

ANNUAL REPORT

2022



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MESSAGE FROM CHAIRMAN



Cambodia Economic Outlook 2022

Over the past decade, Cambodia has quickly escalated to become one of the most attractive markets in South East Asia indeed. Moving forward, we are optimistic that Maritime Bank will grow many folds as soon as the Bank transformed to Commercial Bank equipped with digitalization to adapt with the initiative idea of National Bank of Cambodia leadership to transform our banking sector to digitalization in the next few years. As the result, the full ranges of banking products will be launched and introduced including variety of loans products with full specialized banking services and digital banking. To support sustainable growth and safeguard of the shareholder's interest and assets of the Bank, we are gradually establishing the effective Internal Control Systems. The Bank will hire more talent and experienced staff and create various committees and functions such as finance, operation, audit, compliance and risk management. With our optimistic commitment we believe that customers will feel satisfy our services as the bank of trust, bank of solution and the bank for the people.

By 2022, the global epidemic of Covid 19 has eased, and countries have steadily reopened their economies, with the exception of China, which continues to implement the Zero Covid policy. But the world has been plagued by geopolitical crises due to the Russia-Ukraine war, which has pushed up global oil and food prices. The protracted war has led to a sharp rise in overall inflation, in addition to the uptrend in demand of the global economy.

For Cambodia, the economy continued to grow at a rate of 5.1%, supported mainly by the reopening of domestic economic activity and the growth of external demand. The manufacturing sector achieved strong growth, with garments for export increasing by 64.3%, non-garments for export by 1.1 times and manufacturing for the domestic market by 88.5%. At the same time, the tourism sector grew well, with international visitors exceeding expectations by 2.2 million Despite only one-third of the pre-crisis period, domestic tourism has returned to normal. The construction and real estate sectors slowed to 0.8% and 0.5%, respectively, supported by growing domestic demand, while the agricultural sector continued to grow at a slower pace of 0.7% due to heavy rains. And large quantities and rising production costs due to rising fuel and fertilizer prices.

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 Loan and Micro 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,



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 KHR400million 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 80million 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 400million 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 200million 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 rate: 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.



Maritime Specialized Bank Plc.'s License



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 2022, 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 2020 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.

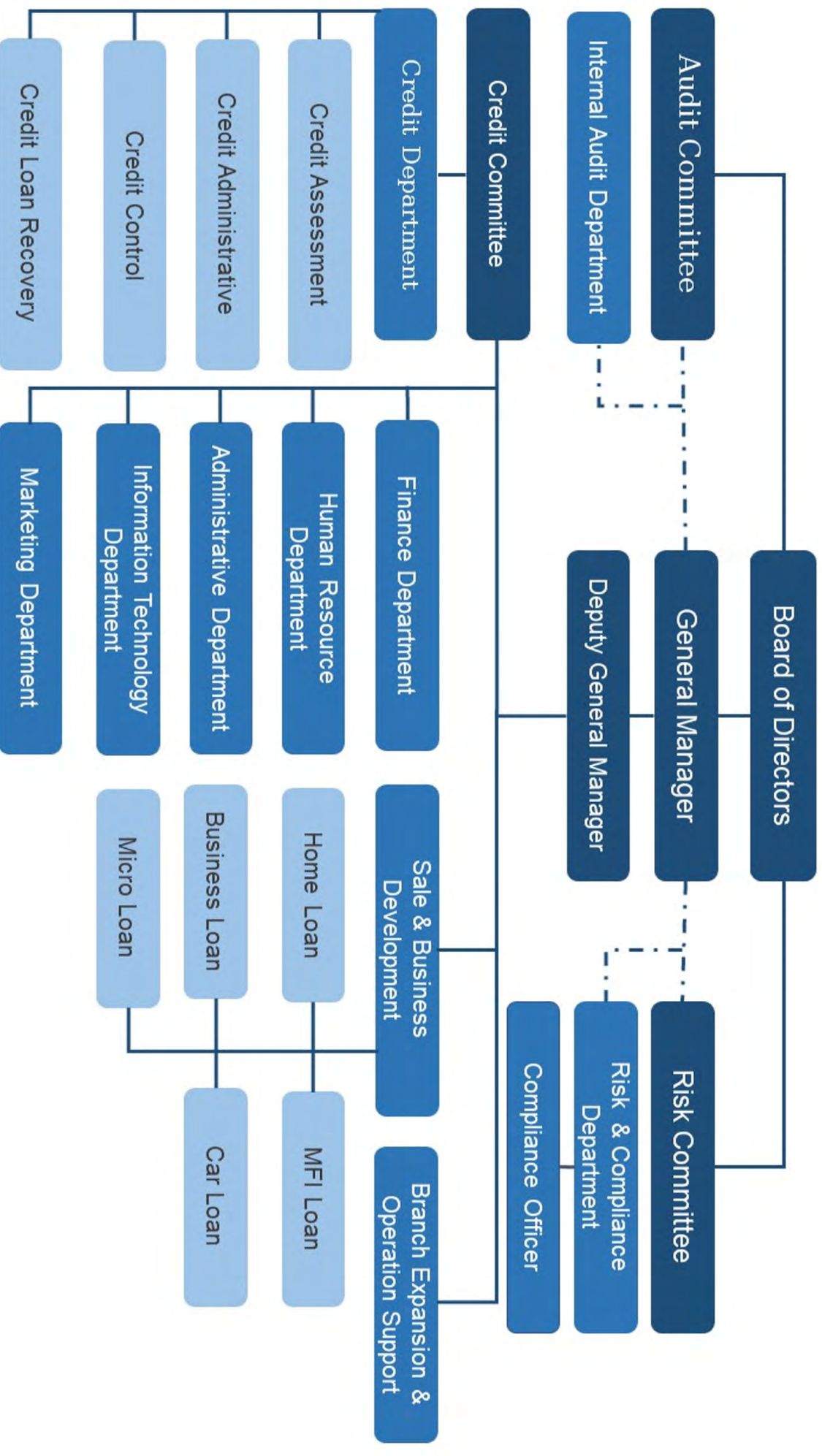
Risk Management Improvement

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 almost 20 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.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the period from 01 January 2022 to 31 December 2022

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Directors' Report

The Directors hereby submit their report and the audited financial statements of Maritime Specialized Bank Plc. ("the Bank") for the financial year ended 31 December 2022.

Principal activity

The principal activity of the Bank is engaged in the specialized banking business and the provision of related financial service. There have been no significant changes in the nature of these activities during the financial year.

Results of operations

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

	US\$	KHR'000
Loss for the financial year	292,078	1,193,722
	=====	=====

Dividends

The Directors do not recommend the payment of any dividend for the current financial year.

Reserves and provisions

During the financial year, there was a transfer of US\$3,917 (2021: US\$556) from retained earnings to regulatory reserve.

Bad and doubtful loans

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans and satisfied themselves that there were no known bad loans and that adequate allowance had been made for doubtful loans.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad loans or the amount of the allowance for doubtful loans in the financial statements of the Bank inadequate to any material extent.

Current assets

Before the statement of profit or loss and other comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Bank have been written down to an amount expected if realised.

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

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

Contingent and other liabilities

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

- (i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability of the Bank which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations when they fall due.

Change of circumstances

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

Items of an unusual nature

The results of the operations of the Bank during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the financial year for which this report is made.

Share capital

The Bank did not issue any shares during the current financial year.

No option to take up unissued shares in the Bank was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the Bank.

Directors

The Directors who have held for office at the date of the last report are:

Neak Okhna Heng Sithy

Mr. Kong Vara

Ms. Hiek Morida

Directors' benefits

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

Since the end of the previous financial period, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a Bank in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 23 to the financial statements.

Directors' responsibilities in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

- (a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;
- (b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards ("CIFRSs") and the guidelines issued by the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (c) maintain adequate accounting records and an effective system of internal controls;
- (d) 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
- (e) control and direct effectively the Bank in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

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

Significant event during the financial year

The significant event during the financial year is disclosed in Note 26 to the financial statements.

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 9 to 32 have been drawn up in accordance with Cambodian International Financial Reporting Standards and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board,



Neak Oknha Heng Sithy
Chairman

Phnom Penh, Cambodia
Date: 30 March 2023

Independent auditor's report

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Maritime Specialized Bank Plc. ("the Bank"), which comprise statement of financial position as at 31 December 2022, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies, as set out on pages 9 to 32.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards and the guidelines issued by the National Bank of Cambodia.

Basis for Qualified Opinion

As disclosed in Note 9 to the financial statements, included in other receivables is an amount due from shareholder amounting to US\$10,000,000 representing the purchase consideration paid in full for the Bank's purchase of office premise from a related party. Further, as disclosed in Note 26 the financial statements, the Board of Directors have approved during the financial year the abortion of the purchase of the office premise, and subsequently proposed to write-off the entire amount of US\$10,00,000 previously paid. However, the proposed write-off is pending response from the National Bank of Cambodia.

As at 31 December 2022, the Bank did not recognise any impairment to the carrying amount of the amount due from shareholder amounting US\$10,000,000 as the Directors are of the opinion that the write-off is pending response from the National Bank of Cambodia. However, we were unable to obtain sufficient appropriate audit evidence to conclude on the recoverability of this receivable and whether no impairment loss on the receivable is appropriate. Consequently, we are unable to determine whether any adjustments to the carrying amount of this receivable were necessary.

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence and Other Ethical Responsibilities

We are independent of the Bank 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 the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Bank and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards and the guidelines issued by the National Bank of Cambodia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the Directors are 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 the Director either intends to liquidate the Bank, or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Bank, 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 the Directors.
- 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 auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

Other Matter

This report is made solely to the shareholders of the Bank, as a body. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Bank for the financial year ended at 31 December 2021 were audited by another firm of Certified Public Accountants, whose report dated 28 February 2022 express an unqualified opinion on those statements.



BDO (Cambodia) Limited
Phnom Penh, Cambodia
Date: 30 March 2023

Statement of financial position

	Note	2022		2021	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	5	5,893	24,261	4,812	19,604
Balances with National Bank of Cambodia	6	768,884	3,165,495	766,148	3,121,287
Balances with other banks	7	485,908	2,000,483	106,587	434,235
Loans to customers	8	684,233	2,816,987	1,330,811	5,421,724
Other receivables	9	10,028,354	41,286,733	10,026,707	40,848,804
Property, plant and equipment	10	60,989	251,092	88,650	361,160
Intangible assets	11	-	-	908	3,699
Right-of-use assets	12	25,415	104,634	81,948	333,856
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TOTAL ASSETS		12,059,676	49,649,685	12,406,571	50,544,369
		<hr/> <hr/>		<hr/> <hr/>	
LIABILITIES AND EQUITY					
LIABILITIES					
Other payables	13	13,404	55,184	5,995	24,422
Lease liabilities	12	21,837	89,902	84,028	342,330
Current tax liabilities		32	132	67	273
		<hr/>		<hr/>	
TOTAL LIABILITIES		35,273	145,218	90,090	367,025
		<hr/>		<hr/>	
EQUITY					
Share capital	14	15,000,000	60,000,000	15,000,000	60,000,000
Regulatory reserve	15	6,294	25,672	2,377	9,663
Accumulated losses		(2,981,891)	(12,137,591)	(2,685,896)	(10,927,860)
Currency translation difference		-	1,616,386	-	1,095,541
		<hr/>		<hr/>	
TOTAL EQUITY		12,024,403	49,504,467	12,316,481	50,177,344
		<hr/>		<hr/>	
TOTAL LIABILITIES AND EQUITY		12,059,676	49,649,685	12,406,571	50,544,369
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The accompanying notes are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

	Note	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Interest income	16	73,563	300,652	94,118	382,872
Interest expense	17	(4,476)	(4,476)	(9,242)	(37,596)
Net interest income		69,087	282,359	84,876	345,276
Other operating income	18	7,973	32,586	6,897	28,057
Reversal of allowance and impairment losses	8	5,583	22,818	367	1,493
Personnel expenses	19	(201,928)	(825,280)	(186,916)	(760,374)
Depreciation and amortisation expenses	20	(85,102)	(347,812)	(91,408)	(371,848)
General and administrative expenses	21	(86,921)	(355,246)	(198,006)	(805,488)
Loss before tax		(291,308)	(1,190,575)	(384,190)	(1,562,884)
Tax expense	22	(770)	(3,147)	(966)	(3,930)
Loss for the financial year	22	(292,078)	(1,193,722)	(385,156)	(1,566,814)
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
- foreign currency translations		-	520,845	-	1,491,036
Total comprehensive loss for the financial year		(292,078)	(672,877)	(385,156)	(75,778)

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

Statement of changes in equity

	Share capital		Regulatory reserve		Accumulated losses		Currency translation difference		Total
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	
Balance as at 1 January 2021	15,000,000	60,000,000	1,821	7,401	(2,300,184)	(9,358,784)	(395,495)	12,701,637	51,378,122
Loss for the financial year	-	-	-	-	(385,156)	(1,566,814)	-	(385,156)	(1,566,814)
Foreign currency translations	-	-	-	-	-	-	1,491,036	-	1,491,036
Total comprehensive loss	-	-	-	-	(385,156)	(1,566,814)	1,491,036	(385,156)	(75,778)
Transaction with owners									
Transfer to regulatory reserve, represent total transaction with owners	-	-	556	2265	(556)	(2,265)	-	-	-
Balance as at 31 December 2021	15,000,000	60,000,000	2,377	9,663	(2,685,896)	(10,927,860)	1,095,541	12,316,481	50,177,344
Loss for the financial year	-	-	-	-	(292,078)	(1,193,722)	-	(292,078)	58,020,938
Foreign currency translations	-	-	-	-	-	-	520,845	-	520,845
Total comprehensive loss	-	-	-	-	(292,078)	(1,193,722)	520,845	(292,078)	(672,877)
Transactions with owners									
Transfer to regulatory reserve, represent total transaction with owners	-	-	3,917	16,009	(3,917)	(16,009)	-	-	-
Balance as at 31 December 2022	15,000,000	60,000,000	6,294	25,672	(2,981,891)	(12,137,591)	1,616,386	12,024,403	49,504,467

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

Statement of cash flows

	Note	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Loss before tax		(291,308)	(1,190,575)	(384,190)	(1,562,884)
Adjustments for:					
Amortisation of intangible assets	11	908	3,711	6,519	26,520
Depreciation of property, plant and equipment	10	27,661	113,051	28,355	115,348
Depreciation of right-of-use assets	12	56,533	231,050	56,534	229,980
Reversal of allowance and impairment losses	8	(5,583)	(22,818)	(367)	(1,493)
Interest expense	17	4,476	18,293	9,242	37,596
Operating loss before working capital changes		(207,313)	(847,288)	(283,907)	(1,154,933)
Changes in working capital					
Loan to customers		652,161	2,684,947	(21,924)	(89,187)
Other receivables		(1,647)	(6,781)	1,340	5,451
Other payables		7,409	30,503	(64,656)	(263,021)
Cash generated from/(used in) operations activities		450,610	1,861,381	(369,147)	(369,147)
Income tax paid		(805)	(3,290)	(976)	(3,970)
Net cash from/(used in) operating activities		449,805	1,858,091	(370,123)	(1,505,660)
Cash flows from financing activity					
Payments of lease liabilities, representing net cash used in financing activity	12	(66,667)	(272,468)	(66,666)	(271,197)
Net increase/(decrease) in cash and cash equivalents		383,138	1,585,623	(436,789)	(1,776,857)
Cash and cash equivalents at beginning of financial year		127,547	519,626	564,336	2,282,739
Currency translation differences		-	(2,760)	-	13,744
Cash and cash equivalents at end of financial year		510,685	2,102,489	127,547	519,626

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

Cash and cash equivalents comprise the following:

	Note	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Cash on hand	5	5,893	24,261	4,812	19,604
Balances with National Bank of Cambodia (excluding statutory deposit)	6	18,884	77,745	16,148	65,787
Balances with other banks	7	485,908	2,000,483	106,587	434,235
		510,685	2,102,489	127,547	519,626

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 12)	
	US\$	KHR'000
At 1 January 2021	141,452	572,173
Cash flows:		
- Payments	(66,666)	(66,666)
Non-cash flow:		
- Unwinding of interest	9,242	9,242
- Currency translation differences	-	-
At 31 December 2021	92,020	372,221
Cash flows:		
- Payments	(66,667)	(272,468)
Non-cash flow:		
- Unwinding of interest	4,476	18,293
- Currency translation differences	-	1,747
At 31 December 2022	21,837	89,902

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

Notes to the financial statements

1. CORPORATE INFORMATION

The Bank was registered on 5 March 2019 as a public limited company in the Kingdom of Cambodia.

The Bank obtained its license from the National Bank of Cambodia (“NBC”) to operate as a specialized bank on 19 March 2019.

The registered office and principal place of business of the Bank is No. 237Eo, Mao Tse Tung Blvd, Sangkat Toul Svay Prey Mouy, Khan Chamka Mon, Phnom Penh, Kingdom Of Cambodia.

The financial statements were authorised for issue by the Board of Directors on 30 March 2023.

2. PRINCIPAL ACTIVITY

The principal activity of the Bank is to execute financial banking by providing credit to customers and other services which are in relation to the Bank’s business. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Bank have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”) as issued by the Accounting and Auditing Regulator (“ACAR”) of the Ministry of Economy and Finance.

4. BASIS OF ACCOUNTING

The accounting policies adopted are consistent with those of the previous financial year except for the effects, if any, of the adoption of new CIFRSs during the financial year. The new CIFRSs adopted during the financial year are disclosed in Note 28 to the financial statements.

The financial statements of the Bank have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The financial statements are presented in United States Dollar (“US\$”), which is also the Bank’s functional currency. Additional disclosures are also made in Khmer Riel (“KHR”) to meet the requirements of the Law on Accounting and Auditing. Translations to KHR are presented in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes to the financial statements as at and for the financial year ended 31 December 2022 of the Bank using the following closing and average rates of exchange:

	Closing rate	Average rate
31 December 2022 US\$1 =	KHR4,117	KHR4,087
31 December 2021 US\$1 =	KHR4,074	KHR4,068

These KHR amounts represent additional supplementary information and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate.

5. CASH ON HAND

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	5,893	24,261	4,812	19,604

- (a) Cash on hand is classified as financial assets measured at amortised cost.
 (b) Cash on hand are dominated in US\$.

6. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Statutory deposit	750,000	3,087,750	750,000	3,055,500
Current account	18,884	77,745	16,148	65,787
	768,884	3,165,495	766,148	19,604

- (a) Balances with NBC are classified as financial assets measured at amortised cost.

Balances with NBC represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”).

- (b) Statutory deposit

- (i) Capital guarantee

In compliance with Prakas B7-06-208 dated 13 September 2006 on the amendment to Article 9 and Article 13 of Prakas B7-00-05 on licensing of specialized bank, the Bank is required to maintain a statutory deposit of 5% of its capital in a permanent account with the NBC. This deposit is not available for use in the Bank’s day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia.

- (ii) Reserve deposits

In compliance with Prakas B7-020-230 and B7-018-282 dated 18 March 2020 and 29 August 2018 respectively, the Bank is required to maintain a reserve against deposits and borrowings at a daily average balance equal to 7% (2021: 7%) in Khmer riels and 7% (2021:7%) in foreign currencies with the NBC.

- (c) Balances with NBC are denominated in US\$.

- (d) Weighted average effective interest rate of balances with NBC of the Bank as at the end of each reporting period are as follows:

	2022	2021
	%	%
Fixed rate	0.36	0.04

7. BALANCES WITH OTHER BANKS

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Advanced Bank of Asia Limited	17,795	73,262	9,589	39,065
Maybank (Cambodia) Plc.	468,113	1,927,221	96,998	395,170
	<u>485,908</u>	<u>2,000,483</u>	<u>106,587</u>	<u>434,235</u>

(a) Balances with other banks are classified as financial assets measured at amortised cost.

(b) The currency exposure profile of balances with other banks is as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
United States Dollar	480,959	1,980,108	101,654	414,138
Khmer Riel	4,949	20,375	4,933	20,097
	<u>485,908</u>	<u>2,000,483</u>	<u>106,587</u>	<u>434,235</u>

8. LOANS TO CUSTOMERS

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Loan to customers	693,226	2,854,011	1,351,587	5,506,366
Impairment for loans to customers	(5,532)	(22,775)	(11,114)	(45,278)
Unearned income	(3,461)	(14,249)	(9,662)	(39,364)
	<u>684,233</u>	<u>2,816,987</u>	<u>1,330,811</u>	<u>5,421,724</u>

(a) Loans to customers are classified as financial assets measured at amortised cost.

(b) Impairment for loans to customers is recognised based on the general approach within CIFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Management exercised significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

Lifetime expected loss provision for loan receivables are as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL no credit impaired	Stage 3 Lifetime ECL credit impaired	Total
31 December 2022				
Gross carrying amount (US\$)	693,226	-	-	693,226
Impairment (US\$)	(5,532)	-	-	(5,532)
31 December 2021				
Gross carrying amount (US\$)	1,351,587	-	-	1,351,587
Impairment (US\$)	(11,114)	-	-	(11,114)

(c) The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loan to customers. When this happens, the Bank assess whether or not the new terms substantially affect the original term. The Bank does this by considering, among others, the following factors:

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

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loan. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 (Lifetime ECL) to stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

(d) Movements in the impairment for loans to customers are as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	11,114	45,278	11,481	46,440
Reversal of allowance for doubtful debt	(5,582)	(22,814)	(367)	(1,493)
Currency translation differences	-	311	-	311
Balance at end of year	5,532	22,775	11,114	45,278

(e) Loans to customers are further classified as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
By maturity				
Within one year	372,190	1,532,306	65,194	265,600
From one to five years	321,036	1,321,705	281,020	1,144,875
Over five years	-	-	1,005,373	4,095,891
	<u>693,226</u>	<u>2,854,011</u>	<u>1,351,587</u>	<u>5,506,366</u>
By currency				
US Dollar	<u>693,226</u>	<u>2,854,011</u>	<u>1,351,587</u>	<u>5,506,366</u>
By economic sector				
Business	44,820	184,524	1,303,212	5,309,286
Housing Loan	648,406	2,669,487	48,375	197,080
	<u>693,226</u>	<u>2,854,011</u>	<u>1,351,587</u>	<u>5,506,366</u>
By relationship				
Non-related parties	<u>693,226</u>	<u>2,854,011</u>	<u>1,351,587</u>	<u>5,506,366</u>
By performance				
Normal loans:				
Secured	693,226	2,854,011	1,351,587	5,506,366
Unsecured	-	-	-	-
Special mentioned loans:				
Secured	-	-	-	-
Unsecured	-	-	-	-
Sub-standard loans:				
Secured	-	-	-	-
Unsecured	-	-	-	-
Doubtful loans:				
Secured	-	-	-	-
Unsecured	-	-	-	-
Loss loans:				
Secured	-	-	-	-
Unsecured	-	-	-	-
	<u>693,226</u>	<u>2,854,011</u>	<u>1,351,587</u>	<u>5,506,366</u>

(e) Loans to customers are further classified as follows: (continued)

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
By exposures				
Non-large exposures	693,226	2,854,011	1,351,587	5,506,366

A “large exposure” is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank’s net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

(f) Weighted average effective interest rate of loans to customers of the Bank as at the end of each reporting period are as follows:

	2022	2021
	%	%
Fixed rate	5.28%	5.93%

9. OTHER RECEIVABLES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Other receivables				
Shareholder	10,000,000	41,170,000	10,000,000	40,740,000
Refundable deposit	28,354	116,733	26,707	108,803
	10,028,354	41,286,733	10,026,707	40,848,803

(a) Other receivables are classified as financial assets measured at amortised cost.

(b) The amount due from shareholder represents the purchase consideration paid for the Bank’s purchase of a 5 -storeys office space in Maritime Tower from a related party, for a consideration of US\$10,000,000 (2021: US\$10,000,000). Details of the transaction are disclosed in Note 26 to the financial statements.

No impairment is made on the amount due from shareholder as the Bank is still awaiting the response from National Bank of Cambodia for the approval of write-off.

(c) Other receivables are denominated in US\$.

Impairment for other receivables is recognised based on the general approach within CIFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

10. PROPERTY, PLANT AND EQUIPMENT

	Furniture						Total
	Leasehold improvement	Equipment	Computers equipment	Motor vehicles	and fixtures		
	US\$	US\$	US\$	US\$	US\$	US\$	
<i>Cost</i>							
Balance as at 1.1.2021	56,176	25,858	30,127	35,500	18,329	165,990	671,430
Currency translation differences	-	-	-	-	-	-	4,813
Balance as at 31.12.2021	56,176	25,858	30,127	35,500	18,329	165,990	676,243
Currency translation differences	-	-	-	-	-	-	7,138
Balance as at 31.12.2022	56,176	25,858	30,127	35,500	18,329	165,990	683,381
<i>Accumulated depreciation</i>							
Balance as at 1.1.2021	9,831	8,084	11,101	12,425	7,544	48,985	198,144
Depreciation for the year	5,617	5,172	6,076	7,100	4,390	28,355	115,348
Currency translation differences	-	-	-	-	-	-	1,591
Balance as at 31.12.2021	15,448	13,256	17,177	19,525	11,934	77,340	315,083
Depreciation for the year	5,618	5,170	5,383	7,100	4,390	27,661	113,051
Currency translation differences	-	-	-	-	-	-	4,155
Balance as at 31.12.2022	21,066	18,426	22,560	26,625	16,324	105,001	432,289
<i>Carrying amounts</i>							
Balance as at 31.12.2022	35,110	7,432	7,567	8,875	2,005	60,989	251,092
Balance as at 31.12.2021	40,728	12,602	12,952	15,975	6,395	88,650	361,160

All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a declining balance basis over their estimated useful lives. The principal depreciation rates are as follows:

Leasehold improvement	10%
Equipment	20%
Computers equipment	20%
Motor vehicles	20%
Furniture and fixtures	25%

11. INTANGIBLE ASSETS

	Software license	
	US\$	KHR'000
<i>Cost</i>		
Balance as at 1.1.2021	10,890	43,823
Currency translation differences	-	543
Balance as at 31.12.2021	10,890	44,366
Currency translation differences	-	468
	10,890	44,834
<i>Accumulated amortisation</i>		
Balance as at 1.1.2021	3,463	13,846
Amortisation for the year	6,519	26,520
Currency translation differences	-	301
Balance as at 31.12.2021	9,982	40,667
Amortisation for the year	908	3,711
Currency translation differences	-	456
Balance as at 31.12.2022	10,890	44,834
<i>Carrying amounts</i>		
Balance as at 31.12.2022	-	-
Balance as at 31.12.2021	908	3,699

(a) Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

(b) Software license is amortised over its estimated useful life of 3 years using the straight line method.

12. LEASES

The Bank as lessee

Right-of-use assets

Carrying amount

	Office building	
	US\$	KHR'000
Balance as at 1.1.2021	138,482	560,160
Depreciation	(56,534)	(229,980)
Currency translation differences	-	3,676
Balance as at 31.12.2021	81,948	333,856
Depreciation	(56,533)	(231,050)
Currency translation differences	-	1,828
Balance as at 31.12.2022	25,415	104,634

Lease liabilities

Carrying amount

	Office building	
	US\$	KHR'000
Balance as at 1.1.2021	141,452	572,173
Interest expense	9,242	37,596
Lease payments	(66,666)	(271,197)
Currency translation differences	-	3,758
Balance as at 31.12.2021	84,028	342,330
Interest expense	4,476	18,293
Lease payments	(66,667)	(272,468)
Currency translation differences	-	1,747
Balance as at 31.12.2022	21,837	89,902

(a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

(b) The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Office building	5 years
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(c) The following are the amounts recognised in profit or loss:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation charge of right-of-use assets	56,533	231,050	56,534	229,980
Interest expense on lease liabilities	4,476	18,293	9,242	37,596
	<u>61,009</u>	<u>249,343</u>	<u>65,776</u>	<u>267,576</u>

(d) The following are total cash outflows for leases as a lessee:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Included in net cash from financing activities:				
Payment of lease liabilities, representing total cash outflows for leases	66,667	272,468	66,666	271,197
	<u>66,667</u>	<u>272,468</u>	<u>66,666</u>	<u>271,197</u>

(e) The table below summarises the maturity profile of the lease liabilities of the Bank at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

	Weighted average incremental borrowing rate per annum					Total
		Within 1 year	1 - 2 years	2 - 5 years	More than 5 years	
		US\$	US\$	US\$	US\$	
31 December 2022						
Lease liabilities						
Fixed rates (KHR'000 equivalent)	8	105,600	61,600	-	-	167,200
		<u>434,755</u>	<u>253,607</u>	-	-	<u>688,362</u>
31 December 2021						
Lease liabilities						
Fixed rates (KHR'000 equivalent)	8	105,600	253,607	-	-	359,207
		<u>430,214</u>	<u>1,033,195</u>	-	-	<u>1,463,409</u>

(f) Management exercises significant judgement in determining the incremental borrowing rates whenever the implicit rates of interest in a lease are not readily determinable as well as the lease terms. The incremental borrowing rates used are based on prevailing market borrowing rates over similar lease terms, of similar value as the right-of-use asset in a similar economic environment. Lease terms are based on management expectations driven by prevailing market conditions and past experience in exercising similar renewal and termination options.

13. OTHER PAYABLES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Accruals	3,195	13,154	2,222	9,051
Other payables	10,209	42,030	3,773	15,371
	<u>13,404</u>	<u>55,184</u>	<u>5,995</u>	<u>24,422</u>

- (a) Other payables are classified as financial liabilities measured at amortised cost.
- (b) Other payables are denominated in US\$.
- (c) Maturity profile of other payables of the Bank at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one year.

14. SHARE CAPITAL

	2022		2021	
	Number	US\$	Number	US\$
Ordinary shares of US\$1 each				
Registered	15,000,000	15,000,000	15,000,000	15,000,000
Registered and issued:				
At 1 January/31 December	15,000,000	15,000,000	15,000,000	15,000,000
<i>(KHR'000 equivalent)</i>		<u>60,000,000</u>		<u>60,000,000</u>

The owners of the Bank are entitled to receive dividends as and when declared by the Bank and are entitled to one vote per ordinary share at meetings of the Bank. All ordinary shares rank pari passu with regard to the Bank's residual assets.

15. REGULATORY RESERVE

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRSs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

NBC guidelines require microfinance institutions to classify their loan portfolio into the following five classes and ensure that the minimum mandatory level of specific allowance is made:

The owners of the Bank are entitled to receive dividends as and when declared by the Bank and are entitled to one vote per ordinary share at meetings of the Bank. All ordinary shares rank pari passu with regard to the Bank's residual assets.

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
General		
Normal	0 - 14 days	1%
Specific		
Special mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%

NBC guidelines require microfinance institutions to classify their loan portfolio into the following five classes and ensure that the minimum mandatory level of specific allowance is made: (continued)

Classification	Number of days past due	Allowance
Long-term loans (more than one year):		
General		
Normal	0 - 29 days	1%
Specific		
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73 of Prakas No. B7-017-344 Pro Kor, the Bank shall compare the allowance calculated in accordance with above requirements and the Bank's allowance recorded under CIFRSs:

- (a) If the regulatory allowance is lower, the Bank records the allowance calculated in accordance with CIFRSs; and
- (b) If the regulatory allowance is higher, the Bank records the allowance calculated in accordance with CIFRSs and transfer the difference from retained earnings to regulatory reserve in equity.

16. INTEREST INCOME

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Loans to customers	70,808	289,392	93,744	381,351
Deposits and placements with banks	2,755	11,260	374	1,521
	<u>73,563</u>	<u>300,652</u>	<u>94,118</u>	<u>382,872</u>

Interest income is recognised using the effective interest method. Where an account is determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

17. INTEREST EXPENSE

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Interest expense on finance leases	<u>4,476</u>	<u>18,293</u>	<u>9,242</u>	<u>37,596</u>

18. OTHER OPERATING INCOME

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Fee and commission	7,847	32,071	6,012	24,457
Others	126	515	885	3,600
	<u>7,973</u>	<u>32,586</u>	<u>6,897</u>	<u>28,057</u>

19. PERSONNEL EXPENSES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and benefits	200,073	817,698	186,763	759,752
Others	1,855	7,582	153	622
	<u>201,928</u>	<u>825,280</u>	<u>186,916</u>	<u>760,374</u>

20. DEPRECIATION AND AMORTISATION EXPENSE

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation of property and equipment	27,661	113,051	28,355	115,348
Depreciation of right-of-use assets	56,533	231,050	56,534	229,980
Amortisation of intangible assets	908	3,711	6,519	26,520
	<u>85,102</u>	<u>347,812</u>	<u>91,408</u>	<u>371,848</u>

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Communication	3,242	13,250	3,198	13,010
Computer and office supplies	3,278	13,397	2,624	10,674
Membership fees	30,432	124,376	29,223	118,880
Motor vehicle operating expense	2,885	11,791	1,587	6,456
Professional fees	8,413	34,384	7,380	30,022
Repairs and maintenance	6,017	24,591	9,154	37,238
Security	8,316	33,987	8,912	36,254
Taxes expense	915	3,740	13,372	54,397
Utilities	5,150	21,048	5,270	21,438
Others	18,273	74,682	117,286	477,119
	<u>86,921</u>	<u>355,246</u>	<u>198,006</u>	<u>805,488</u>

22. TAX EXPENSE

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Income tax expense:				
Current year	770	3,147	966	3,930

Under the Cambodian Law on Taxation, the Bank has an obligation to pay tax on profit at 20% (2021: 20%) of the taxable profit or a minimum tax at 1% (2021: 1%) of total revenue, whichever is higher.

The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of the Bank is as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Loss before tax:	(291,308)	(1,190,575)	(384,190)	(1,562,884)
Tax at Cambodian statutory tax rate of 20% (2021: 20%)	(58,262)	(238,117)	(76,838)	(312,577)
Tax effects in respect of:				
Non-allowable expenses	150	613	52,649	214,176
Deferred tax assets not recognised during the year	58,112	237,504	24,189	98,401
Statutory minimum tax	770	3,147	966	3,930
Total tax expense	770	3,147	966	3,930

The amounts of temporary differences for which no deferred tax assets have been recognised in the statement of financial position are as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Deductible temporary differences	18,790	76,795	(384,190)	(1,562,884)
Unused tax losses				
- Expire by 31 December 2024	664,556	2,716,040	664,556	2,703,414
- Expire by 31 December 2025	312,799	1,278,410	312,799	1,272,466
- Expire by 31 December 2026	257,297	1,051,573	257,297	1,046,684
- Expire by 31 December 2027	271,768	1,110,716	-	-
	1,525,210	6,233,534	1,234,652	5,022,564

23. RELATED PARTY DISCLOSURES

(a) Parties are considered related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties can be individuals or other parties.

Key management personnel comprises persons (including the Directors of the Bank) having the authority and responsibility for planning, directing and controlling the activities of the Bank directly and indirectly.

(b) Key management compensation during the financial year is as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and other expenses	43,000	175,741	39,000	158,652

24. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The objectives of the Bank on managing of capital are to meet the NBC's requirement, continue as a going concern and support the development of the business by maintain strong capital.

The Bank manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the dividend payment to shareholders, return capital to its shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2022 and 31 December 2021.

The Bank monitors and maintains a prudent level of total debts and to ensure compliance with any externally imposed capital requirements.

(b) Financial risk management

The financial risk management objective of the Bank is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the Bank. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

The Bank is exposed mainly to foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Bank hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of each reporting period, such foreign currency balances (in Khmer riel) amounted to US\$4,949 (2021: US\$4,933) for the Bank. The sensitivity analysis for the foreign currency risk of the Bank is not presented as the effect is not significant.

(b) Financial risk management (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Bank would fluctuate because of changes in market interest rates.

The exposure of the Bank to interest rate risk arises primarily from loans and borrowings. The Bank manages its interest rate exposure by closely monitoring the debt market. The Bank does not use derivative financial instruments to hedge any debt obligations. The sensitivity analysis for the interest rate risk of the Bank is not presented as the effect is not significant. The sensitivity analysis for the interest rate risk of the Bank is not presented as the effect is not significant.

(iii) Credit risk

The Bank assumes exposure to credit risk which is the risk that a counterparty will be unable to pay the amounts in full when due. The Bank structures the levels of credit risk undertaken by placing limits on the amount of risk accepted in relation to one borrower, or Bank of borrowers, and the geographical and industry segments. Procedures of risk limit setting, monitoring, usage, control are governed by internal regulations. Such risks are monitored on a regular basis.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet the interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate or personal guarantees as well as by providing for loan losses.

The Bank determines a financial asset to be in default when contractual payments are past due and when internal or external information indicates that financial asset is not recoverable. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

a. Risk limit control and mitigation policies

The Bank operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. 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 customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral type secured for loans to customers is collateral pledge over properties (land, building and other properties).

b. Maximum exposure to credit risk before collateral held or other credit enhancements

	Note	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Credit exposure relating to assets on the statement of financial position:					
Balances with other banks	7	485,908	2,000,483	106,587	434,235
Loans to customers	8	693,226	2,854,011	1,351,587	5,506,366
Other receivables	9	10,028,354	41,286,733	10,026,707	40,848,804
		11,207,488	46,141,227	11,484,881	46,789,405
		11,207,488	46,141,227	11,484,881	46,789,405

The above table represents a worst case scenario for credit risk exposure to the Bank as 31 December 2022, without taking into account any collateral held or other credit enhancements. For assets in the statement of financial position, the exposure set out above is based on net carrying amounts.

c. Repossessed collateral

During the financial year ended 31 December 2022, the Bank did not obtain any assets by taking possession of collateral held as security.

(iii) Liquidity and cash flow risk

Liquidity and cash flow risk arises from the Bank's management of working capital. It is the risk that the Bank will encounter difficulty in meeting its financial obligations when due.

The Bank actively manages its operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Bank maintains a level of cash and cash equivalents deemed adequate to finance the Bank's activities.

25. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

26. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 21 October 2019, the Bank and Maritime Development Group Co., Ltd. (a related party to the Bank by virtue of common controlling shareholder in Neak Okhna Heng Sithy) entered into a sale and purchase (“S&P”) agreement for the purpose of buying 5-storeys office space in Maritime Tower, which is currently under construction, for a consideration of US\$10,000,000. The purchase consideration was paid in full to the Shareholder after the signing of S&P.

In October 2022, Maritime Development Group Co., Ltd has notified the Bank that it will not be possible to complete the construction of Maritime Tower within the agreed time frame due to the impact of COVID-19.

On 18 November 2022, the Board of Directors passed the resolution to abort the above S&P agreement and to write off in full the purchase consideration paid amounting to US\$10,000,000. However, the Board of Directors intended to obtain the approval from National Bank of Cambodia for their proposed write off as of this juncture.

The Bank has yet to receive the response from National Bank of Cambodia for the abortion of the S&P agreement and the write-off in full the purchase consideration paid as at the date of this report.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period’s presentation.

	As restated		As previously stated	
	US\$	KHR’000	US\$	KHR’000
Statement of financial position				
Current assets				
Cash and cash equivalents	-	-	127,547	519,626
Statutory deposits with the Central Bank	-	-	750,000	3,055,500
Cash on hand	4,812	19,604	-	-
Balances with National Bank of Cambodia	766,148	3,121,287	-	-
Balances with other banks	106,587	434,235	-	-
Other assets	-	-	26,707	108,804
Deposits	-	-	10,000,000	40,740,000
Other receivables	10,026,707	40,848,804	-	-
Statement of profit and loss and other comprehensive income				
Reversal of allowance and impairment losses	367	1,493	-	-
Movement in allowance for bad debt doubtful				
loans - net	-	-	367	1,493
Other operating income	6,897	28,057	6,809	27,699
Personnel expenses	(186,916)	(760,374)	-	-
Depreciation and amortisation expenses	(91,408)	(371,848)	-	-
Donations to government	-	-	(100,000)	(406,800)
General and administrative expenses	(198,006)	(805,488)	(376,242)	(1,530,552)

28. ADOPTION OF NEW CIFRS

28.1 New CIFRSs adopted during the current financial year

The Bank adopted the following amendments during the financial year.

	Effective Date
Annual Improvements to CIFRS Standards 2018 - 2020	1 January 2022
Amendments to CIFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to CIAS 16 Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to CIAS 37 Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022

Adoption of the above amendments did not have any material effect on the financial performance or position of the Bank.

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

28.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

The following are accounting standards and amendments that have been issued but have not been early adopted by the Bank.

	Effective Date
CIFRS 17 Insurance Contracts	1 January 2023
Amendments to CIFRS 17 Insurance Contracts	1 January 2023
Initial Application of CIFRS 17 and CIFRS 9 - Comparative Information (Amendments to CIFRS 17 Insurance Contracts)	1 January 2023
Amendments to CIFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying CIFRS 9	1 January 2023
Disclosure of Accounting Policies (Amendments to CIAS 1 Presentation of Financial Statements)	1 January 2023
Definition of Accounting Estimates (Amendments to CIAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
Amendments to CIAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to CIFRS 16 Lease Liability in Sale and Leaseback	1 January 2024
Amendments to CIAS 1 Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to CIAS 1 Non-current Liabilities with Covenants	1 January 2024
Amendments to CIFRS 10 and CIAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Bank is in the process of making an assessment of the potential impact from the adoption of these accounting standards and amendments hence the Directors are not yet in a position to conclude on the potential impact on the results and the financial position of the Bank.

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 Samdach Techo Hun Sen to purchase COVID-19 vaccine on 8 December 2020.

Neak Oknha Heng Sithy donated USD100,000 to the Cambodian Red Cross



Neak Oknha Heng Sithy donated USD100,000 to the Cambodian Red Cross





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