MARITIME BANK
SPECIALIZED BANK PLC.

ANNUAL REPORT

2021

Contents

MESSAGE FROM CHAIRMAN

Cambodia Economic Outlook 2021

Over the past two decades, Cambodia has undergone a significant transition, reaching lower middle-income status in 2015 and aspiring to attain upper middle-income status by 2030. Driven by garment export and tourism, Cambodia's economy has sustained an average growth rate of 8% between 1998 and 2018, making it one of fastest-growing economies in the world. While easing slightly, growth remained strong, it has been estimated at 7.1% in 2019, after a better-than-expected growth rate of 7.5% in 2018. (World Bank's source).

The recent Covid-19 pandemic has acted as another driving force to transform in a very significant way the shift in world economic order. As an open economy, Cambodia is vulnerable to external change and shocks, as evidenced by the recent Covid-19 pandemic. It is therefore crucial for Cambodia to redouble its efforts to enhance the resilience and responsiveness of its economic and social system so that it could overcome this crisis and its related challenge.

The global shock triggered by the Covid-19 pandemic has significantly impacted Cambodia's economy since 2019 to a fully in 2020 and 2021 caused by 20th Feb event at a time when Cambodia still also faces the partial suspension of preferential access to the EU market under the Everything But Arm initiative. However in 2021, the economic activities seeming better than 2020 especially starting from second semester in 2021 which deriving mainly from recovery of the world's economy and the accessibility to obtained covid-19 vaccine provided freely by the government.

The economy in 2020 was negatively growth of -1.9%, the sharpest decline in the recent history of Cambodia. Covid-19 outbreak and slow recovery in global economic activity, alongside prolonged financial market turmoil, poses risk to Cambodia's growth outlook (World Bank's source). While the Cambodian economy continues to suffer from the impacts of the COVID-19 pandemic, there are signs that economic activity is beginning to pick up. The economy is projected to contrast by 3% in 2021 driven by the returning of domestic economy activities, unprecedented government intervention underpin consumption, inflation remains subdued and also FDI inflows to projects in non-garment industries and agriculture have been rising, likely attracted by Free Trade Agreements (Cambodia-China) falls in effective from Jan-2022 as per projected by IMF. Furthermore, exports of bicycles, electrical parts and vehicle parts and accessories are rising, and exports of rice and other agricultural commodities have surged as well.

Domestic tourists have supported a partial recovery of the travel and tourism industry locally. Government intervention is unprecedented, accounting for 5 percent of GDP to support the affected people, including health-related spending and income assistance, equity injections and loan guarantees, development spending, and tax relief.

Bank's Business Focus

The Bank is part of the **Maritime Group** which is a dynamic and highly diversified investment conglomerate in the Kingdom of Cambodia that across the sectors of transportation, energy, banking and finance, hotel and resort, education, trading, agriculture, and land and real estate development.

The **Maritime Group** recently had the inauguration ceremony for the USD45 million Maritime Tower, a 26 floors intelligence office building located along Samdach Hun Sen Boulevard, Chak Angre Leu, Meanchey, Phnom Penh. It is slated to become the new Corporate Head Office of the Bank upon completion.

Initial business focus for the Bank will be on retail loan market to provide SME Business Loan, MFI Loan, Home Loan, Car Loan, Personal and Micro Business Loan respectively. As the Bank expands the branch network, it will move into wholesale banking whereby more loan products and services will gradually be introduced into the commercial market after gaining a deeper understanding of its clients.

Meanwhile the Bank is focusing on developing its autonomous information technology towards improving its operating efficiencies and quality customer services. The ultimate goal for the Bank is to transform itself into a full flag digital commercial bank with deployment of multi-million dollars sophisticated Fintech to support its digital banking business and to eventually become the leading digital banking provider in Cambodia within 5 years.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to thank the Board of Directors, the Officers and the entire staff of the **National Bank of Cambodia** and other relevant authorities for their invaluable guidance, support and advice rendered.

Furthermore, I would like to express my gratitude to our valued customers and business partners for their continuously trust and support even amidst challenging times.

Lastly, I would like to thank my fellow Board members, the Bank's management and staff for their hard work and dedication.

Yours sincerely,

ធនាគារឯកទេស ម៉ារីទែម ម.ក
MARITIME SPECIALIZED BANK PLC.
KINGDOM OF CAMBODIA

Neak Oknha HENG Sithy

Chairman of the Board

WHO WE ARE

The **Maritime Specialized Bank Plc**. (herein referred to as “MSB Bank”) is one of the specialized banks incorporated and registered in the Kingdom of Cambodia, founded in 2019 by 100% local shareholders. MSB Bank was established under the Enterprise Registration Certificate No. 00040930 dated 05th March 2019 issued by the Ministry of Commerce and the Bank License No. SB 18 dated 19th March 2019 issued by the National Bank of Cambodia (herein referred to as “NBC”) respectively. The MSB Bank has opened for business officially on 4th April 2019 .

The registered chartered capital of **MSB** Bank was Riels 60,000,000,000 (US$15.000, 000) at the prevailing exchange rate of Riels 4,000 to US$1.00.

The principal activities of MSB Bank are to provide collateralized and unsecured lending on a short, medium and long-term basis to various corporates, organizations, and individuals up to the nature and ability of the Bank’s capital resources.

The Head Office of the MSB Bank is currently located at No 237EO, Mao Tse Tung Blvd, Sangkat Toul Svey Prey I, Khan Boeung Keng Kang Phnom Penh, and Kingdom of Cambodia.

OUR PRODUCTS AND SERVICES

Business Loan

The business loan product are designed for clients who wish to support their business fund requirements comprising of new investment, additional working capital, manufacture/production, agriculture farming, business expansion, operational need and refinancing purpose. The specific details of this loan product are outlined below:

- Loan amount: USD100,000 or KHR400milliion and over
- Interest rate: start from 6% P.A
- Loan Term: up to 10 years

Home Loan

Home loan product was created to meet the needs of new house purchase and home improvement for clients who are financially strong and have good repayment capacity.

- Loan amount: USD20,000 or 80milliion and over
- Interest rate: start from 6.50% P.A
- Loan Term: Up to 25 years

MFI Loan

MFI loan product are offered to duly registered and incorporated local MFIs who have been at least in operations for 3 years success fully with good track records and profitability.

- Loan amount: USD100, 000 or KHR 400milliion and over (KHR is a priority).
- Interest rate: start from 8% P.A
- Loan Term: up to 05 years

Car Loan

The Car loan product are designed for borrowers who have stable employment or viable business and wish to have a brand new car to upgrade their social status or facilitate their daily transportation.

- Loan amount: Up to USD 50,000 or KHR 200milliion or 70% of the car price
- Interest rate: start from 8% P.A
- Loan Term: up to 05 years

Micro Business Loan

The Micro business loan product are designed for clients who wish to support their business fund requirements comprising additional working capital, business expansion, and refinancing purpose.

The specific details of this loan product are outlined below:

- Loan amount: USD10,000 or KHR40million and over
- Interest reate: start from 7% P.A for Khmer Riel and 8% P.A for us dollar.
- Loan Term: up to 10 years

VISION, MISSION AND OUR CORE VALUE

Our Vision

To be the preferred bank by providing the best personalized service to our customers and offering innovative loan products and solutions that are technologically advanced and meet our customer's needs and expectations. Our objective is to increase the Bank's market shares by diversifying its banking business which will be strongly supported by advanced fintech and digital banking platform. However, the ultimate goal of MSB Bank is the transformation into a full flag digital commercial bank within the next 5 years.

Our Mission

To become the best local financial partner that produce more benefits to our customers, by providing innovative and practical financial solutions to meet customers' needs. We are committed to maximize the benefit for our customers and stakeholders. We will constantly improve our business services, by continuously investing in our people, innovative ideas and technology. Our partnership with our customers will be built on mutual respect, openness, honesty and awareness of their needs.

Our Core Value

- **To our Customers** - Provide the most courteous and efficient service in every area of our business.
- **To our Shareholders** - Ensure fair return on their investment through generating stable profit.
- **To our Employees** - promote the well-being of the members of the staff and giving them the opportunities for professional career development.
- **To our Community** - as a socially responsible corporate citizen fully respect to national law and order as well as sharing our fruits with the society.

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KINGDOM OF CAMBODIA

ជាតិ សាសនា ព្រះមហាក្សត្រ

Nation Religion King

LICENSE TO CARRY OUT SPECIALIZED BANKING OPERATIONS

NATIONAL BANK OF CAMBODIA

N° : SB-18

THE NATIONAL BANK OF CAMBODIA

allows MARITIME SPECIALIZED BANK PLC. to carry out specialized banking operation with head office at N° 237E₀, Mao Tse Tung Blvd, Sangkat Tuol Svay Prey Ti Muoy, Khan Chamkar Mon, Phnom Penh.

MARITIME SPECIALIZED BANK PLC. shall abide by the Law on Banking and Financial Institutions and all rules, regulations, circulars, and conditions prescribed by the National Bank of Cambodia.

Phnom Penh, March 19 2019

Governor

Signed and sealed.

- This license is valid from the signing date.
- This license shall be displayed in public at all times.

Maritime Specialized Bank Plc.'s License

វិញ្ញាបនបត្រ

បញ្ជាក់ការចុះឈ្មោះក្នុងបញ្ជីពាណិជ្ជកម្ម

CERTIFICATE OF INCORPORATION

ព្រះរាជាណាចក្រកម្ពុជា

KINGDOM OF CAMBODIA

NATION RELIGION KING

ក្រសួងពាណិជ្ជកម្ម

MINISTRY OF COMMERCE

លេខ(No) MOC-7740172

NAME	:	MARITIME SPECIALIZED BANK PLC.
REGISTRATION NUMBER	:	00040930
INCORPORATION DATE	:	05 March 2019
IS INCORPORATED AS:	:	Public Limited Company

PHNOM PENH, 05 MARCH 2019

F. MINISTER OF COMMERCE

Director General

KAO KOSAL

UNDER THE REGULATIONS OF COMMERCIAL RULES AND REGISTER LAW, COMMERCIAL ENTERPRISES LAW, CIVIL CODE AND PENAL CODE OF THE KINGDOM OF CAMBODIA

Maritime Specialized Bank Plc.'s Certification of Incorporation

Inauguration Day on April 4, 2019

CONTINUE IMPROVEMENT

Credit Department

MSB is providing competitive credit facilities to its valued customers with good services. In order to gain long term royal business supports from our customers, we always do our ever best to serve them satisfactorily and gain their trust. Understanding customers' needs and providing constructive solutions to address their needs are our priority. We have learnt from our customers and suppliers that service quality is one of their main considerations, apart from repayment convenience, reliability, staff professionalism, and good loan products when choosing their bankers. In view of the above customer expectations, the Bank Management has drafted up staff on job training programs to further improve their knowledge of products as well as quality customer service.

Account and Finance Department

Advances in technology are allowing for delivery of banking products and services more conveniently and effectively than ever before - thus creating new bases of competition. Rapid access to critical information and the ability to act quickly and effectively will distinguish the successful banks of the future. The bank gains a vital competitive advantage by having a direct marketing and customer service environment, and new streamlined business processes. Consistent management and decision support systems provide the bank with competitive edge to forge ahead in the banking marketplace. As our business continue to grow, we will remain focused on enhancing our services, regulatory knowledge and takes a serious approach towards improving our financial controlling. Finance department aims to train our staffs with broad banking knowledge, alert to the challenges in banking sector, attentive to regulators' new compliance as well as conform to new International Accounting Standard. We are also responsible for managing of cash flow and ensuring there are enough funds available to meet the day-to-day payments. This area also encompasses collections policies for the bank's customers as well. Moreover, the finance department shall be equipped with more staffs to be able to effectively provide information to assist the managements in making key strategic decisions as well as contribute an objective perspective based on financial assessment techniques. Indeed, we will continue to carve and deepen a unique corporate image within our department and MSB as a whole.

Human Resource Department

Our staff are the most important asset of MSB, without staff, we cannot deliver the best quality of services to customers. In 2021, we continued strengthening our HR management through promoting our career branding and internal opportunities, and by improving our business process. We provide learning and career development opportunities to support every stage of the development journey for employees starting from junior to senior leaders of our business through our comprehensive training programs. Our approach to developing our employees by on-the-job experiences, induction, learning through others and formal internal and external training programs. With progressive improvement, we have hired external consultant for consulting to train our finance team to understand on and well verse with the Cambodia International Financial Reporting Standard (CIFRS) in order to comply with regulators' requirement by end of 2019. Our relevant staff trained by the consultant in 2021 to be conversant and competent in the CIFRS conversion and also to understand and comply with the new requirement of the NBC in Credit Risk Grading and Impairment. We are committed to be ambitious, proactive and gathering experience to gradually build up our competent staff pool to support the manpower need for the transformation of MSB Bank to full flag digital commercial bank in the next 5 years. The HR department is working with IT department to develop the staff training intranet to conduct training programs to enhance staff understanding of MSB Bank corporate culture and values.

1. Improve MSB Bank's hiring process

MSB Bank's ultimate goal is to run a scalable digital commercial bank, thus we need to build a strong team of experienced professionals that are willing to stay with MSB Bank to achieve long term goals. People who know each other well will be motivated and therefore more productive. In order to build a team like this, MSB Bank need to invest time and costs in pre-employment screening and find out as much as we can about a potential employee by stringent screening process. Ensure effective checking of candidate criminal history or inaccurately-reported information and learn as much as we can about candidate's needs, expectations, habits, and motivation. Once we know all these information, compare results and assemble a team that will be cohesive and ready to thrive.

2. Educate MSB Bank's employees

One of MSB Bank's core values is to promote the well-being of the members of the staff and giving them the opportunities for professional career development. MSB Bank is always providing the staff with opportunities to develop their professional career.HR Department shall propose to Management to dedicate a part of MSB Bank's monthly budget for staff training and work related knowledge improvement such as register online classes for staff to learn new skills or inviting external trainers to conduct training programs to improve the staff knowledge in general. This action will repay dually, since the staff will learn new skills which can be used to improve MSB Bank's overall service quality. Likewise the employees will be incentivized to keep working long for the MSB Bank.

3. Be clear about expectations

No matter how perfect and effective MSB Bank's hiring process, a few bad seeds can always slip into our organization, and they will be unmotivated, unfocused and may likely be a bad influence on others. Thus MSB Bank will come up with a set of straightforward rules which should be respected by every employee. If any of the employees has trouble following the expectations, this set of rules should be put in front of the employee, feel free to introduce the employee with consequences for his behaviour, and be firm and determined about it in the process of firing someone.

4. Work on reward programs

In order to keep MSB Bank's employees happy and motivated, MSB Bank will need to reward them for a good job done. Their wellness should be MSB Bank's priority. Employees who get acknowledged for their hard work are more productive. Consider offering incentives such as buying them lunch, taking them for a team building picnic could help in timely completion of works/projects.

5. Utilize HR software

MSB Bank is considering to engage with HR software. This solution will transform MSB Bank's HR administration from a time consuming, laborious process using spreadsheets and registers to become a quick, easy, simple and paperless HR management.

Technology and Automation Improvement

The role of technology in banking has been repeatedly mentioned and advocated in the modern banking philosophy because of its broad, enterprise wide impact. The use of technology and automation also merits individual attention as part of the overall efficiency improvement effort. The overarching goal is threefold:

1. to have applications that allow customers to make transactions or obtain information on a self-service basis without requiring employee efforts;
2. to use technology to reduce the time employees spend on finding information;

3. to use automated business rules and decision models to move work more quickly and efficiently through processes.

For example, automated workflow processing gives managers greater visibility into the activities being performed, allowing them to monitor work queues, identify bottlenecks or problems, and reallocate work to respond to changing conditions. One increasingly important practice is to convert all hard-copy documents into electronic images as early as possible in a transaction or process instead of as a final document storage step after the transaction.

Electronic documents can move from step to step with minimal delay and virtually no added cost. Even more important, electronic imaging allows parallel processing of documents so that several steps in a transaction's progress can be completed simultaneously. In many instances, of course, using electronic signatures, signature pads, and online processes can eliminate paper altogether – thus taking one more step out of the process.

Beyond helping to automate core processes, technology also has an obvious role to play in a bank's channel optimization efforts. It affects not only how customers interact with the bank but also how banks communicate important information internally and how they manage their sales and customer relationship activities.

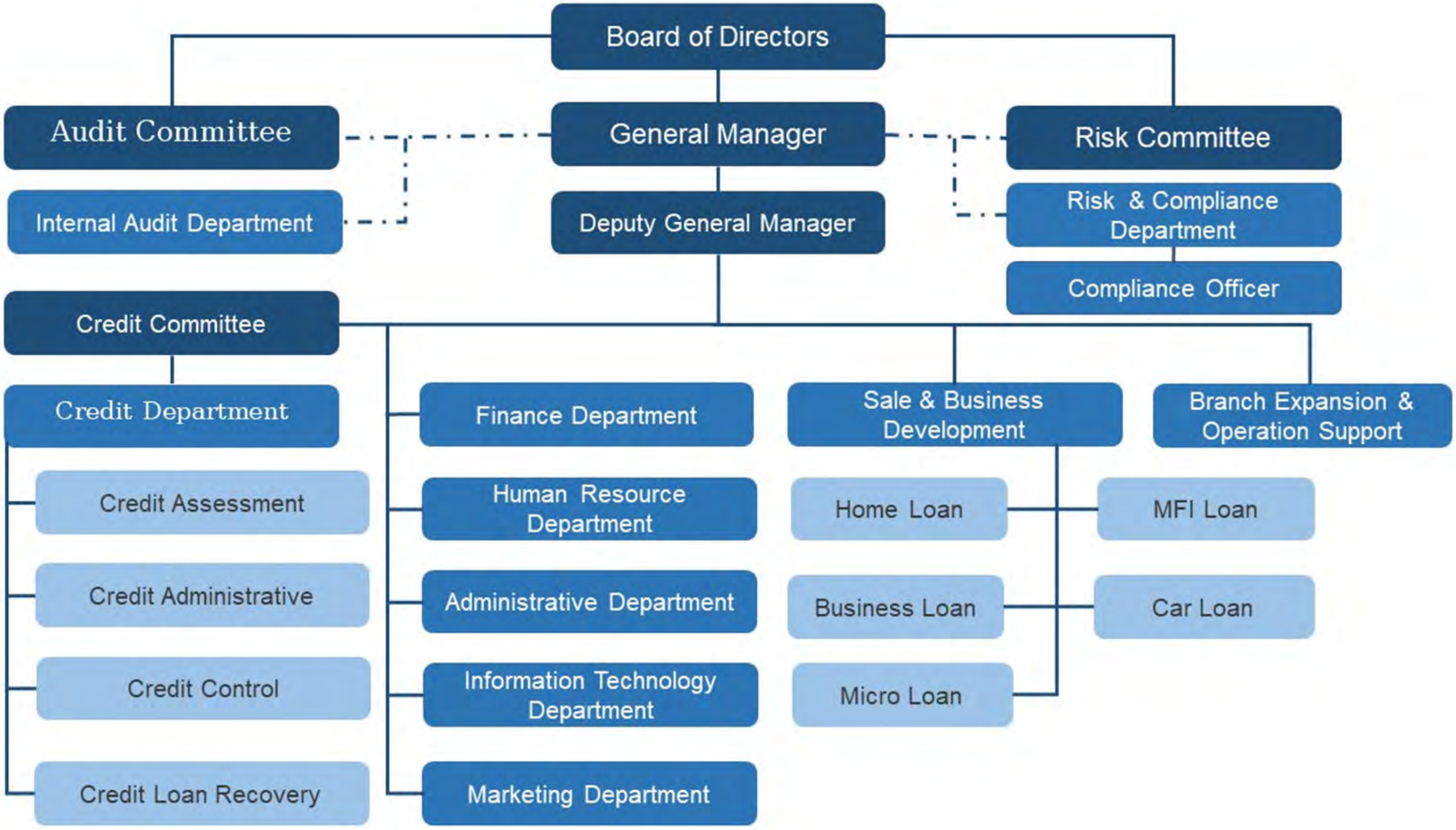
Risk Management Improvement

Having a close working relationship with our clients and our staff's experiences in various banking and MFIs, we are concerned that our partners do not take excessive risks. Therefore, MSB develop a robust risk strategy and frameworks, enabling us to take on a conscious approach to credit, market, liquidity and operational risk. Our risk strategy involve employing an integrated and well-balance-approach to risk and reward, facilitating the achievement of objectives while mitigating risks and optimizing growth opportunities. We continued our effort to strengthen and develop our risk management system such as in recruitment process, credit risk management and operational risk management. Those unit has to be developed and put in implementation after approved by our BOD. We also continues documenting risk management-related process and procedure by developing risk specific model.

Compliance Development

Compliance Department aims to recruit more staff to support and handle with specific functions such as compliance regulatory and anti-money laundering. The Department will regularly provide trainings among its Department and conduct all required trainings to all staff. All members of Department are encouraged to share knowledge to each other related to new or amendment laws, regulations and international standards, which need to implement and comply at the Bank. The Department is a second-line-defence of the Bank, the Department has to ensure that the Bank fully implement and comply with the requirements of laws, regulations and guidance of the supervisory and competent authorities.

MSB ORGANIZATIONAL CHART



BOARD OF DIRECTORS

Chairman of the Board of Directors

Neak Oknha Heng Sithy is the Chairman and CEO of Maritime Group which is one of the leading investment and development companies in Cambodia across multiple sectors including property development, food and beverages, land, and property development, restaurant, resort, trading; and banking and finance sector. He is a dominated shareholder and a Chairman of the Board of Directors of Maritime Specialized Bank Plc.

Neak Oknha Heng Sithy is a member of the Cambodia Chamber of Commerce (CCC) and has appointed as a Cambodian business delegate to attend the international trade and investment meetings such as the Asia-Europe Meeting in Belgium, Romania, Serbia, and Japan. His business has supported the government's vision, which is to transform Cambodia into a digital economy shortly. As his current investment in the banking sector, he commits to develop the national economy by providing credit to the construction sector, small and medium industry, and agriculture; and planning for digital banking which can provide fast and convenient financial services to the customers. He has contributed to the charity activities and donated 15,000 pieces of DETTOL soap to the Ministry of Health of Cambodia for use in the prevention, control and response to the spread of Covid-19 virus and donated USD100, 000 to Cambodian Red Cross in the celebration of the 157th Anniversary of World Red Cross and Red Crescent Day in 2021.

Mr. KONG Vara
Director

Mr. KONG Vara as a Member of the Board of Directors of Maritime Specialized Bank Plc. since the establishment. He is a Chief Operation Officer of Maritime Group since 2018. He is responsible for overseeing all business activities of the Group and Subsidiaries.

He has 38- years working experience in different business sectors such as bank, insurance, construction, hotel, investment, media, garment manufacturing, import & export, food & beverage, real estate and education etc. He obtained his Baccalaureate of Second Cycle in Experimental Sciences in 1974 and Diploma of Law in 1990.

Ms. Hiek Morida
Independent Director

Ms. Hiek Morida is a Member of Independent Board of Directors of Maritime Specialized Bank Plc. since the establishment. Her main duties are to provide effective governance over the bank's affair for the benefits of the shareholders, exercise business judgment and ensure the Bank is running in compliance with laws and regulations.

She graduated with Bachelor of Business Administration in the field of account from National University of Management in 2010.

Executive Managements' Biography

General Manager

Mr. Prak Sophorn

Mr. Prak Sophorn firstly served as the Deputy General Manager since the establishment of the Maritime Specialized Bank Plc. He has obtained productive experiences over 16 years in banking sectors including commercial and specialized banks and microfinance, and is specialized in credit management, assessment and monitoring. As the Deputy General Manager, he is responsible for supporting the General Manager for Bank's operations and expand the products and business; and ensuring the operations are in comply with of laws and regulations. Currently he serves as General Manager of the bank since June 2021 to manage and lead the bank's operation and staff.

For the last 3 banking work experiences, he served as Branch Manager for Advanced Bank of Asia (ABA), Relationship Manager for Business and Corporate Banking Department at Hong Leong Bank and Head of Credit Admin at First Investment Specialized Bank. He graduated a Master degree of Banking and Finance from Mekong University in 2014 and Bachelor degree of Economic Development from Royal University of Law and Economics in 2005. He participated various training courses, conferences, seminars and webinars locally and internationally via digitalized online.

Report of the Board of Directors
and
Audited financial statements

Maritime Specialized Bank Plc

31 December 2021

Contents

Report of the Board of Directors

The Board of Directors submits its report together with the financial statements of Maritime Specialized Bank Plc ("the Bank") as at 31 December 2021 and for the year then ended ("the year").

Principal activity

The Bank is principally engaged in the specialized banking business and the provision of related financial services in the Kingdom of Cambodia.

Results and dividends

The results of the Bank's operations for the year ended 31 December 2021, and the state of its affairs as at that date are set out in the accompanying financial statements.

The Board of Directors does not recommend the payment of dividends for the year ended 31 December 2021.

Board of Directors

The members of the Board of Directors of the Bank during the year and to the date of this report are as follows:

Name	Position	Date of appointment
Neak Oknha Heng Sithy	Chairman	3 December 2018
Mr. Kong Vara	Director	3 December 2018
Ms. Hiek Morida	Independent Director	3 December 2018

Auditors

The financial statements as at 31 December 2021 and for the year ended have been audited by Grant Thornton (Cambodia) Limited.

Directors' interest in the Bank

According to the Articles of Incorporation of the Bank, the interest of directors in office at the end of the period in the ordinary shares of the Bank and its related corporations during the period are as follows

	31 December 2021 and 2020	
	% of ownership	**Number of shares**
Neak Oknha.Heng Sithy	95%	14,250,000

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows as at 31 December 2021. In preparing these financial statements, the Board of Directors 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 the disclosure requirements of Cambodian International Financial Reporting Standards and the guidelines of the National Bank of Cambodia or, if there have been any departures from such requirements in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

iii. Maintain adequate accounting records and an effective system of internal control;

iv. Prepare the financial statements on a going-concern basis unless it is inappropriate to assume that the Bank will continue its operations in the foreseeable future; and,

v. Control and direct effectively the Bank in all material decisions affecting its operations and performance and ascertain that such decision and/or instruction have been properly reflected in the financial statements.

The Board of Directors is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Bank has complied with the above requirements in preparing the financial statements.

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, together with the notes thereto, have been properly drawn up and present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and of its financial performance and its cash flows as at 31 December 2021, in accordance with Cambodian International Financial Reporting Standards and the guidelines of the National Bank of Cambodia.

On behalf of the Board of Directors:

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MARITIME SPECIALIZED BANK PLC.
KINGDOM OF CAMBODIA

Neak Oknha Heng Sithy
Chairman

Phnom Penh, Kingdom of Cambodia
28 February 2022

Independent auditor's report

Grant Thornton (Cambodia) Limited
20th Floor Canadia Tower
315 Preah Ang Duong Street (corner Monivong Boulevard) Sangkat Wat Phnom
Khan Daun Penh Phnom Penh Kingdom of Cambodia
Tel: +855 23 966 520
www.grantthornton.com.kh

To the shareholders of Maritime Specialized Bank Plc

Opinion

We have audited the financial statements of Maritime Specialized Bank Plc ("the Bank"), which comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows as at 31 December 2021, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and of its financial performance and its cash flows as at 31 December 2021, in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") and guidelines of the National Bank of Cambodia ("the Central Bank").

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with ethical requirements that are relevant to our audit of financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit assurance or conclusion thereon.

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

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

Responsibilities of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management 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.
We also provide Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grant Thornton

GRANT THORNTON (CAMBODIA) LIMITED

GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountants
Registered Auditors

Ronald C. Almera
Partner – Audit and assurance
Phnom Penh, Kingdom of Cambodia
28 February 2022

Statement of financial position

	Note	31 December 2021 USD	31 December 2021 KHR'000 (Note 4.2)	31 December 2020 USD	31 December 2020 KHR'000 (Note 4.2)
Assets					
Cash and cash equivalents	6	127,547	519,626	564,336	2,282,739
Statutory deposits with the Central Bank	7	750,000	3,055,500	750,000	3,033,750
Loan to customers - net	8	1,330,811	5,421,724	1,308,520	5,292,963
Other assets	9	26,707	108,804	25,161	101,776
Deposits	10	10,000,000	40,740,000	10,000,000	40,450,000
Right-of-use assets	11	81,948	333,856	138,482	560,160
Intangible assets	12	908	3,699	10,313	41,716
Property and equipment	13	88,650	361,160	117,005	473,285
Total assets		12,406,571	50,544,369	12,913,817	52,236,389
Equity and liabilities					
Equity					
Share capital	14	15,000,000	61,125,000	15,000,000	61,125,000
Accumulated losses		(2,685,896)	(10,927,860)	(2,300,184)	(9,358,784)
Regulatory reserve	14.1	2,377	9,663	1,821	7,401
Currency translation reserve		-	(29,461)	-	(395,495)
Total equity		12,316,481	50,177,342	12,701,637	51,378,122
Liabilities					
Lease liabilities	11	84,028	342,330	141,452	572,173
Trade and other payables	15	5,995	24,424	70,651	285,783
Income tax payables	18.5	67	273	77	311
Total liabilities		90,090	367,027	212,180	858,267
Total liabilities and equity		12,406,571	50,544,369	12,913,817	52,236,389

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

Statement of comprehensive income

	Note	31 December 2021 USD	31 December 2021 KHR'000 (Note 4.2)	31 December 2020 USD	31 December 2020 KHR'000 (Note 4.2)
Interest income	16	94,118	382,872	114,905	468,468
Interest expense	11	(9,242)	(37,596)	(13,643)	(55,623)
Net interest income		84,876	345,276	101,262	412,845
Other operating income		6,809	27,699	5,043	20,560
Operating income		91,685	372,975	106,305	433,405
General and administrative expenses	17.a	(376,242)	(1,530,552)	(443,412)	(1,807,791)
Donations to government	17.b	(100,000)	(406,800)	(1,200,000)	(4,892,400)
Allowance for bad and doubtful loans – net	8	367	1,493	1,637	6,674
Loss before income tax		(384,190)	(1,562,884)	(1,535,470)	(6,260,112)
Income tax expense	18.2	(966)	(3,930)	(1,160)	(4,729)
Net loss for the period		(385,156)	(1,566,814)	(1,536,630)	(6,264,841)
Other comprehensive loss -					
Currency translation difference		-	366,034	-	(377,975)
Total comprehensive loss for the period		(385,156)	(1,200,780)	(1,536,630)	(6,642,816)

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

Statement of changes in equity

	Note	Share capital		Accumulated losses		Regulatory reserve		Currency translation reserve	Total equity	
		USD	KHR'000	USD	KHR'000	USD	KHR'000	KHR'000	USD	KHR'000
			(Note 4.2)		(Note 4.2)		(Note 4.2)	(Note 4.2)		(Note 4.2)
Balance at 1 January 2021		15,000,000	61,125,000	(2,300,184)	(9,358,784)	1,821	7,401	(395,495)	12,701,637	51,378,122
Loss for the year		-	-	(385,156)	(1,566,814)	-	-	-	(385,156)	(1,566,814)
Regulatory reserve	14.1	-	-	(556)	(2,262)	556	2,262	-	-	-
Currency translation difference		-	-	-	-	-	-	366,034	-	366,034
Balance at 31 December 2021		15,000,000	61,125,000	(2,685,896)	(10,927,860)	2,377	9,663	(29,461)	12,316,481	50,177,342
Balance at 1 January 2020		15,000,000	61,125,000	(762,686)	(3,090,404)	953	3,862	(17,520)	14,238,267	58,020,938
Loss for the period		-	-	(1,536,630)	(6,264,841)	-	-	-	(1,536,630)	(6,264,841)
Regulatory reserve	14.1	-	-	(868)	(3,539)	868	3,539	-	-	-
Currency translation difference		-	-	-	-	-	-	(377,975)	-	(377,975)
Balance at 31 December 2020		15,000,000	61,125,000	(2,300,184)	(9,358,784)	1,821	7,401	(395,495)	12,701,637	51,378,122

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

Statement of cash flows

	Note	31 December 2021 USD	31 December 2021 KHR'000 (Note 4.2)	31 December 2020 USD	31 December 2020 KHR'000 (Note 4.2)
Operating activities					
Loss before income tax		(384,190)	(1,562,884)	(1,535,470)	(6,260,112)
Adjustments for:	8	(367)	(1,493)	(1,637)	(6,674)
Allowance for bad and doubtful loans	11, 12,				
Depreciation and amortization	and 13	91,408	371,848	92,556	377,351
Accretion of interest	11	9,242	37,596	13,643	55,623
Operating loss before working capital		(283,907)	(1,154,933)	(1,430,908)	(5,833,812)
Changes in working capital					
Net changes in:					
Loan to customers		(21,924)	(89,187)	77,520	316,049
Other assets		1,340	5,451	(1,646)	(6,711)
Other liabilities		(64,656)	(263,021)	(6,791)	(27,687)
Cash used in ope=rating activities		(369,147)	(1,501,690)	(1,361,825)	(5,552,161)
Income tax paid	18(c)	(976)	(3,970)	(1,163)	(4,742)
Net cash used in operating activities		(370,123)	(1,505,660)	(1,362,988)	(5,556,903)
Investing activities					
Acquisitions of property and equipment	13	-	-	(2,239)	(9,128)
Acquisitions of intangible assets	12	-	-	(4,950)	(20,181)
Net cash used in investing activities		-	-	(7,189)	(29,309)
Financing activities					
Payment of principal portion of lease liabilities	11	(57,424)	(233,601)	(53,023)	(216,175)
Interest paid on lease liabilities	11	(9,242)	(37,596)	(13,643)	(55,623)
Net cash used in financing activities		(66,666)	(271,197)	(66,666)	(271,798)
Net change in cash and cash equivalents during the year		(436,789)	(1,776,857)	(1,436,843)	(5,858,010)
Cash and cash equivalents, beginning of year		564,336	2,282,739	2,001,179	8,154,804
Currency translation differences		-	13,744	-	(14,055)
Cash and cash equivalents, end of year	6	127,547	519,626	564,336	2,282,739

Notes to the financial statements

1. General information

Maritime Specialized Bank Plc ("the Bank") is a public limited company incorporated in the Kingdom of Cambodia, pursuant to its Certificate of Incorporation number 00040930 issued by the Ministry of Commerce ("MoC") on 5 March 2019. On 19 March 2019, the Bank obtained its license from the National Bank of Cambodia ("Central Bank") to carry out specialized banking operations.

The Bank's registered office is at No.237E0, Mao Tse Tung Blvd, Sangkat Tuol Svay Prey Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia.

The Bank had 15 employees as at 31 December 2021 (31 December 2020: 17 employees).

2. Basis of preparation and statement of compliance with CIFRS

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

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to fully adopt International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") without modifications. The new standards are referred to as CIFRS.

3. New or revised standards and interpretations

3.1. New standards adoped as at 1 January 2021

At the beginning of the current financial year, the Bank adopted amendments to CIFRSs which are mandatory for the financial periods beginning on or after 1 January 2021.

Initial application of the following amendments to the standards did not have material impact to the financial statements.

- Covid-19-related rent concessions (Amendment to CIFRS 16)
- Replacement issues in the context of the IBOR reform (Amendments to CIFRS 16, CIFRS 9, and CAS 39)

3.1. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. The Bank intends to adopt, if applicable, when they become effective.

Other Standards and amendments that are not yet effective and have not been adopted early by the Company include

- CIFRS 17, Insurance Contracts
- Covid-19-related rent concessions beyond 30 June 2021 (Amendment to CIFRS 16)
- Prohibition of deducting proceeds from items produced on property and equipment (Amendments to CAS 16)
- Costs to include when assessing contract is onerous (Amendments to CAS 37)
- Classification of liabilities (Amendments to CAS 1)
- Reference to the Conceptual Framework (Amendments to CIFRS 3)
- Annual Improvements to CIFRSs 2018–2020
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to CAS

These amendments are not expected to have a significant impact on the Banks's financial statements in the period of initial application and therefore the disclosures have not been made.

4. Summary of significant accounting policies

4.1. Basis of preparation

The financial statements of the Bank, which are expressed in United States Dollars ("USD"), are prepared under the historical cost of convention and drawn up in accordance with CIFRSs.

4.2. Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Bank transacts its business and maintains its accounting records primarily in USD, Management has determined the USD to be the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the statement of comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the requirement pursuant to Law on Accounting and Auditing date 11 April 2016 and have been made using the prescribed official exchange rate based on the following applicable exchange rate per USD1 as announced by the General Department of Taxation ("GDT"). Starting from January 2020, the GDT instructed to use the rates published by the National Bank of Cambodia:

	2021	*2019*
*Average rate**	*4068*	*4,077*
Closing rate	*4074*	*4,045*

*The average amounts were determined using the NBC's daily rates

Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate of exchange.

4.3. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with other banks which are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

4.4. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantially all risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within interest income or interest expense.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objectives is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and cash equivalents, loan to customers and other assets fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. None of the Bank's financial instruments fall into this category.

Financial assets at fair value through other comprehensive income (FVOCI)

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objectives is hold to collect the associated cash flows and sell
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in OCI will be recycled upon derecognition of the asset. This category includes listed securities and debentures. None of the Bank's financial instruments fall into this category.

Impairment of financial assets

CIFRS 9's impairment requirements use forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model. Instruments within the scope included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under CIFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Bank considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and;
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Bank's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a profitability-weighted estimate of the credit losses over the expected life of the financial instrument.

Regulatory provision

Credit classification and provisioning for financial institutions in accordance with Prakas No. 7-017-344, dated 1 December 2017 as issued by the Central Bank provides guidance on credit classification and regulatory provisioning for financial institution in Cambodia, as summarized below:

Classification	**Number of days past due**	**Provision**
Long term loans (more than one year)		
Standard	0 – 29 days	1%
Special mention	30 – 89 days	3%
Substandard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	Over 359 days	100%
Short term loans (less than one year)		
Normal	0 – 14 days	1%
Special mention	15 – 30 days	3%
Substandard	31 – 60 days	20%
Doubtful	61 – 90 days	50%
Loss	Over 90 days	100%

Article 73 of Prakas on Credit Risk Grading and Impairment Provisioning requires the Bank to compare the provision calculated in accordance with CIFRSs and Prakas No 7-017-344 and, accordingly:

1. In case the regulatory provision calculated in accordance with the said Prakas is lower than the ECL calculated in accordance with CIFRS 9, the Bank shall record the provision calculated in accordance with CIFRS 9.
2. In case the regulatory provision calculated in accordance with the said Prakas is higher than ECL calculated in accordance with CIFRS 9, the Bank shall record the provision calculated in accordance with CIFRS 9 and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in the equity section of the statement or financial position.

Note 14.1 provides more detail on how the expected credit loss allowance is measured and compared with regulatory provision.

Restructured loans

The Bank's financial liabilities include trade and other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest income or interest expense.

4.5. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legally enforceable right to set off and an intention to settle them on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted under CIFRSs, or for gains and losses arising from similar transactions.

4.6. Deposits and placements with the Central Bank

Deposits and placements with the Central Bank, including statutory deposit, are stated at cost. Statutory deposit is maintained with the Central Bank in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentages of minimum share capital as required by the Central Bank.

4.7. Property and equipment

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

The Bank adds the cost of replacement to the carrying amount of an item of property and equipment when that cost incurred is expected to provide incremental future benefits to the Bank, and the carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to income statement during the period in which they are incurred.

Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of property and equipment over their estimated useful lives as follows:

	Estimated useful lives
Computer equipment	2 to 5 years
Equipment	5 years
Furniture and fixtures	4 to 5 years
Leasehold improvements	10 years
Motor vehicles	5 years

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

The carrying amount of an asset is written-down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

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

4.8. Intangible assets

Intangible asset represents software which is stated at cost less accumulated amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to bringing the software for its intended use. Software is not amortised before it is ready for its intended use.

4.9. Leases

The Company as a lessee

Lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

i. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.

ii. the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

iii. the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease 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 Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in statement of comprehensive income on a straight-line basis over the lease term.

4.10. Income and expense recognition

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 the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

4.11. Income taxes

Income tax on the profit or loss for the period comprises current tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustments to tax payable.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

4.12. Related parties

A related party is a person or entity that is related to the Bank. A related party transaction is a transfer of resources, services or obligations between the Bank and its related party, regardless of whether a price is charged.

a) A person or a close member of that person's family is related to the Bank if that person:
   i) Has control or joint control over the Bank;
   ii) Has significant influence over the Bank; or
   iii) Is a member of the key management personnel of the Bank.

b) An entity is related to the Bank if any of the following conditions applies:
   i) The Bank are members of the same group.
   ii) One entity is an associate or joint venture of the other entity.
   iii) Both entities are joint ventures of the same third party.
   iv) On entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v) The entity is a post-employment benefit plan for the benefits of employees of the Bank.
   vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
   vii) A person identified in (a) (i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
   viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank.

5.Significant accounting estimates, assumptions and judgments

The Bank makes estimates, assumptions and judgments concerning future transactions which may not equal actual results. The accounting estimates, assumptions and judgments which may cause significant impact on the current recognition and measurement of assets, liabilities, income and expenses are summarised below:

5.1 Significant accounting judgments

The transactions of the Bank are conducted under normal business terms and customer receipts and supplier payments are received and paid on a timely basis. There are very limited occasions when Management judgment is required.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Income tax expense

Significant judgement is involved in determining the Company's provision for income taxes. The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through Management's current interpretation of the various tax legislations which are subject to period changes. The final determination of tax expenses will be made following examination by the General Department of Taxation. When the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

5.2 Significant accounting estimates and assumptions

Measurement of expected credit losses

Credit losses are the difference between all contractual cash flows the Bank is due to receive and the cash flows that it actually expects to receive. An expected credit loss is the probability-weighted estimate of credit losses which requires the Bank's estimates and assumptions. The expected credit losses are discounted at the original effective interest rate.

Useful life of depreciable assets

The Bank reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets.

Leases – Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using average borrowing rate in Cambodia.

6. Cash and cash equivalents

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Cash on hand	4,812	19,604	6,000	24,270
Cash in banks:				
Current accounts:				
National Bank of Cambodia	16,148	65,787	15,794	63,887
Other banks	106,587	434,235	542,542	2,194,582
	127,547	519,626	564,336	2,282,739

Further analysis is as follows:

	31 December 2021		31 December 2020	
By currency:				
US Dollar	122,580	499,390	559,369	2,262,647
Khmer riels	4,967	20,236	4,967	20,092
	127,547	519,626	564,336	2,282,739

7. Statutory deposits with the Central Bank

	31 December 2021		31 December 2020	
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Statutory capital deposit	750,000	3,055,500	750,000	3,033,750

This account represents the capital guarantee deposit equivalent to 5% of the registered share capital of the Bank as required under Prakas No. B7-00-05 on licensing of specialized banks dated 11 January 2000 and Prakas No. B7-00-28 dated 13 September 2006 on the amendment to Articles 9 and 13 of Prakas No. B7-00-05.

This capital guarantee is placed with the Central Bank in USD, and is not available for use in the Bank's day to day operations but is refundable when the Bank voluntarily ceases its operations in Cambodia. During the period, the interest earned at 3/8 LIBOR (six months) ranged from 0.09% per annum (2019: 0.4% to 0.5% per annum).

8. Loan to customers – net

	31 December 2021		31 December 2020	
	USD	**KHR'000**	**USD**	**KHR'000**
		(Note 4.2)		**(Note 4.2)**
Consumer loans:				
Housing loans – gross	1,300,837	5,299,610	1,330,176	5,380,562
Business loan	48,333	196,909	-	-
Total loan to customers – gross	1,349,170	5,496,519	1,330,176	5,380,562
Premium	(7,245)	(29,517)	(10,175)	(41,158)
Loan to customers – amortized cost	1,341,925	5,467,002	1,320,001	5,339,404
Allowance for bad and doubtful loan to customers	(11,114)	(45,278)	(11,481)	(46,441)
Loan to customers – net	1,330,811	5,421,724	1,308,520	5,292,963

The movements in allowance for bad and doubtful loan to customers are as follows:

	31 December 2021		31 December 2020	
	USD	**KHR'000**	**USD**	**KHR'000**
		(Note 4.2)		**(Note 4.2)**
At the beginning of the year	11,481	46,441	13,118	53,456
Additions during the year/period	(367)	(1,493)	(1,637)	(6,674)
Currency translation differences	-	330	-	(341)
At the end of the year	11,114	45,278	11,481	46,441

Loan to customers is further analysed as follows:

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
((a) By maturity:				
Within one month	-	-	-	-
From two to three months	-	-	-	-
From four to twelve months	-	-	-	-
Within 1 year	62,777	255,754	63,904	258,492
From two to five years	281,020	1,144,875	287,784	1,164,086
Over five years	1,005,373	4,095,890	978,488	3,957,984
	1,349,170	5,496,519	1,330,176	5,380,562
(b) By security:				
Secured	1,349,170	5,496,519	1,330,176	5,380,562
(c) By industry:				
Housing Loans	1,300,837	5,299,610	1,330,176	5,380,562
Business loan	48,333	196,909	-	-
	1,349,170	5,496,519	1,330,176	5,380,562
(d) By currency:				
US Dollars	1,349,170	5,496,519	1,330,176	5,380,562
(e) By residency status:				
Residents	1,349,170	5,496,519	1,330,176	5,380,562
(f) By relationship:				
Non-related parties	1,349,170	5,496,519	1,330,176	5,380,562
(g) By performance:				
Standard:	1,349,170	5,496,519	1,330,176	5,380,562
Secured				
(h) By large exposures:				
Non-large exposures	1,349,170	5,496,519	1,330,176	5,380,562

(i) Interest rate (per annum):	For the year ended 31 December 2021	For the year ended 31 December 2020
Term loans	3.00%-7.88%	3.75% - 7.88%

9. Other assets

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Refundable deposit	26,707	108,804	25,161	101,776

10. Deposits

On 21 October 2019, the Bank entered into a Sale and Purchase Agreement with Neak Oknha Heng Sithy, Chairman, to purchase five floors of a building amounting to USD10,000,000 which is to be used as the Bank's head office and for other commercial activities in the future. The construction of the building is expected to be completed by 31 December 2022.

11. Right-of-use assets and lease liabilities

Bank as a lessee

The Bank has a lease contract for the building that is used as its office for a period of 5 years, with an option to renew the lease after the end of the tenancy period. The Bank is restricted from assigning and subleasing the leased asset.

The carrying amounts of right-of-use assets recognized and the movements during the period are as follows:

	31 December 2021		31 December 2020	
	USD	**KHR'000 (Note 4.2)**	**USD**	**KHR'000 (Note 4.2)**
Building				
Cost				
Beginning of the year/period	242,124	979,392	242,124	981,086
Currency translation reserve	-	7,021	-	(1,694)
At 31 December	242,124	986,413	242,124	979,392
Accumulated depreciation				
Beginning of the year/period	103,642	419,232	47,108	190,882
Depreciation	56,534	229,980	56,534	230,489
Currency translation difference	-	3,345	-	(2,139)
At 31 December	160,176	652,557	103,642	419,232
Carrying amount at 31 December	81,948	333,856	138,482	560,160

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31 December 2021		31 December 2020	
	USD	**KHR'000 (Note 4.2)**	**USD**	**KHR'000 (Note 4.2)**
Beginning of the year/period	141,452	572,173	194,475	792,485
Accretion of interest	9,242	37,596	13,643	55,623
Payments	(66,666)	(271,197)	(66,666)	(271,797)
Currency translation difference	-	3,758	-	(4,138)
At 31 December	84,028	342,330	141,452	572,173

The maturity analysis of lease liabilities is disclosed in note 22.

The weighted average incremental borrowing rate applied to lease liabilities recognised under CIFRS 16 was 8%.

12. Intangible assets

	31 December 2021		31 December 2020	
	USD	**KHR'000**	**USD**	**KHR'000**
Computer software		**(Note 4.2)**		**(Note 4.2)**
Gross carrying amount				
Beginning of the year/period	20,790	84,096	15,840	64,549
Additions	-	-	4,950	20,181
Adjustment	(9,900)	(40,273)	-	-
Currency translation difference	-	543	-	(634)
Balance at 31 December	10,890	44,366	20,790	84,096
Accumulated amortization				
Beginning of the year/period	(10,477)	(42,380)	(3,547)	(14,455)
Amortization	(6,519)	(26,520)	(6,930)	(28,254)
Adjustment	7,014	28,533	-	-
Currency translation difference	-	300	-	329
Balance at 31 December	(9,982)	(40,667)	(10,477)	(42,380)
Carrying amount 31 December	908	3,699	10,313	41,716

13. Property and equipment

	Computer Equipment USD	Equipment USD	Furniture and Fixtures USD	Leasehold improvement USD	Motor Vehicle USD	Total USD	Total KHR'000 (Note 4.2)
Gross carrying amount							
Balance at 1 January 2021	30,127	25,858	18,329	56,176	35,500	165,990	671,430
Currency translation difference	-	-	-	-	-	-	4,813
Balance at 31 December 2021	30,127	25,858	18,329	56,176	35,500	165,990	676,243
Accumulated depreciation							
Balance at 1 January 2021	(11,101)	(8,084)	(7,544)	(9,831)	(12,425)	(48,985)	(198,145)
Depreciation	(6,076)	(5,172)	(4,390)	(5,617)	(7,100)	(28,355)	(115,348)
Currency translation difference	-	-	-	-	-	-	(1,590)
Balance at 31 December 2021	(17,177)	(13,256)	(11,934)	(15,448)	(19,525)	(77,340)	(315,083)
Carrying amount 31 December 2021	12,950	12,602	6,395	40,728	15,975	88,650	361,160
Gross carrying amount							
Balance at 1 January 2020	28,493	25,858	17,724	56,176	35,500	163,751	667,286
Additions	1,634	-	605	-	-	2,239	9,128
Currency translation difference	-	-	-	-	-	-	(4,984)
Balance at 31 December 2020	30,127	25,858	18,329	56,176	35,500	165,990	671,430
Accumulated depreciation							
Balance at 1 January 2020	(4,264)	(2,912)	(3,179)	(4,213)	(5,325)	(19,893)	(81,065)
Depreciation	(6,837)	(5,172)	(4,365)	(5,618)	(7,100)	(29,092)	(118,608)
Currency transaction difference	-	-	-	-	-	-	1,528
Balance at 31 December 2020	(11,101)	(8,084)	(7,544)	(9,831)	(12,425)	(48,985)	(198,145)
Carrying amount 31 December 2020	19,026	17,774	10,785	46,345	23,075	117,005	473,285

14. Share capital

All ordinary shares are registered, issued, and paid with a par value of USD 1 per share.

As at 31 December 2021 and 2020, details of the Bank's shareholdings follow:

			31 December 20201and 2020	
	Numbers of shares	Ownership	Amount USD	Amount KHR'000 (Note 4.2)
Neak Oknha Heng Sithy	14,250,000	95%	14,250,000	57,969,000
Mr. Han Zhi Gang	750,000	5%	750,000	3,051,000
	15,000,000	100%	15,000,000	61,020,000

14.1. Regulatory reserve

Regulatory provision calculated for the year ended 31 December 2021 is USD 556 higher than the ECL calculated (31 December 2020: 868). As such, in compliance with Prakas No. 7-017-344 Article 73 (b), USD 556 is transferred from retained earnings to regulatory reserve as at 31 December 2021 (31 December 2020: USD 868).

15. Other liabilities

		31 December 2021		31 December 2020
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Provisions	2,222	9,052	65,132	263,459
Other payables	3,773	15,372	5,519	22,324
	5,995	24,424	70,651	285,783

16. Interest income

		For the period ended 31 December 2021		For the year ended 31 December 2020
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Loan to customers	93,744	381,351	112,776	459,788
Deposits and placements with banks	374	1,521	2,129	8,680
	94,118	382,872	114,905	468,468

17.a. General and administrative expenses

	USD	For the year ended 31 December 2021 KHR'000 (Note 4.2)	USD	For the period ended 31 December 2020 KHR'000 (Note 4.2)
Personnel costs	186,916	760,374	206,493	841,872
Depreciation and amortisation	91,408	371,848	92,556	377,351
Dues and membership	29,223	118,879	25,537	104,114
Others	16,901	68,753	22,947	93,557
Other taxes	13,372	54,397	1,722	7,021
Repairs and maintenance	9,154	37,238	1,030	4,199
Security	8,912	36,254	9,108	37,133
Professional fees	7,380	30,022	66,040	269,245
Utilities	5,270	21,438	5,654	23,051
Communications	3,199	13,014	2,355	9,601
Computer and office supplies	2,625	10,679	3,131	12,765
Fuel	1,587	6,456	1,340	5,463
Business meal and entertainment	295	1,200	5,499	22,419
	376,242	1,530,552	443,412	1,807,791

17.b. Donations to government

	USD	For the period ended 31 December 2021 KHR'000 (Note 4.2)	USD	For the year ended 31 December 2020 KHR'000 (Note 4.2)
Cambodian Red Cross (CRC)	100,000	406,800	100,000	407,700
Cambodian's flood relief	-	-	100,000	407,700
Covid-19 vaccines	-	-	1,000,000	4,077,000
	100,000	406,800	1,200,000	4,892,400

Cambodian Red Cross (CRC)

On 8 May 2021, the Bank donated USD 100,000 to CRC in the celebration of the 157th Anniversary of World Red Cross and Red Crescent Day.

Cambodian's flood relief

The Bank donated USD 100,000 to Samdech Techo Hun Sen, the Prime Minister of Cambodia as a relief for the affected people by flood happened on 13 October 2020 in the provinces of Cambodia.

Covid-19 vaccines

On 8 December 2020, the Bank donated USD 1,000,000 to Samdech Techo Hun Sen, the Prime Minister of Cambodia to purchase Covid-19 vaccine for the people of Cambodia.

18. Income taxes

(a) Applicable rate

In accordance with Cambodia's tax regulations, the Bank has an obligation to pay tax on income at 20% of taxable income or a minimum tax at 1% of annual turnover inclusive of all taxes, except value-added tax, whichever is higher.

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

(b) Income tax expense

The reconciliation between accounting loss before income tax and estimated taxable loss for the year ended 31 December 2020 is shown below:

	For the period ended 31 December 2021		For the period ended 31 December 2019	
	USD	**KHR'000 (Note 4.2)**	**USD**	**KHR'000 (Note 4.2)**
Loss before income tax	(384,190)	(1,562,884)	(1,535,470)	(6,260,112)
Add: non-deductible expenses	120,945	492,003	1,227,555	5,004,743
Movement of deferred tax assets not recognised	263,245	1,070,881	307,915	1,255,369
Estimated taxable income	-	-	-	-
Income tax at 20% (A)	-	-	-	-
Minimum tax at 1% of revenue (B)	966	3,930	1,160	4,729
Estimated current income tax expense (higher of A or B)	966	3,930	1,160	4,729

(c) Deferred tax assets

Tax loss carry forward

Tax losses can be carried forward and available for offset against taxable profit of subsequent years.

In order for the tax losses to be carried forward for a period of five consecutive years and utilised against taxable profit in subsequent years, the following conditions should be met:

- Continuity of the business activity of the Bank;
- No unilateral tax reassessment on the tax losses is made by the GDT during the tax year

Tax losses are subject to assessment by the GDT and may not be utilised if one of the criteria mentioned above will not be met.

Details of the Bank's tax loss carry forward are as follows:

Originating period	Can be utilized up to	Estimated tax loss amount	Utilized during the year		Unutilized up to 31 December 2020
		USD	USD	USD	KHR'000
					(Note 4.2)
2021	2025	257,297	-	257,297	1,046,684
2020	2024	312,799	-	312,799	1,275,282
2019	2024	664,556	-	664,556	2,692,780
		1,234,652	-	1,234,652	5,014,746

Estimated deferred tax assets not recognized

	31 December 2021		31 December 2020	
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Beginning of the year	193,730	783,638	132,148	530,503
Increase of deferred tax assets not recognized	52,649	214,176	61,582	251,070
Currency translation difference	-	5,934	-	(5,935)
At 31 December	246,379	1,003,748	193,730	783,638

Estimated unrecognized deferred tax assets arising from temporary differences are summarized as follows:

	31 December 2021		31 December 2020	
	USD	KHR'000	USD	KHR'000
		(Note 4.2)		(Note 4.2)
Estimated unabsorbed business losses	247,326	1,007,606	195,471	790,680
Property and equipment	(624)	(2,542)	(2,068)	(8,365)
Provision	73	297	327	1,323
	246,775	1,005,361	193,730	783,638

The Bank did not recognized the estimated deferred tax asset from the tax loss that can be carried forward as Management believes it is not probable that future taxable income will be available from which the Bank can utilize the tax benefits thereon.

18.4 Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often times, different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to reviews and investigations by a number of authorities that are enabled by law to impose severe fines, penalties and interest charges.

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

18.5 Current income tax liabilities

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Beginning of the year/period	77	311	80	326
Current tax expense	966	3,930	1,160	4,729
Income tax paid	(976)	(3,970)	(1,163)	(4,742)
Currency translation difference	-	2	-	(2)
At 31 December	67	273	77	311

19. Reconciliation of liabilities arising from financing activities

The changes in the Bank's liabilities arising from financing activities can be summarized as follows:

	2021		2020	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Lease liabilities				
Beginning of the year/period	141,452	572,173	194,475	792,485
Cash flows:				
Repayment	(57,424)	(233,601)	(53,023)	(216,175)
Currency transaction difference	-	3,758	-	(4,137)
31 December	84,028	342,330	141,452	572,173

20. Related party transactions

The following balance is outstanding with related party:

Related party	Relationship	31 December 2021		31 December 2020	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Deposit					
Neak Oknha Heng Sithy	Shareholder	10,000,000	40,740,000	10,000,000	40,450,000

Nature and terms of the deposit from the shareholder are in note 10. During the year, no transactions are entered into with related parties.

21. Transactions with key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management includes the Board of Directors and key management team (head of each department). Key management personnel remuneration includes the following:

Remuneration of the key management personnel for the year ended 31 December 2021 amounted to USD39,000 (31 December 2020: USD 30,000).

22. Categories of financial instruments

The table below provides an analysis of financial instruments:

	31 December 2021		31 December 2020	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Financial assets measured at amortised costAmortised cost				
Cash and cash equivalents	127,547	519,626	564,336	2,282,739
Statutory deposits with the Central Bank	750,000	3,055,500	750,000	3,033,750
Loan to customers - net	1,330,811	5,421,724	1,308,520	5,292,963
Other assets	26,707	108,804	25,161	101,776
	2,235,065	9,105,654	2,648,017	10,711,228
Financial liabilities meansured at Amortised cost				
Other liabilities *	3,773	15,372	5,519	22,324
Not within scope of CIFRS 9				
Lease liabilities	84,028	342,330	141,452	572,173
	87,801	357,702	146,971	594,497

** Excludes provisions and tax payables*

23. Financial risk management objectives and policies

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

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The role is carried out by the Deputy General Manager to reports regularly to the Board of Directors on its activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

23.1 Credit risk

Credit risk arises as a result of customers' or counterparties' failure to fulfil their financial and/or contractual obligation when they fall due. The primary exposure to credit risk arises through its loans to customers. The carrying amounts of financial assets in the statement of financial position represent the Bank's maximum exposures to credit risk, before taking into any collateral held. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with CIFRSs.

The Bank holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

i) Credit risk measurement

Reviews are conducted on a regular basis with updated information on borrower's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when there are signs of credit deterioration. The Credit Committee is responsible for approving loans to customers.

ii) Risk limit control and mitigation policies

The Bank manages limits and controls the concentration of credit risk whenever it is identified.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to individual customers.

The maximum exposure to credit risk is limited to the amounts on the statement of financial position, without taking into account the fair value of any collateral or master netting agreements.

iii) ECL measurement

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over a debt instrument is assessed for impairment based on the following stages:

Stage 1: When a debt instrument is first recognized, the Bank recognizes credit losses based on the twelve-month ECL. Stage 1 debt security also includes facilities where the credit risk has improved and security has been reclassified from Stage 2.

Stage2: When a debt instrument has shown a significant increase in credit risk since origination, the Bank recognizes an allowance for the lifetime ECL. Stage 2 debt instrument also includes facilities where the credit risk has improved and the instrument has been reclassified from stage 3.

Stage3: When a debt instrument is considered as credit impaired, the Bank recognizes and allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- Probability of default ("PD") – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.
- Loss given default ("LGD") – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Bank would expect to receive, including the realization of any collateral.
- Exposure at default ("EAD") – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Significant increase in credit risk

The Bank considers a financial instrument to have experienced a significant increase in credit risk ("SICR") when one or more of the following quantitative and qualitative criteria have been met.

Below table is the Bank's quantitative criteria in classifying the status of loan collectively:

Days unpaid/with missed payment	**Classification**	**Stage**
0-29 days	Performing	1
30-89 days	Underperforming	2
Over 90 days	Non-performing	3

A grouping of exposures for collective assessment is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. As of 31 December 2020, the Bank assessed the credit risk of long-term loan collectively:

Certain qualitative criteria are also being considered by the Bank in assessing SICR. These are but not limited to: expectations of forbearance and payment holidays, or covenant breaches; event such as death, unemployment, bankruptcy, or divorce; significant adverse change in business, financial and/or economic conditions in which the borrowers operate (e.g., calamities); and other backstop indicators.

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Bank's Board of Directors and executive Director guided by its risk manual.

Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-months or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit impaired. ECL are the discounted product of PD, EAD and LGD. The ECL is determined by projecting the PD, LGD and EAD for each future period and for each collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in the earlier month).

PD for the Bank's loan portfolio was estimated through the 2018 annual report produced by National Bank of Cambodia relating to the mortgage/real estate sector which is in line with the Bank's loan portfolio. The Bank has shorter historical data and no reasonable results for any borrower default that can be observed.

The LGD is determined based on the factors which impact the recoveries made post default. As the Bank does not have any recoveries from default loans, the Bank used the recovery rate of financial service industry of Cambodia. LGD is primarily based on collateral type and projected collateral values, historical discount to market value due to repossession, time of repossession and recovery costs observed.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. However, given the lack of correlation between ECL and available macroeconomic factors, the impact of macroeconomic factors has not been considered significant within the reporting period. The assumption underlying the ECL calculation are monitored and reviewed on an annual basis.

iv) Credit qualities of gross loans and advances

Gross loans and advances are classified as follows:

- Neither past due nor impaired loans

  Loans and advances which the customer has not missed a contractual payment (interest or principal) when contractually due and is not impaired as there is no objective evidence of impairment.

- Past due but not impaired loans

  Those loans and advances which its contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of collateral available and/or the stage of amounts owed to the Bank.

- Individually impaired loans

  Loans and advances is classified as impaired when the principal or interest or both are past due for over 1 month, or where a loan is in arrears for less than 1 month, but the loan exhibits indications of significant credit weakness.

The table below summarizes the credit quality of the Bank's gross loans and advances according to the above classifications.

	31 December 2021		31 December 2020	
	USD	**KHR'000 (Note 4.2)**	**USD**	**KHR'000 (Note 4.2)**
Loan to customers				
Gross carrying amount	1,349,170	5,496,519	1,330,176	5,380,562
Expected credit loss rate	0.82%		0.86%	
Allowance for bad and doubtful loan to customers	11,114	45,278	11,481	46,441

23.2 Operational risk

The operational risk is the risk of direct or indirect losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation.

23.3 Market risk

Market risk is defined as the uncertainty of market value and earnings from changes in interest rate, exchange rates, market prices and volatilities. The Bank assumes market risk from trading activities from consumer loans. Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

The Bank is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the KHR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Bank has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by the Central Bank.

i) Foreign currency exchange risk

Concentration of currency risk

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

	31 December 2021			31 December 2020		
	USD equivalent		Total	USD equivalent		Total
	USD	KHR	USD	USD	KHR	USD
Assets						
Cash and cash equivalents	122,580	4,967	127,547	559,369	4,967	564,336
Statutory deposits with the Central Bank	750,000	-	750,000	750,000	-	750,000
Loans to customers -gross	1,349,170	-	1,349,170	1,330,176	-	1,330,176
Other assets	26,707	-	26,707	25,161	-	25,161
Total financial assets	2,248,457	4,967	2,253,424	2,664,706	4,967	2,669,673
Liabilities						
Trade and other payables *	3,773	-	3,773	5,519	-	5,519
Lease liabilities	84,028	-	84,028	141,452	-	141,452
Total financial liabilities	87,801	-	87,801	146,971	-	146,971
Net financial asset position	2,160,656	4,967	2,165,623	2,517,735	4,967	2,522,702

**** Excludes provision and tax payables***

The foreign currency exchange risk of the Bank arises from the transactions denominated in foreign currencies.

During the period, the Bank has no exposure to foreign currency risk as all of its transactions are conducted in USD.

ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans, and bank deposits.

Since the majority of financial assets are not subject to significant change with the market rates, the Bank does not use derivative financial instruments to hedge such risk.

23.4. Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the Management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings, including instalment due:

	Up to 1 month	1 to 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
At 31 December 2021							
Financial assets							
Cash and cash equivalents	-	-	-	-	-	127,547	127,547
Statutory deposits with the Central Bank	-	-	-	-	-	750,000	750,000
Loans and advances							
-Performing	7,329	10,748	47,117	281,020	1,005,373	-	1,351,587
Other assets	-	-	-	-	-	30,000	30,000
Total financial assets	7,329	10,748	47,117	281,020	1,005,373	907,547	2,259,134
Financial liabilities							
Trade and other payables *	-	-	-	-	-	3,773	3,773
Lease liabilities	5,556	16,668	66,666	-	-	-	88,890
Total financial liabilities	5,556	16,668	66,666	-	-	3,773	92,663
Net financial assets/(liabilities)	1,773	(5,920)	(19,549)	281,020	1,005,373	903,774	2,166,471
Equivalent in KHR'000(Note 4.2)	7,223	(24,118)	(79,643)	1,144,875	4,095,890	3,681,975	8,826,203

**** Excludes provisions and tax payables***

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings, including instalment due:

	Up to 1 month	1 to 3 months USD	3 to 12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD
At 31 December 2020							
Financial assets							
Cash and cash equivalents	-	-	-	-	-	564,336	564,336
Statutory deposits with the Central Bank	-	-	-	-	-	750,000	750,000
Loans and advances							
-Performing	8,216	16,325	42,470	287,784	978,488	-	1,333,283
Other assets	-	-	-	-	-	30,000	30,000
Total financial assets	8,216	16,325	42,470	287,784	978,488	1,344,336	2,677,619
Financial liabilities							
Trade and other payables *	-	-	-	-	-	5,519	5,519
Lease liabilities	5,556	16,668	55,560	83,327	-	-	161,111
Total financial liabilities	5,556	16,668	55,560	83,327	-	5,519	166,630
Net financial assets/(liabilities)	2,660	(343)	(13,090)	204,457	978,488	1,338,817	2,510,989
Equivalent in KHR'000(Note 4.2)	10,760	(1,387)	(52,949)	827,029	3,957,984	5,415,515	10,156,951

* Excludes provisions and tax payables

24. Fair value 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 Bank has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

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

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

The fair value of the Bank's financial instruments such as cash and cash equivalents, deposits and placements with the Central Bank, lease liabilities and trade and other payables are not materially sensitive to shifts in market interest 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:

Loans to customers

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

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 Bank'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.

25. Capital management

(a) Regulatory capital

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

The Bank'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 Bank 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 Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

(b) 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.

26. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

27. Authorisation of financial statements

The financial statements as at 31 December 2021 and for the year then ended and were approved for issue by the Board of Directors on 28 February 2022.

CORPORATE SOCIAL RESPONSIBILITY

In response to our social contribution, our Neak Oknha Heng Sithy, Chairman of Maritime Specialized Bank, leads a delegation to pay a courtesy visit and contribute to the charity activities and donated USD100,000 to Cambodia Red Cross on the 157th annual celebration of World Red Cross Day May 8th 2020, USD100, 000 for flooding in Cambodia on 13 October 2020, and USD1,000,000 to Samdech Akka Moha Sena Padei Techo Hun Sen to purchase COVID-19 vaccine on 8 December 2020.

DONATION TO MINISTRY OF HEALTH CAMBODIA

DONATION FOR CAMBODIAN RED CROSS (CRC)

On 8 May 2021, the Bank donated USD 100,000 to CRC in the celebration of the 157th Anniversary of World Red Cross and Red Crescent Day.

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