employee benefit	-	-	-	6,357	12,899	-	-	19,256
Other liabilities	-	-	-	-	-	-	99,482	99,482
	39,227,764	3,051,882	3,297,497	6,758,262	4,380,142	-	99,482	56,815,029
(KHR'000 equivalents - Note 5)	159,813,911	12,433,367	13,434,003	27,533,159	17,844,698	-	405,290	231,464,428

Bangkok Bank Public Company Limited, Cambodia Branch

Notes to the financial statements (continued)
for the year ended 31 December 2021

30. Financial risk management (continued)

D. Liquidity risk (continued)

Management of liquidity risk (continued)

As at 31 December 2020	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1-5 years US$	Over 5 years US$	No maturity US$	Total US$
Financial liabilities								
Deposits from customers	40,873,917	3,932,265	3,197,342	1,047,547	2,984	-	-	49,054,055
Deposits from banks	5,709,437	-	-	-	-	-	-	5,709,437
Borrowings	-	-	-	447,986	-	-	-	447,986
Subordinated debts	-	-	600,000	-	2,400,000	-	-	3,000,000
Lease liabilities	-	-	-	169,291	179,449	-	-	348,740
Provision for employee benefit	-	-	-	4,910	14,398	-	-	19,308
Other liabilities	-	-	-	-	-	-	76,926	76,926
	46,583,354	3,932,265	3,797,342	1,669,734	2,596,831	-	76,926	58,656,452
(KHR'000 equivalents - Note 5)	188,429,667	15,906,012	15,360,248	6,754,074	10,504,181	-	311,166	237,265,348

30. Financial risk management (continued)

E. Operational risk

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

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

F. Capital management

(i). Regulatory capital

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

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

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

The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdiction. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

(ii). Capital allocation

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

31. Fair values of financial assets and liabilities

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

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

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

The fair value of the Branch's financial instruments such as cash and short-term funds, balances with NBC, deposits and placement with other banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

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

Placements with National Bank of Cambodia and other banks

The carrying amounts of placements with National Bank of Cambodia and other banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

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. The fair values of fixed rate loans with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for financing with similar credit risks and maturities.

Deposits from customers and banks

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

31. Fair values of financial assets and liabilities (continued)

Borrowings and subordinated debts

The fair value of borrowings and subordinated debts are estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles. On this basis, the fair value of borrowings and subordinated debts approximates their carrying values at the reporting date.

Other financial assets and liabilities

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

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

32. Significant accounting policies

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

A. Basis of measurement

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

B. Foreign currency transactions

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

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

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

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

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

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

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Business model assessment

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

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

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

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

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

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

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

In making the assessment, the Branch considers:

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

Non-recourse loans

The Branch typically considers the following information when making this judgement:

- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Branch's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Branch will benefit from any upside from the underlying assets.

Reclassifications

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(iii). Derecognition

Financial assets

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

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

Financial liabilities

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

(iv) Modifications of financial assets and financial liabilities

Financial assets

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

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

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

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

Financial assets (continued)

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

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

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

Financial liabilities

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

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

Financial liabilities (continued)

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

Interest rate benchmark reform

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

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

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

(v). Offsetting

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

(vi). Fair value measurement

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vi). Fair value measurement (continued)

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

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment

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

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

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

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

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

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

Determining whether credit risk has increased significantly

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

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held); or

- the borrower is more than or equal to 30 days past due to long-term facilities or more than or equal to 14 days past due for short-term facilities on any material obligation to the Branch; or

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Measurement of ECL

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

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

Inputs, assumptions and techniques used for estimating impairment

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

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Branch estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

EAD represents the expected exposure in the event of a default. The Branch derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amounts at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

32. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Credit-impaired financial assets (continued)

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

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost as a deduction from the gross carrying amounts of the assets.

Provision for financial guarantee contracts is presented as a separate liability in the statement of financial position.

Write-off

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

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

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

32. Significant accounting policies (continued)

D. Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

E. Head Office's capital contribution

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

F. Regulatory reserves

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

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and

(ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated losses account into regulatory reserves in the equity account.

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

32. Significant accounting policies (continued)

F. Regulatory reserves (continued)

On 28 December 2021, the NBC issued a new Circular, No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructure Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing the classification and provisioning arrangements complying with the current regulation, Prakas No.B7-017-344 dated 1 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, all restructured loans by 31 December 2021 shall be classified and provisioned based on the requirements under this circular. For loans that were still in the assessment period, they shall be kept at the same classification as before the restructured terms of contract.

Following the NBC's workshop on "the Circular on Classification and Provisioning Requirement for Restructured Loans" held on 18 January 2022, the NBC issued a communication on 4 February 2022 allowing banking and financial institutions ("BFIs") to defer the implementation of the new Circular until January 2022 onward though early adoption is encouraged. The Branch chose to defer the implementation of the new Circular in preparing these financial statements for the year ended 31 December 2021.

G. Placements with NBC

Placements with NBC are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest rate method.

H. Statutory deposits

Statutory deposits are stated at costs and included balances with the NBC that are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined as required by NBC as follows:

- the defined percentage of the minimum share capital as required by the NBC; and
- 7% for both KHR and other currencies of the total daily average amount of deposits from customers and borrowing from banks and financial institution.

I. Loans and advances to customers

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

32. Significant accounting policies (continued)

J. Other assets

Other assets are carried at amortised cost using the effective interest rate method.

K. Property and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii). Subsequent costs

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

32. Significant accounting policies (continued)

K. Property and equipment (continued)

(iii). Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line over the estimated useful lives of each component of an item of property and equipment.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

	Years
Leasehold improvements	10
Computer equipment	3
Office equipment, furniture and fitting	5
Motor vehicles	5

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

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

32. Significant accounting policies (continued)

L. Intangible assets

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

Intangible assets are amortised over their estimated useful lives from 5 years using the straight-line method.

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

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

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

M. Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Branch assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Branch has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Branch has the right to direct the use of the asset. The Branch has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Branch has the right to direct the use of the asset if either:
  - the Branch has the right to operate the asset; or
  - the Branch designed the asset in a way that predetermines how and for what purpose It will be used.'

32. Significant accounting policies (continued)

M. Leases (continued)

Leases in which the Branch is a lessee

At commencement or on modification of a contract that contains a lease component, the Branch allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Branch has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Office space	2 years

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Branch is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Branch is reasonably certain not to terminate early.

32. Significant accounting policies (continued)

M. Leases (continued)

Leases in which the Branch is a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Branch's estimate of the amount expected to be payable under a residual value guarantee.

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

Short-term leases and leases of low-value assets

The Branch has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Branch recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

N. Borrowings and Subordinated debts

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

The subordinated debts which are approved by the NBC are included as a Tier II line item in the calculation of the Branch’s net worth in accordance with the guidelines of the NBC.

O. Employee benefits

(i). Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

32. Significant accounting policies (continued)

O. Employee benefits (continued)

(ii). Other long-term employee benefits

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

P. Provisions

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

Q. Interest

Effective interest rate

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

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

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

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

32. Significant accounting policies (continued)

Q. Interest (continued)

Amortised cost and gross carrying amounts

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

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

Calculation of interest income and expense

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

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

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

Presentation

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

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

32. Significant accounting policies (continued)

R. Fee and commission

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

Other fee and commission income and expense are recognised as the related services are performed.

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

S. Impairment of non-financial assets

At each reporting date, the Branch reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amounts of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amounts does not exceed the carrying amounts that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

32. Significant accounting policies (continued)

T. Income tax

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

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

(i). Current tax

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

(ii). Deferred tax

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

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

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

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

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

32. Significant accounting policies (continued)

U. Contingent liabilities

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

V. Contingent assets

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

33. Change in significant accounting policies

Interest Rate Benchmark Reform – Phase 2 (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) (the Phase 2 amendments) became effective on 1 January 2021.

In accordance with the exceptions permitted in the Phase 2 amendments, the Branch has elected not to restate comparatives for the prior periods to reflect the application of these amendments. There is no impact on opening equity balances as a result of retrospective application.

34. New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Branch has not early adopted the new and amended standards in preparing these financial statements.

34. New standards, amendments and interpretations not yet adopted (continued)

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Branch accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. There will be no impact on retained earnings on adoption of the amendments.

B. Other standards

The following new and amended standards are not expected to have a significant impact on the financial statements.

– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to CIAS 37).

– COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to CIFRS 16).

– Annual Improvements to CIFRS Standards 2018–2020.

– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to CIAS 16).

– Reference to Conceptual Framework (Amendments to CIFRS 3).

– Classification of Liabilities as Current or Non-current (Amendments to CIAS 1).

– CIFRS 17 Insurance Contracts and amendments to CIFRS 17 Insurance Contracts.

– Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2).

– Definition of Accounting Estimates (Amendments to CIAS 8).