



AEON

Planting Seeds of Growth
We are AEON

របាយការណ៍ប្រចាំឆ្នាំ ANNUAL REPORT 2022



AEON CARD

នេះជាអ្វីដែលអ្នកត្រូវការ



ធនាគារឯកទេស អ៊ីអន (ខេមបូឌា) ភីអិលស៊ី
AEON SPECIALIZED BANK (CAMBODIA) PLC.

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“SIMPLE, FAST and
CONVENIENT”

AEON, we always bring you simple, fast and
convenient financial services

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ABOUT AEON
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AEON FINANCIAL SERVICE GROUP NETWORK

“Support customers Lifestyle and enable each individual to maximize future opportunities through effective use of credit”





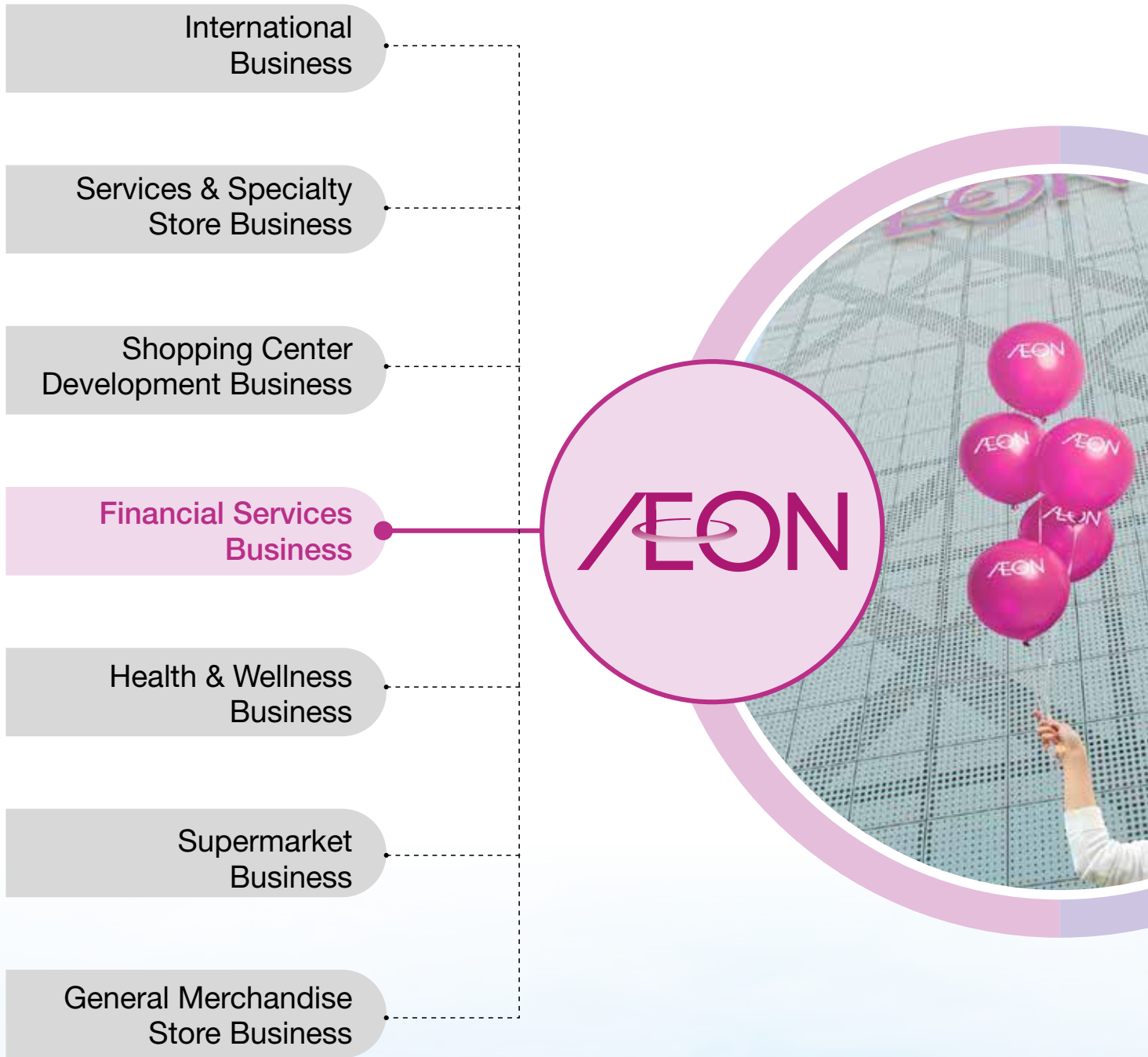
 Listed Company
 Non-listed Company

CHART OF AEON GROUP / AFS GROUP





**FINANCIAL SERVICES
BUSINESS**

AFS Corporation Co.,Ltd.

**AEON Specialized Bank
(Cambodia) Plc.**

AEON Credit Service (Phillippines) Inc.

AEON Housing Loan Service Co.,Ltd.

AEON Bank.,Ltd.

Consolidated Subsidiaries Overseas

AEON Allianz Life Insurance Co.,Ltd.

ACS Leasing Co.,Ltd.

AEON Product Finance.,Ltd.

AEON S.S. Insurance Co.,Ltd.

ACS Credit Management Co.,Ltd.

AEON Insurance Service Co.,Ltd.

AEON Credit Service Co.,Ltd.



2022 FINANCIAL HIGHLIGHTS

OUR BACKGROUND

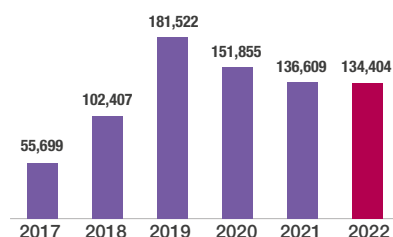
AEON Specialized Bank (Cambodia) Plc., (the “Company”), was incorporated as a public limited the company in Cambodia which initially registered with Ministry of Commerce (“MOC”) on 5 October 2011 under Registration No. Co. 2380 E/2011 and has re-registered through online business registration with the new Registration Number 00006388. On 7 October 2011, the Company obtained its license as a micro-finance institution from National Bank of Cambodia (“NBC”). As a microfinance institution, the company was the first to offer unsecured Installment Service such as home appliances, motorbike, mobile phone, personal loan, and agriculture machinery.

On 26 October 2015, the Company obtained a specialized bank’s license from NBC. Since then, the Company has transformed into a specialized bank and started issuing Credit Card, AEON Wallet, AEON Card Mobile(m-Visa) as our business expansion.

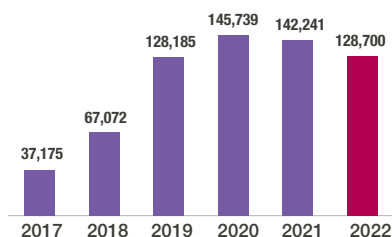
In 2019 AEON Thana Sinsap (Thailand) Pcl., a listed company in Thailand, owns 50% shares of the company while another 50% is owned by AFS Corporation Co., Ltd. (“AFSC”) a private company 100% owned by AEON Financial Service Co., Ltd. (“AFS”) which is listed in Japan Stock Exchange.

KEY FINANCIAL DATA

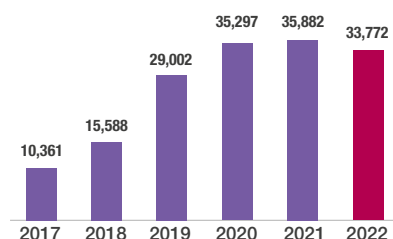
Total Sales (Unit: '000 USD)



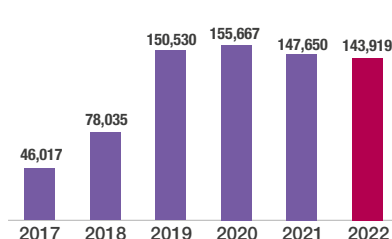
Total Receivable (Unit: '000 USD)



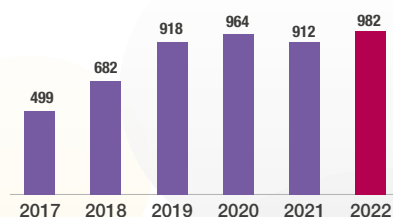
Total Revenue (Unit: '000 USD)



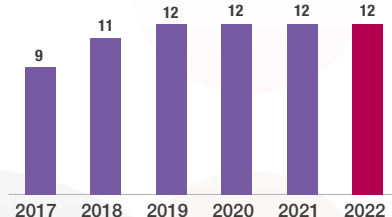
Total Assets (Unit: '000 USD)



Manpower



Branch



The financial statements for the year ended 31 December 2022 have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”). The first set of CIFRSs financial statements were prepared for the financial year ended 31 December 2019.

Note: For all years up to the year ended 31 December 2018, the financial statements were prepared in accordance with Cambodian Accounting Standards (“CAS”) and relevant accounting regulations and guidelines issued by NBC.

MESSAGE FROM MANAGEMENT



Mr. Junji Noda

Vice Chairman of the Board and Managing Director.

We would like to introduce our Company's products and services in Cambodian market as a slogan

“SIMPLE, FAST and CONVENIENT”

Dear readership,

We, AEON Specialized Bank (Cambodia) Plc., have been established in Cambodia in October 2011 as Microfinance which offered first product of unsecured installment service. We have obtained a specialized bank license from the National Bank of Cambodia in October 2015.

The global Covid-19 pandemic has significantly impacted the business landscape bringing about substantial changes. And this is continuing even now that the pandemic is over. In Cambodia, we have witnessed a remarkable shift in business practices especially a digital shift in e-commerce and financial services with digital technology playing a central role.

As a result, online transactions have surged, presenting exciting new opportunities for both Cambodia and the Company. Business in Cambodia were mainly cash based especially among small business operation. In the post-pandemic period, we can see the cashless payment & acceptance have been notably increasing and people adopted to it very fast. Every payment transaction is through mobile application, not only at supermarket but also small business. Customer starts to get used to using the card or mobile application for making payment so that they could well manage their funding or budget spending.

Amidst the challenges posed by the pandemic, we have faced numerous obstacles. However, these challenges have provided invaluable insights and

lessons that contribute to our sustainable growth. Through proactive measures, we have demonstrated adaptability and resilience, enabling us to overcome these obstacles and enhance our operational effectiveness.

To address challenges effectively and ensure continuous improvement, we have implemented a comprehensive business contingency plan. This plan empowers us to respond swiftly to potential problems, mitigating their impact and safeguarding our operations.

Despite these difficulties, Digital or Mobile applications with multiple features to increase customer satisfaction, convenience, self-service and under their fingertip is in our development plan. That is, to provide one-stop service for loan applications, payments, management with loyal program in order to satisfy and adapt to such change.

We will continue to enhance our applications such as “AEON WALLET”, “AEON CARD MOBILE” and “AEON ROHAS” to improve customer convenience. In addition to responding to the digital shift, we, as a member of AEON GROUP, have the strength of “physical” (actual stores), and we have committed to differentiating ourselves from other financial institutions and providing customers with cards and financial products that have “value for customers”.

As a result, we received the Visa Award Leadership in the number of credit card transactions (2021) and (2022) and the credit validation rate (2021), thanks to customers’ support.

We will continue to pursue convenience and value for our customers to contribute to financial inclusion in Cambodia and to meet the needs and daily use of many customers through credit card payments.

Finally, we, AEON Specialized Bank (Cambodia) Plc., are well-positioned to seize new digital service opportunities, leverage the lessons learned from the pandemic, and tackle potential challenges through our robust business contingency plan. We remain dedicated to fostering strong connections with our customers. We extend our sincere gratitude to our customers, business partners, and colleagues for their continuous support and contribution to our development in the year 2022.

Mr. Junji Noda

Vice Chairman of the Board and Managing Director.

BOARD OF DIRECTORS



Mr. Tsutomu Omodera

Position : Chairman of the Board
Born (year) : 1964
Education : Bachelor's Degree of Faculty of Engineering, Kobe University, Japan

2021 - Present:
 Chairman of the Board of AEON Specialized Bank (Cambodia) Plc.

2020 - Present:
 Vice Chairman of the Board and Managing Director of AEON Thana Sinsap (Thailand) Pcl.

2020 - Present:
 Non-Executive Director (Chairman) of ACS Servicing (Thailand) Co., Ltd.

2018 - 2020:
 Managing Director of ACS Credit Management Co., Ltd. (Japan)

2019:
 Non-Executive Director of AEON Credit Service Co., Ltd.

2015 - 2019
 Director and Executive Officer of AEON Credit Service Co., Ltd.



Mr. Junji Noda

Position : Vice Chairman of the Board and Managing Director
Born (year) : 1971
Education : Bachelor's Degree in Economics, Kansai University, Japan

2022 - Present:
 Vice Chairman of the Board and Managing Director of AEON Specialized Bank (Cambodia) Plc.

2021 - 2022 Present:
 Executive Director of AEON Specialized Bank (Cambodia) Plc.

2015 - 2021:
 Executive Vice President, AEON Thana Sinsap (Thailand) Pcl.

2013 - 2015:
 Senior Manager / AEON Credit Service (ASIA) Co., Ltd.

2000 - 2013:
 General Manager / AEON Credit Service Co., Ltd.



Mr. Shuji Taniguchi

Position : Executive Director
Born (year) : 1975
Education : Bachelor's Degree of Law, Seikei University, Japan

2022 - Present :
 Executive Director, AEON Specialized Bank (Cambodia) Plc.

2021 - 2022 :
 General Manager of Group Corporate Sales Promotion Department, AEON Credit Service Co., Ltd.

2018 - 2021 :
 Branch Manager, AEON Credit Service Co., Ltd.

2002 - 2018 :
 Staff of Customer Finance Industry, Acquiring Business, AEON Credit Service Co., Ltd.



Mr. Masato Anada

Position : Non- Executive Director
Born (year) : 1967
Education: Bachelor's Degree of Economics, Yokohama National University, Japan

2022 - Present :
 Non-Executive Director, AEON Specialized Bank (Cambodia) Plc.

2020 - Present :
 Member of Board, AFS Corporation Co., Ltd.

2012 - 2020:
 Executive Officer, Risk Management, Legal and Compliance, AEON Bank Ltd



Mr. Om Sengbora

Position : Independent Director
Born (year) : 1977
Education : Honorary Doctoral Degree of Business Administration

2019 - Present :
Chairman of CEO Master Club Investment Plc.

2015 - Present :
Chairman of CEO Institute including CEO Master Club, Real Estate School of Cambodia, and Faculty of International Business Management.

2013 - Present :
Independent Board of Director of Phnom Penh Water Supply Authority

2012 - Present :
Advisory Member of Cambodia Chamber of Commerce

2011 - Present :
Independent Board of Director of AEON Specialized Bank (Cambodia) Plc.



Mrs. Khieu Mealy

Position : Independent Director
Born (year) : 1964
Education : Double Master Degree from University Libre de Bruxelles (ULB) and Royal University of Law and Economics in collaboration with University of Montreal, and University of Geneva (LLM) and LLB from Royal University of Law and Economics; Bachelor of Law at National Institute of Management and Royal University of Law and Economic.

2022 - Present :
Accredited Mediator of CEDR

2019 - present :
Founding member and Registered Arbitrator with NCAC.

2017 - Present :
Member of APAA and Council Member of APAA-Cambodian Group.

2016 - Present :
Member of ASEAN IPA.

2014 - Present :
Independent Director, AEON Specialized Bank (Cambodia) Plc.

2012 - Present :
Senior Partner of Sok Siphana & Associates, a member of ZICOLAW

2009 - Present :
Authorized Trade Mark Agent.

2009 - Present :
Founding Member of Intellectual Property Association of Cambodia (IPAC).

2004 - Present :
Member of Bar Association of the Kingdom of Cambodia

ADVISORY



H.E. Dr. Sok Siphana

Position : Advisor
Born (year) : 1960
Education : Juris Doctor (J.D.), Widener University School of Law, 1992, Delaware, (USA), Doctor of Philosophy (Ph.D.), Bond University School of Law, 2009, Queensland, (Australia); Docteur en Droit, Université de Paris 2, Pantheon Assas, 2022, Paris (France).

2018 - Present :
Chairman of Asian Vision Institute

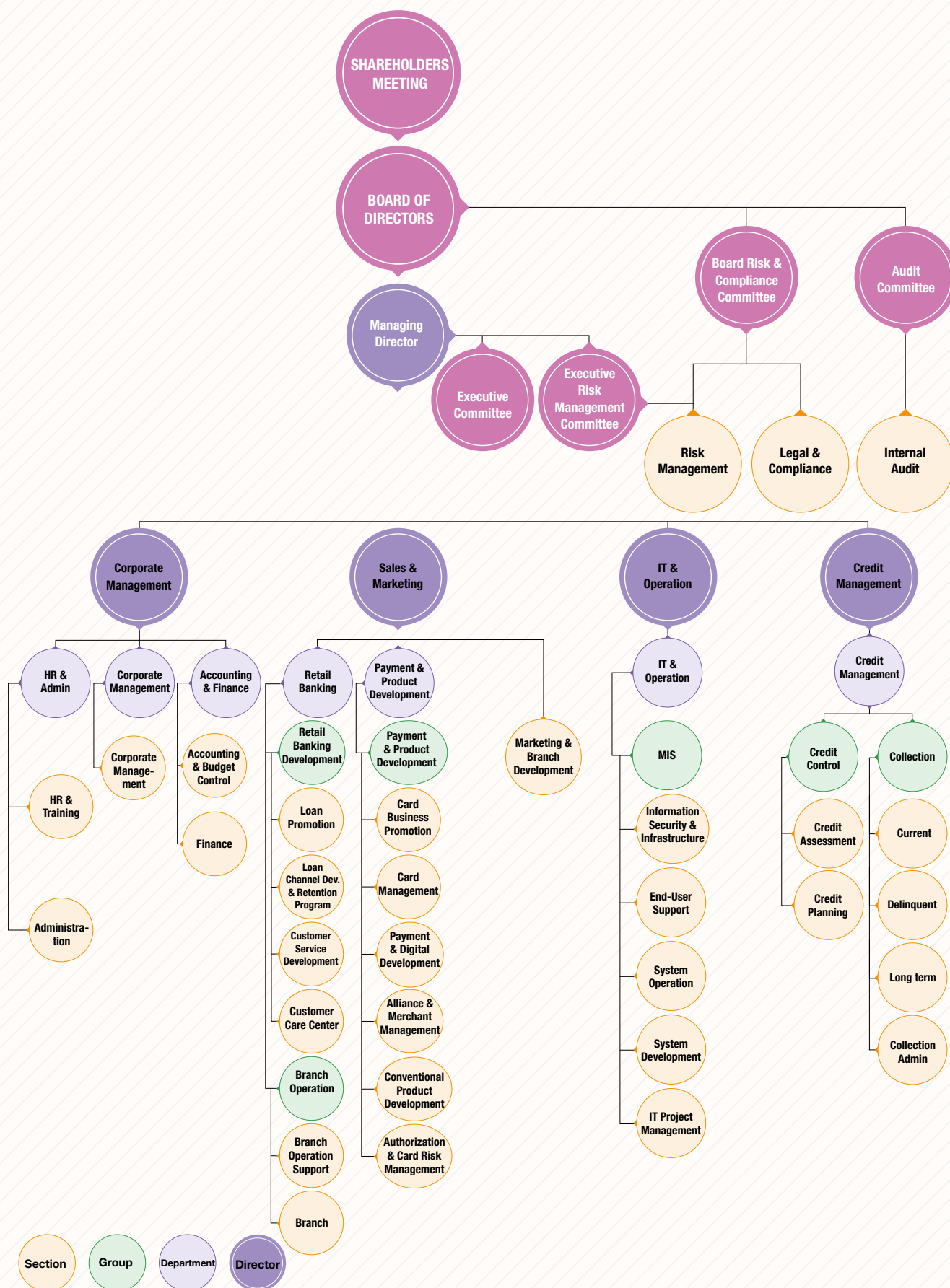
2018 - Present :
Senior Advisor to the Royal Government of Cambodia attached to the Ministry of Foreign Affairs and International Cooperation.

2014 - Present :
Advisor, AEON Specialized Bank (Cambodia) Plc.

2009 - Present :
Founding Partner, SokSiphana & associates law firm

1995 - Present :
Member of Bar Association of the Kingdom of Cambodia

ORGANIZATION CHART



CORPORATE HISTORY

2015

- Oct** Obtain the Specialized Bank License
- Nov** Launch Tablet application



2016

- Feb** Transformed to Specialized Bank
- Apr** AEON Mall Phnom Penh Renovation
- Apr** Start issuing Gold Credit Card
- Jul** Start issuing Violet Credit Card



2017

- Jan** Pochentong branch opening
- Jul** Battambang branch relocation/renovation
- Aug** Head office renovation
- Oct** Siem Reap branch relocation/renovation
- Dec** AEON card receive VISA award



2018

- Apr** launched electronic money (AEON Wallet)
- Apr** Started Car Loan
- Jun** AEON Sen Sok branch opening
- Aug** Takeo branch opening
- Aug** Banteay Meanchey branch opening
- Dec** launch AEON Card Mobile (Scan to Pay)



2019

- Apr** Head Office relocation
- Jun** Banteay Meanchey branch relocation
- Jul** Relocation and conversion of Sovanna Branch to Stueng Mean Chey Branch
- Aug** Takeo branch relocation/renovation
- Nov** Chbar Ampov branch opening



2020

- May** Pochentong branch renovation
- Aug** Battambang branch renovation
- Dec** VISA Award 2020



2021

- May** AEON Lounge Sen Sok Renovation
- Aug** Launch new Olympic card face



2022

- Jan** Launch AEON Rohas App
- May** : AEON Lounge Phnom Penh new renovation
- Oct** Launch new FIFA Card Face
- Dec** VISA Award 2021-2022



ACCOMPLISHMENT Y2022

ACCOMPLISHMENTS, PREVIOUS OBSTACLES, AND THREATS

Accomplishments

1 Dealer development/Merchant development

- 1.1. We have developed additional new 274 cooperate dealers shop as our partners in 2022 but we deactivated 299 cooperate dealers making the accumulated partner as of December 2022 to 3,679. The total cooperate dealers were maintained while there are some dealers closed their shop due to impact of the covid 19 as it is prolonged in 2022.
- 1.2. We have developed & renewed of Alliance partner 117 brands which is 129 outlets in FY2022. Accumulated 895 brands, 1,206 outlets.
- 1.3. AEON Card Mobile's merchant development & renewal: 161 brands, 179 outlets in FY2022. Accumulated 1,263 brands, 1,496 outlets.
- 1.4. Accumulated AEON Wallet merchant 674 as of FY2022 inside both AEON Mall Phnom Penh and AEON Mall Sen Sok City and outside.



2 Customer Service Capability Enhancement

- 2.1. To serve customers better, we have enhanced & upgraded our call center capability to a more robust system, which allows our agents to responsively answer customer call.
- 2.2. Besides the system, we have leveraged more access channels for our customers to express their feedback or suggestions through many channels, i.e., Facebook, website, in-branch walk-in through suggestion box. More information on this channel access is fully available & displayed on our website

3 Personal Loan & installment continue to slow down from Y2020

We continue facing with big challenge from Covid pandemic until 2022, while we are counter measure of the covid impact was uphold until end May 2022 and fully released in the last quarter of 2022, we continue to offer loan to our target customer to align with our business principles.

- 3.1 Personal loan, by focusing on online advertisement and lead generation from digital channel, sales achieved over USD \$19.3 million, 94.6%YoY. In 2022, Personal Loan is still key product to maintain the KHR Loan to meet the regulatory requirement at 12.9%
- 3.2 Purpose loan achieved over USD 18.6 million, 96.7%YoY. We continue to keep in touch and work closely with key partner such electronic, home appliance and furniture.
- 3.3 Motor loan achieved USD 13.6 million, 62.9%YoY. In 2022, we continue to strength our loan quality while our counter measure on the impact from covid 19 were uphold until fully lifted in September 2022. As a result, Motor Loan started to recover and continue to improve.
- 3.4 Car Loan sales achieved USD 13.4 million, 69%YoY. Our car loan still continues to impact from covid 19 and also tighten criteria as our counter measure; therefore, the sale performance was slow in the first half; however, this product started to recover in the second half of fiscal year as removing the tighten criteria.

BUSINESS HIGHLIGHT 2022

LOOKING BACK ON 2022

During the Covid-19 pandemic, the customer's behavior was changed, and it is noticed that moving toward to digital mindset. In 2022, we have launched "AEON Rohas" Apps which is a digital platform to support our customers to apply for personal loans at anywhere anytime.

Also, we have started the Prepaid Card Business Project to expand our group company' customer basis and to establish AEON Eco-system in the near future.

ACTION PLAN AND PRIORITY IMPLEMENTATION FOR 2023

There are some things that have disappeared due to Covid 19, some that have newly appeared, and some that have remained even after Covid 19. Mobile & Digital payment has become popular for small & medium payment and improved a lot on cashless transaction. Visa's Prepaid card & Mobile application with many features will be introduced to the market and it is more than just a payment. In 2023, we will continue to enhance the AEON Rohas Phase 2 by integrating Auto judgement to improve speed and customer satisfaction through our digital platform. In addition, we will continue to enhance our existing product features in responding to customers' needs as well as expanding new market segments.

We continue to support to solve local social issues such as realizing sustainable society, financial inclusion and digital financial inclusion, while continuing our commitment to provide products & services align with "New Lifestyle" by following our philosophy "Simple, Fast, Convenient".

ក្លាយជាម្ចាស់រថយន្ត
ក្នុងក្តីស្រមៃ



BUSINESS PERSPECTIVE 2023

CREDIT CARD

The Company is still standing in rank number 1 and covering 37% share of total Visa credit card issuing in Cambodia. (Per VISA Q42022 report). We've valid 46,858 cards as of December 2022, number 3 in payment volume which is 15% of market share. (Per VISA reported Q42022).

Thanks to our AEON Cardholder, Alliance/Merchant partners and all staff members of the Company for putting effort to make this achievement happened.

The Company continues to maintain our "Happy Plus Point" redemption with many choices for customer such as cash voucher, premium gift, credit the value to customer card in order to provide benefit from their usage. Many promotion activities have been conducted during the year on pump gasoline to get cashback, Dinning "1 Free 1", Food Delivery, Cross Boarder payment and other promotion activities.

AEON Cardholder able to enjoy the benefit up to 50% discount from 1,206 privilege merchant's outlets. Merchant network expansion to support small business and cashless payment, we have developed 1,263 brands, 1,496 outlets of December 2022 (The top privilege merchant is F&B: 62%, fashion 24%, wellness 5%, 9% is other categories). Majority of the merchant as small business; small ticket spends which we can increase the mobile payment and reduce cashless payment in the market.

The Company continues to improve our product/feature to provide a very good service to cardholder not only AEON Card but also AEON Card Mobile to make our AEON Cardholder feel SIMPLE to register, CONVIEIENT managing AEON Card account which allow to Activate Card, Hold Card, view credit balance, transaction history, monthly billing statement, happy plus point and so on. Also, FAST payment via Scan to Pay by just scanning QR Code from smartphone. Plus, above, contactless feature also allowed cardholder to make faster payment by just tap and go.



KHMER RIEL LOAN

To support NBC's initiative to promote Khmer Riel, we continue to keep focus to improve the Khmer Riel loan to meet their requirement. In 2022, Khmer Riel loan was at 12.90% of total portfolio; while Personal Loan still our key product to drive KHR loan even though we launch KHR loan for Hire Purchased. In 2023, we still continue to promote and support our KHR loan to meet regulatory requirements as well as to promote Khmer Riel in the market.



INTERNAL CONTROL

COMPANY'S COMPLIANCE

Effective internal controls are the foundation of safe and sound banking. A proper designed and consistently enforced system of operational and financial internal control helps the Company's Board of Directors and Management safeguard the Company's resources, produce reliable financial reports, and comply with laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur. Meanwhile, Compliance Function takes part and plays a very important role in the Company's permanent control activities. Acting as the second line defense, the Compliance Function, which is separated from other internal control functions, is independent and does not involve in any business operation to prevent from potential conflicts of interests. The main function of Compliance is to ensure the Company complies with prevailing laws and regulations, professional and ethical standards, specific regulations issued by market authorities, relating to banking and financial activities and with policies and instructions issued by the decision-making body. Within 2022, Compliance has updated the Policies, Regulations and Procedure relevant with Compliance Framework and reviewed other Policies, Regulations and Procedures to align with the development of the Company's Products, Services, the market trend and especially the Laws and Regulations. Moreover, the new training materials were developed, and refreshment training has been conducted to existing staffs to ensure that their knowledge and understanding reflecting to minimize the risk of non-compliance and legal issue and money laundering and financing of terrorism. In year 2023, we have planned to establish the full compliance program including updating all related compliance Policies, Regulations and Procedures, establish the Compliance Checklist with monitoring plan, training program and report mechanism to strengthen our Compliance Function to help our Company's internal control more effectively.



RISK MANAGEMENT

The Company considers risk management as an important element of the business and embeds strong risk culture in its day-to-day business operations. Understanding the importance of risk management to sustainable growth, the Risk Management team is involved in all stages of the risk management process to provide an independent view and input including overseeing, planning, and conducting its own risk management. The company has been conduct monthly regional risk management meeting amongst Japan, Thailand, Myanmar and Laos which are AEON group companies.



CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES



Reflection Point for FY2022

In 2022, we continue to support AEON 1% scholarship. Clean City activity was suspended.

Major Planning in FY2023

We will consider the timing of resuming clean city activities.

We also plan to continue making donations to the Red Cross and Buddhist temples to which we have been making donations on an ongoing basis. We would also like to participate more actively in sponsorships.

- May** Red Cross Donation - Battambang and Takeo
- May** Neak Bontorvein Program-CEO Institute/CEO Master Club
- Jul** ABC Donation for supporting the printing of Financial Literacy Comic book
- Oct** AEON Mall Mean Chey Tree Planting Ceremony as AEON Group
- Oct** ABC Donation for Flood Damage
- Dec** AEON 1% Scholarship Ceremony



“These figures from page 17 to 38 are extracted from audited financial statements for the year ended 31 December 2022, of which the auditor, Deloitte (Cambodia) Co., Ltd., rendered a true and fair view dated 30 March 2023”.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
ASSETS				
Cash on hand	827,978	3,408,785	1,056,256	4,303,187
Balances with the NBC	6,201,178	25,530,250	5,644,852	22,997,127
Balances with other banks	5,981,313	24,625,066	3,846,901	15,672,275
Loans to customers	120,490,127	496,057,853	126,783,498	516,515,971
Other assets	3,224,468	13,275,135	2,539,897	10,347,540
Property and equipment	1,389,880	5,722,136	1,284,572	5,233,346
Intangible assets	1,984,226	8,169,058	1,960,807	7,988,328
Right-of-use assets	1,979,472	8,149,486	1,613,913	6,575,082
Deferred tax assets	1,840,194	7,576,079	2,920,041	11,896,247
TOTAL ASSETS	143,918,836	592,513,848	147,650,737	601,529,103
LIABILITIES				
Current income tax liabilities	511,640	2,106,422	343,139	1,397,948
Other liabilities	3,528,867	14,528,345	2,909,351	11,852,696
Provision for off-balance sheet items	356,350	1,467,093	335,894	1,368,432
Borrowings	96,348,223	396,665,634	107,666,540	438,633,484
Subordinated debts	7,326,707	30,164,053	8,125,894	33,104,892
Lease liabilities	1,904,195	7,839,571	1,567,306	6,385,205
Employee benefit obligations	102,519	422,071	136,495	556,081
TOTAL LIABILITIES	110,078,501	453,193,189	121,084,619	493,298,738
EQUITY				
Share capital	20,000,000	82,340,000	20,000,000	81,480,000
Retained earnings	13,840,335	56,389,584	6,566,118	26,659,858
Currency translation differences	-	591,075	-	90,507
TOTAL EQUITY	33,840,335	139,320,659	26,566,118	108,230,365
TOTAL LIABILITIES AND EQUITY	143,918,836	592,513,848	147,650,737	601,529,103

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest income	29,919,379	122,280,502	33,186,865	135,004,167
Interest expense	(4,016,094)	(16,413,776)	(4,014,520)	(16,331,067)
Net interest income	25,903,285	105,866,726	29,172,345	118,673,100
Fee and commission income	2,210,629	9,034,841	2,178,921	8,863,851
Other income - net	1,616,435	6,606,370	500,235	2,034,956
Operating profit	29,730,349	121,507,937	31,851,501	129,571,907
Personnel expenses	(8,628,805)	(35,265,926)	(8,084,242)	(32,886,697)
Depreciation and amortisation	(2,205,675)	(9,014,594)	(2,247,604)	(9,143,253)
Other operating expenses	(6,374,416)	(26,052,238)	(5,830,144)	(23,717,026)
Impairment losses on financial assets	(3,382,753)	(13,825,312)	(14,675,868)	(59,701,431)
Profit before tax	9,138,700	37,349,867	1,013,643	4,123,500
Income tax expense	(1,864,483)	(7,620,142)	(300,350)	(1,221,824)
Profit for the year	7,274,217	29,729,725	713,293	2,901,676
Other comprehensive income				
Currency translation differences	-	500,569	-	174,012
Total comprehensive income for the year	7,274,217	30,230,294	713,293	3,075,688

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital		Retained earnings		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
Balance as at 1 January 2021	20,000,000	80,900,000	5,852,825	23,758,182	(83,505)	25,852,825	104,574,677
Profit for the year	-	-	713,293	2,901,676	-	713,293	2,901,676
Other comprehensive income - currency translation differences	-	-	-	-	174,012	-	174,012
Total comprehensive income	-	-	713,293	2,901,676	174,012	713,293	3,075,688
Currency translation differences	-	580,000	-	-	-	-	580,000
Balance as at 31 December 2021	<u>20,000,000</u>	<u>81,480,000</u>	<u>6,566,118</u>	<u>26,659,858</u>	<u>90,507</u>	<u>26,566,118</u>	<u>108,230,365</u>
Balance as at 1 January 2022	20,000,000	81,480,000	6,566,118	26,659,858	90,507	26,566,118	108,230,365
Profit for the year	-	-	7,274,217	29,729,725	-	7,274,217	29,729,725
Other comprehensive income - currency translation differences	-	-	-	-	500,569	-	500,569
Total comprehensive income	-	-	7,274,217	29,729,725	500,569	7,274,217	30,230,294
Currency translation differences	-	860,000	-	-	-	-	860,000
Balance as at 31 December 2022	<u>20,000,000</u>	<u>82,340,000</u>	<u>13,840,335</u>	<u>56,389,583</u>	<u>591,076</u>	<u>33,840,335</u>	<u>139,320,659</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities				
Profit before tax	9,138,700	37,349,867	1,013,643	4,123,500
<i>Adjustments for:</i>				
Employee benefit obligations	(33,976)	(138,860)	(19,297)	(78,500)
Depreciation and amortisation	2,205,675	9,014,594	2,247,604	9,143,253
Impairment losses on financial assets	3,382,753	13,825,312	14,675,868	59,701,431
Losses on disposals and write-off of property and equipment	350	1,430	1,602	6,517
Losses on write-off of intangible assets	21,561	88,120	-	-
Interest income	(29,919,379)	(122,280,502)	(33,186,865)	(135,004,167)
Interest expense	4,016,094	16,413,776	4,014,520	16,331,067
Effect of currency translation of monetary items	(262,583)	(1,081,054)	(104,531)	(425,859)
	<u>(11,450,805)</u>	<u>(46,807,317)</u>	<u>(11,357,456)</u>	<u>(46,202,758)</u>
<i>Changes in:</i>				
Balances with the NBC	(552,107)	(2,256,461)	1,653,903	6,728,077
Loans to customers	2,362,031	9,653,621	(7,794,639)	(31,708,591)
Other assets	(684,571)	(2,797,842)	516,845	2,102,525
Other liabilities	620,329	2,535,285	(1,114,110)	(4,532,199)
Cash used in operations	<u>(9,705,123)</u>	<u>(39,672,714)</u>	<u>(18,095,457)</u>	<u>(73,612,946)</u>
Interest received	30,492,708	124,623,698	32,849,833	133,633,121
Interest paid	(3,857,619)	(15,766,089)	(3,925,724)	(15,969,845)
Income tax paid	(616,135)	(2,518,144)	(1,696,675)	(6,902,074)
Net cash generated from operating activities	<u>16,313,831</u>	<u>66,666,751</u>	<u>9,131,977</u>	<u>37,148,256</u>
Cash flows from investing activities				
Purchases of property and equipment	(810,084)	(3,310,813)	(419,606)	(1,706,957)
Purchases of intangible assets	(527,655)	(2,156,526)	(178,366)	(725,593)
Proceeds from disposals of property and equipment	1,031	4,214	177	720
Net cash used in investing activities	<u>(1,336,708)</u>	<u>(5,463,125)</u>	<u>(597,795)</u>	<u>(2,431,830)</u>

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash flows from financing activities				
Proceeds from borrowings	24,901,603	101,772,851	40,258,321	163,770,850
Repayments of borrowings	(36,115,812)	(147,605,324)	(46,029,258)	(187,247,022)
Repayments of subordinated debts	(800,000)	(3,269,600)	-	-
Payments of lease liabilities	(1,048,275)	(4,284,300)	(914,036)	(3,718,298)
Net cash used in financing activities	(13,062,484)	(53,386,373)	(6,684,973)	(27,194,470)
Net increase in cash and cash equivalents	1,914,639	7,817,253	1,849,209	7,521,956
Cash and cash equivalents at the beginning of the year	4,960,255	20,208,080	3,111,046	12,584,181
Currency translation differences	-	278,605	-	101,943
Cash and cash equivalents at the end of the year	6,874,894	28,303,938	4,960,255	20,208,080

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

AEON Specialized Bank (Cambodia) Plc. (the “Bank”) is a licensed specialized bank incorporated and registered in the Kingdom of Cambodia.

The Bank was incorporated as a public limited liability company in Cambodia on 5 October 2011 under Registration No. 00006388 issued by the Ministry of Commerce (“MoC”). The Bank obtained its license as a micro-finance institution from the NBC dated 21 November 2011. The Bank was initially wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand.

On 26 October 2015, the Bank obtained a specialized banking license from the NBC to operate as a specialized bank with the permanent validity. On 1 February 2016, the Bank obtained the approval from the Ministry of Commerce on the changes in the Bank’s name from AEON Microfinance (Cambodia) Co., Ltd. to AEON Specialized Bank (Cambodia) Plc. and shareholding structure is 80% owned by AEON Thana Sinsap (Thailand) Public Company Limited and 20% owned by AEON Financial Service Co., Ltd. (“AFS”), a company incorporated in Japan.

On 4 September 2018, the Bank obtained the approval from the MoC to change the shareholding structure to 50% equally owned by AEON Thana Sinsap (Thailand) Public Company Limited and AFS.

On 1 April 2019, AFS fully transferred its shares of the Bank to AFS Corporation Co., Ltd., a bank holding company incorporated in Japan. AFS Corporation Co., Ltd. is a wholly-owned subsidiary of AFS. On 7 December 2020, the Bank received approval from the NBC on changing the shareholder and on the Amendment of Articles of Incorporation. On 10 March 2021, the Bank received approval from the Ministry of Commerce on the Amendment of the Articles of Incorporation.

The ultimate holding company of the Bank is AEON Co., Ltd., a company incorporated in Japan.

The principal activities of the Bank are as follows:

- Credit card service;
- Lending services in the form of hire-purchase (instalment) and loan; and
- Other business-related services subject to the approval by the NBC.

The Bank’s registered office is located at 6th Floor (S603), Diamond Twin Tower, Street Sopheak Monkul, corner of Koh Pich, Sangkat Tonle Basak, Khan Chamkarmon, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the Board of Directors on 28 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of accounting

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

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. CASH ON HAND

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
US Dollars	290,532	1,196,120	653,052	2,660,534
Khmer Riel	537,446	2,212,665	403,204	1,642,653
	<u>827,978</u>	<u>3,408,785</u>	<u>1,056,256</u>	<u>4,303,187</u>

4. BALANCES WITH THE NBC

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Current accounts	6,403	26,361	2,184	8,898
Term deposits with original maturity of 3 months or less *	517,086	2,128,843	516,025	2,102,286
	<u>523,489</u>	<u>2,155,204</u>	<u>518,209</u>	<u>2,111,184</u>
Statutory capital deposit **	1,000,000	4,117,000	1,000,000	4,074,000
Term deposits with original maturity more than 3 months *	4,677,689	19,258,046	4,126,643	16,811,943
	<u>6,201,178</u>	<u>25,530,250</u>	<u>5,644,852</u>	<u>22,997,127</u>

* This represents the negotiable certificates of deposit (NCDs) with the NBC with the term of three months to twelve months with the interest rate from 1.05% to 3.54% per annum (2021: 0.05% to 0.14% per annum). These NCDs are pledged as collateral against the borrowing from the NBC through liquidity-providing collateralised operation (LPCO) mechanism.

** Under Prakas No. B7-00-05 on the Licensing of Specialized Banks dated 11 January 2000, the Bank is required to maintain a capital guarantee deposit equivalent to 5% of registered capital with the National Bank of Cambodia. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank ceases the operation. The capital guarantee deposit earns interest of 0.65% to 1.19% per annum (2021: 0.04% to 0.06% per annum).

5. BALANCES WITH OTHER BANKS

This represents current accounts, which earn interest from 0.25% to 1.00% per annum (2021: 0.25% to 1.00% per annum).

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Local banks:				
Current accounts	5,308,974	21,857,046	3,374,615	13,748,182
Overseas banks:				
Current accounts	731,539	3,011,746	527,200	2,147,813
	<u>6,040,513</u>	<u>24,868,792</u>	<u>3,901,815</u>	<u>15,895,995</u>
Impairment loss allowance	(59,200)	(243,726)	(54,914)	(223,720)
	<u>5,981,313</u>	<u>24,625,066</u>	<u>3,846,901</u>	<u>15,672,275</u>

6. LOANS TO CUSTOMERS

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Loans to customers at amortised cost	131,817,789	542,693,837	147,508,496	600,949,613
Modification loss *	(245,023)	(1,008,759)	(1,420,198)	(5,785,887)
Gross carry amount	131,572,766	541,685,078	146,088,298	595,163,726
Impairment loss allowance	(11,082,639)	(45,627,225)	(19,304,800)	(78,647,755)
Carrying amount	120,490,127	496,057,853	126,783,498	516,515,971

* This represents the accumulated modification loss recognised with respect of the restructured loans for customers who had liquidity constraints arising mainly as a direct result of the Covid 19 pandemic. Modification loss is measured by recalculating the present value of the modified contractual cash flows discounted at the original EIR.

	31 December 2022			31 December 2021		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
Long-termloans	97,257,047	(8,867,023)	88,390,024	117,346,151	(12,624,335)	104,721,816
Short-termloans	34,315,719	(2,215,616)	32,100,103	28,742,147	(6,680,465)	22,061,682
	131,572,766	(11,082,639)	120,490,127	146,088,298	(19,304,800)	126,783,498
In KHR'000 equivalents	541,685,078	(45,627,225)	496,057,853	595,163,726	(78,647,755)	516,515,971

7. OTHER ASSETS

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Accounts receivable	1,356,665	5,585,390	678,739	2,765,183
Advances and deposits	1,000,060	4,117,247	965,426	3,933,146
Prepayments	499,264	2,055,470	496,875	2,024,269
Others	368,479	1,517,028	398,857	1,624,942
	3,224,468	13,275,135	2,539,897	10,347,540

8. PROPERTY AND EQUIPMENT

	Leasehold	Furniture	Equipment	IT	Work in	Total	
	improvements	and		equipment	progress	US\$	KHR'000
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Year ended 31 December 2022							
Cost							
At 1 January 2022	2,099,877	366,852	1,084,309	2,572,120	68,345	6,191,503	25,224,183
Additions	301,260	33,343	47,052	58,956	826,095	1,266,706	5,177,027
Transfers	-	-	-	-	(456,622)	(456,622)	(1,866,214)
Disposals	(78,232)	-	-	-	-	(78,232)	(319,734)
Write-off	(248,100)	(670)	(14,233)	(14,793)	-	(277,796)	(1,135,352)
Currency translation differences	-	-	-	-	-	-	279,856
At 31 December 2022	2,074,805	399,525	1,117,128	2,616,283	437,818	6,645,559	27,359,766
Less: Accumulated depreciation							
At 1 January 2022	(1,686,838)	(267,116)	(903,448)	(2,049,529)	-	(4,906,931)	(19,990,837)
Depreciation	(213,127)	(45,201)	(121,568)	(323,499)	-	(703,395)	(2,874,775)
Disposals	78,232	-	-	-	-	78,232	319,734
Write-off	247,737	670	13,415	14,593	-	276,415	1,129,708
Currency translation differences	-	-	-	-	-	-	(221,460)
At 31 December 2022	(1,573,996)	(311,647)	(1,011,601)	(2,358,435)	-	(5,255,679)	(21,637,630)
Carrying amount							
At 31 December 2022	500,809	87,878	105,527	257,848	437,818	1,389,880	5,722,136

8. PROPERTY AND EQUIPMENT (continued)

	Leasehold	Furniture	Equipment	IT	Work in	Total	
	improvements	and		equipment		progress	US\$
	US\$	US\$	US\$	US\$	US\$	US\$	
Year ended 31 December 2021							
Cost							
At 1 January 2021	2,051,962	365,679	1,020,954	2,381,994	-	5,820,589	23,544,283
Additions	35,014	7,545	74,483	162,440	140,124	419,606	1,706,957
Transfers	12,901	-	-	58,878	(71,779)	-	-
Disposals	-	(2,642)	(510)	-	-	(3,152)	(12,822)
Write-off	-	(3,730)	(10,618)	(31,192)	-	(45,540)	(185,257)
Currency translation differences	-	-	-	-	-	-	171,022
At 31 December 2021	2,099,877	366,852	1,084,309	2,572,120	68,345	6,191,503	25,224,183
Less: Accumulated depreciation							
At 1 January 2021	(1,427,674)	(223,763)	(685,421)	(1,742,004)	-	(4,078,862)	(16,498,997)
Depreciation	(259,164)	(48,532)	(228,844)	(338,442)	-	(874,982)	(3,559,427)
Disposals	-	1,519	510	-	-	2,029	8,254
Write-off	-	3,660	10,307	30,917	-	44,884	182,588
Currency translation differences	-	-	-	-	-	-	(123,255)
At 31 December 2021	(1,686,838)	(267,116)	(903,448)	(2,049,529)	-	(4,906,931)	(19,990,837)
Carrying amount							
At 31 December 2021	413,039	99,736	180,861	522,591	68,345	1,284,572	5,233,346

9. INTANGIBLE ASSETS

	Computer Software	Work in Progress	Total	
	US\$	US\$	US\$	KHR'000
Year ended 31 December 2022				
Cost				
At 1 January 2022	4,955,549	80,550	5,036,099	20,517,067
Additions	467,689	118,955	586,644	2,397,614
Transfer	-	(58,989)	(58,989)	(241,088)
Write-off	-	(21,561)	(21,561)	(88,120)
Currency translation differences	-	-	-	231,735
At 31 December 2022	5,423,238	118,955	5,542,193	22,817,208
Less: Accumulated amortisation				
At 1 January 2022	(3,075,292)	-	(3,075,292)	(12,528,739)
Amortisation	(482,675)	-	(482,675)	(1,972,693)
Currency translation differences	-	-	-	(146,718)
At 31 December 2022	(3,557,967)	-	(3,557,967)	(14,648,150)
Carrying amount				
At 31 December 2022	1,865,271	118,955	1,984,226	8,169,058

	Computer Software	Work in Progress	Total	
	US\$	US\$	US\$	KHR'000
Year ended 31 December 2021				
Cost				
At 1 January 2021	4,843,273	14,460	4,857,733	19,649,530
Additions	105,434	72,932	178,366	725,593
Transfer	6,842	(6,842)	-	-
Currency translation differences	-	-	-	141,944
At 31 December 2021	4,955,549	80,550	5,036,099	20,517,067
Less: Accumulated amortisation				
At 1 January 2021	(2,622,485)	-	(2,622,485)	(10,607,952)
Amortisation	(452,807)	-	(452,807)	(1,842,019)
Currency translation differences	-	-	-	(78,768)
At 31 December 2021	(3,075,292)	-	(3,075,292)	(12,528,739)
Carrying amount				
At 31 December 2021	1,880,257	80,550	1,960,807	7,988,328

10. RIGHT OF USE ASSETS

Office leases

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cost				
At the beginning of year	4,664,767	19,004,261	4,530,227	18,324,768
Additions	1,385,164	5,661,165	134,540	547,309
Currency translation differences	-	242,140	-	132,184
At the end of year	6,049,931	24,907,566	4,664,767	19,004,261
Less: Accumulated depreciation				
At the beginning of year	(3,050,854)	(12,429,179)	(2,131,039)	(8,620,053)
Depreciation	(1,019,605)	(4,167,126)	(919,815)	(3,741,807)
Currency translation differences	-	(161,775)	-	(67,319)
At the end of year	(4,070,459)	(16,758,080)	(3,050,854)	(12,429,179)
Carrying amount				
At 31 December	1,979,472	8,149,486	1,613,913	6,575,082

The Bank leases assets include office buildings. The average lease term is 5 years (2021: 5 years).

Amounts recognised in profit or loss

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation expense on right-of-use assets	1,019,605	4,167,126	919,815	3,741,807
Interest expense on lease liabilities	113,852	465,313	130,341	530,227
Expense relating to leases of low value assets	77,724	317,658	56,579	230,163
	1,211,181	4,950,097	1,106,735	4,502,197

11. INCOME TAX

(a) Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	2,236,089	9,205,979	3,251,159	13,245,222
Deferred tax liabilities	(395,895)	(1,629,900)	(331,118)	(1,348,975)
	1,840,194	7,576,079	2,920,041	11,896,247

11. INCOME TAX (continued)

(a) Deferred tax assets, net (continued)

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

	Impairment loss allowance on financial assets	Revaluation on deferred loans	Depreciable assets	Un-earned revenue	Employee benefits obligations	Accruals	Unrealised exchange (gains)/ losses	Rights of use assets	Lease liabilities	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2022	2,380,681	242,156	117,176	125,115	27,299	33,288	3,649	(322,783)	313,460	2,920,041
Credited/ (charged) to profit or loss	(947,069)	(193,151)	11,677	64,222	(6,795)	(4,770)	1,772	(73,112)	67,379	(1,079,847)
At 31 December 2022	1,433,612	49,005	128,853	189,337	20,504	28,518	5,421	(395,895)	380,839	1,840,194
At 31 December 2022 in KHR'000	5,902,181	201,754	530,488	779,500	84,415	117,409	22,318	(1,629,900)	1,567,914	7,576,079
	Impairment loss allowance on financial assets	Revaluation on deferred loans	Depreciable assets	Un-earned revenue	Employee benefits obligations	Accruals	Unrealised exchange (gains)/ losses	Rights of use assets	Lease liabilities	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2021	2,173,319	121,727	94,219	103,998	31,158	101,317	(4,596)	(479,841)	490,321	2,631,622
Credited/ (charged) to profit or loss	207,362	120,429	22,957	21,117	(3,859)	(68,029)	8,245	157,058	(176,861)	288,419
At 31 December 2021	2,380,681	242,156	117,176	125,115	27,299	33,288	3,649	(322,783)	313,460	2,920,041
At 31 December 2021 in KHR'000	9,698,894	986,544	477,375	509,719	111,216	135,615	14,866	(1,315,018)	1,277,036	11,896,247

11. INCOME TAX (continued)

(b) Current income tax liabilities

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At the beginning of year	343,139	1,397,948	1,451,045	5,869,477
Income tax expense	817,420	3,340,796	588,769	2,395,112
Reversal of over provision in prior year	(32,784)	(133,988)	-	-
Income tax paid	(616,135)	(2,518,144)	(1,696,675)	(6,902,074)
Currency translation differences	-	19,810	-	35,433
At the end of year	511,640	2,106,422	343,139	1,397,948

(c) Income tax expense

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Current income tax	817,420	3,340,796	588,769	2,395,112
Over provision in prior year	(32,784)	(133,989)	-	-
	784,636	3,206,807	588,769	2,395,112
Deferred tax	1,079,847	4,413,335	(288,419)	(1,173,288)
Income tax expense	1,864,483	7,620,142	300,350	1,221,824

In accordance with Cambodian law on taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

The reconciliation of income tax expense computed at the statutory tax rate of 20% to the income tax expense shown in the profit or loss is as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Profit before tax	9,138,700	37,349,867	1,013,643	4,123,500
Income tax using tax rate of 20%	1,827,740	7,469,973	202,729	824,702
Effect of non-deductible expenses	123,383	504,266	75,934	308,900
Effect of deferred tax assets over recognised in prior year	-	-	27,021	109,921
Effect of temporary difference	(53,856)	(220,109)	-	-
Over recognition in respect of prior years	(32,784)	(133,988)	(5,334)	(21,699)
Income tax expense	1,864,483	7,620,142	300,350	1,221,824

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

12. OTHER LIABILITIES

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Payable to dealers and suppliers	1,249,397	5,143,767	1,046,263	4,262,475
Accrued other staff benefits	1,034,102	4,257,398	593,073	2,416,179
Unearned Income	449,366	1,850,040	400,592	1,632,012
Accrued expenses	346,526	1,426,648	430,874	1,755,381
Other tax liabilities	136,312	561,197	120,353	490,318
Amount due to related parties	112,300	462,339	106,944	435,690
Others	200,864	826,956	211,252	860,641
	<u>3,528,867</u>	<u>14,528,345</u>	<u>2,909,351</u>	<u>11,852,696</u>

13. PROVISION FOR OFF-BALANCE SHEET ITEMS

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At the beginning of year	335,894	1,368,432	258,187	1,044,366
Additional provision made during the year	20,456	83,604	77,707	316,112
Currency translation difference	-	15,057	-	7,954
At the end of year	<u>356,350</u>	<u>1,467,093</u>	<u>335,894</u>	<u>1,368,432</u>

14. BORROWINGS

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At amortised cost				
Secured *	4,961,397	20,426,071	4,513,751	18,389,022
Unsecured **	91,386,826	376,239,563	103,152,789	420,244,462
At 31 December	<u>96,348,223</u>	<u>396,665,634</u>	<u>107,666,540</u>	<u>438,633,484</u>

(*) This represents currency purchase from the NBC through its LPCO mechanism against the NCDs.

(**) This represents bank borrowings obtained from various banks with terms ranging from one month to four years (2021: three months to four years) and interest rate from 1.88% to 6.70% per annum (2021: 0.88% to 6.50% per annum).

15. SUBORDINATED DEBTS

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
AEON Thana Sinsap (Thailand) Public Company Limited	3,200,812	13,177,743	4,000,812	16,299,308
AEON Financial Service Co., Ltd	4,125,895	16,986,310	4,125,082	16,805,584
	<u>7,326,707</u>	<u>30,164,053</u>	<u>8,125,894</u>	<u>33,104,892</u>

The first subordinated loan amounting to US\$4,000,000 from AEON Thana Sinsap (Thailand) Public Company Limited was approved by National Bank of Cambodia on 30 December 2019. The interest is repayable semi-annually and the principal is repayable in five equal consecutive instalments. The subordinated debt has no collateral, bears interest at a rate of 8.50% per annum and will be matured in 2026. The outstanding principal amounted to US\$3,200,000 as at 31 December 2022.

The second subordinated loan amounting to US\$4,000,000 from AEON Financial Service Co., Ltd. The interest is repayable semi-annually and the principal is repayable in five equal consecutive instalments. The subordinated debt has no collateral, bears interest at a rate of 8.50% per annum and will matured in 2027. This was approved by National Bank of Cambodia on 5 March 2020.

Subordinated debt is treated as part of the liabilities and included in the Bank's net worth computation under the NBC's guidelines and initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

16. LEASE LIABILITIES

Maturity Analysis:	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Year 1	1,005,810	4,140,920	929,516	3,786,849
Year 2	525,766	2,164,578	586,785	2,390,562
Year 3	361,464	1,488,147	127,262	518,465
Year 4	143,400	590,378	30,800	125,479
Year 5	40,860	168,221	-	-
	<u>2,077,300</u>	<u>8,552,244</u>	<u>1,674,363</u>	<u>6,821,355</u>
Less: Unearned interest	<u>(173,105)</u>	<u>(712,673)</u>	<u>(107,057)</u>	<u>(436,150)</u>
	<u>1,904,195</u>	<u>7,839,571</u>	<u>1,567,306</u>	<u>6,385,205</u>

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Non-cash changes				31 December 2022	
	1	Financing	Lease	Other	US\$	KHR'000
	January 2022	cash flows (i)	liabilities (ii)	changes (iii)		
	US\$	US\$	US\$	US\$	US\$	KHR'000
Borrowings	107,666,540	(11,214,209)	-	(104,108)	96,348,223	396,665,634
Subordinated debts	8,125,894	(800,000)	-	813	7,326,707	30,164,053
Lease liabilities	1,567,306	(1,048,275)	1,385,164	-	1,904,195	7,839,571
Total liabilities from financing activities	117,359,740	(13,062,484)	1,385,164	(103,295)	105,579,125	434,669,258

	Non-cash changes				31 December 2021	
	1	Financing	Lease	Other	US\$	KHR'000
	January 2021	cash flows (i)	liabilities (ii)	changes (iii)	US\$	KHR'000
	US\$	US\$	US\$	US\$	US\$	KHR'000
Borrowings	113,453,212	(5,770,937)	-	(15,735)	107,666,540	438,633,484
Subordinated debts	8,125,082	-	-	812	8,125,894	33,104,892
Lease liabilities	2,346,802	(914,036)	134,540	-	1,567,306	6,385,205
Total liabilities from financing activities	123,925,096	(6,684,973)	134,540	(14,923)	117,359,740	478,123,581

- (i) The cash flows from borrowings, subordinated debts and lease liabilities make up the net amount of proceeds from and repayments of borrowings and subordinated debts and the payments of lease liabilities in the statement of cash flows.
- (ii) Non-cash change pertains to additions of right-of-use assets during the year.
- (iii) Non-cash change pertains to differences between interest accruals and payments.

18. EMPLOYEE BENEFIT OBLIGATIONS

Movements of provision for employee benefit obligations were as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Back pay seniority				
At the beginning of year	136,495	556,081	155,792	630,179
Payment made during the year	(27,211)	(111,211)	(15,942)	(64,852)
Reversal in profit or loss	(6,765)	(27,649)	(3,355)	(13,648)
Currency translation difference	-	4,850	-	4,402
At the end of year	102,519	422,071	136,495	556,081

19. SHARE CAPITAL

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Registered, issued and fully paid of US\$1 each	20,000,000	82,340,000	20,000,000	81,480,000

Details of shareholdings were as follows:

	31 December 2022		31 December 2021	
	Holding %	Number of shares	Holding %	Number of shares
AEON Thana Sinsap (Thailand) Public Company Limited	50%	10,000,000	50%	10,000,000
AFS Corporation Co., Ltd.	50%	10,000,000	50%	10,000,000
	100%	20,000,000	100%	20,000,000

According to Prakas B7-016-117 issued by the NBC on 22 March 2016 on the “Minimum Registered Capital of Banking and Financial Institutions”, the specialized bank locally incorporated shall have a minimum registered capital of at least KHR60 billion (equivalent to approximately US\$15 million). Banks are required to fulfil this requirement within two years from the date of the Prakas.

On 16 June 2016, the NBC issued a Circular No. B7-016-003 on the implementation of Prakas on Minimum Registered Capital of Banking and Financial Institutions, requiring the Bank to increase the minimum registered capital by at least half of the required additional capital by the end of March 2017, and in full at the latest by 22 March 2018.

On 24 April 2018, the Bank obtained approval from the National Bank of Cambodia on the increase in capital from US\$12,500,000 to US\$20,000,000. The amendment of Memorandum and Articles of Association was approved by the Ministry of Commerce on 4 September 2018.

On 16 July 2019, the Bank obtained approval from the NBC to change the shareholders from AEON Financial Service Co., Ltd. (“AFS”) to AFS Corporation Co., Ltd. (“AFSC”) with same shareholding of 50% of the Bank. On 7 December 2020, the Bank received approval from the NBC on changing the shareholder and on the Amendment of Articles of Incorporation. On 10 March 2021, the Bank received approval from the Ministry of Commerce on the Amendment of Articles of Incorporation.

20. NET INTEREST INCOME

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest income				
Loans to customers	29,751,535	121,594,523	33,168,161	134,928,079
Balances with the NBC	81,470	332,968	12,964	52,738
Balances with other banks	86,374	353,011	5,740	23,350
	<u>29,919,379</u>	<u>122,280,502</u>	<u>33,186,865</u>	<u>135,004,167</u>
Interest expense				
Borrowings	3,212,798	13,130,705	3,194,735	12,996,182
Subordinated debts	689,444	2,817,758	689,444	2,804,658
Lease liabilities	113,852	465,313	130,341	530,227
	<u>4,016,094</u>	<u>16,413,776</u>	<u>4,014,520</u>	<u>16,331,067</u>
Net interest income	<u>25,903,285</u>	<u>105,866,726</u>	<u>29,172,345</u>	<u>118,673,100</u>

21. FEE AND COMMISSION INCOME

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Credit card's cash advance fees	1,336,103	5,460,653	1,112,336	4,524,983
Penalty fees	379,246	1,549,978	564,611	2,296,838
Other fees	495,280	2,024,210	501,974	2,042,030
	<u>2,210,629</u>	<u>9,034,841</u>	<u>2,178,921</u>	<u>8,863,851</u>

22. OTHER INCOME - NET

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Recovery from loans written off	1,642,402	6,712,497	516,382	2,100,642
Losses on foreign exchange	(25,967)	(106,127)	(16,147)	(65,686)
	<u>1,616,435</u>	<u>6,606,370</u>	<u>500,235</u>	<u>2,034,956</u>

23. PERSONNEL EXPENSES

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	7,884,729	32,224,887	7,419,450	30,182,323
Seniority payments	322,495	1,318,037	331,252	1,347,533
Insurance	72,345	295,674	80,528	327,588
Staff housing and related costs	68,525	280,062	58,835	239,341
Medical costs	23,512	96,094	21,762	88,528
Pension fund	16,039	65,551	-	-
Trainings	2,283	9,331	29,861	121,475
Other personnel costs	238,877	976,290	142,554	579,909
	<u>8,628,805</u>	<u>35,265,926</u>	<u>8,084,242</u>	<u>32,886,697</u>

24. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Property and equipment	703,395	2,874,775	874,982	3,559,427
Intangible assets	482,675	1,972,693	452,807	1,842,019
Right-of-use assets	1,019,605	4,167,126	919,815	3,741,807
	<u>2,205,675</u>	<u>9,014,594</u>	<u>2,247,604</u>	<u>9,143,253</u>

25. OTHER OPERATING EXPENSES

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Repairs and maintenance	1,545,419	6,316,127	1,618,747	6,585,063
Promotion and advertising	810,585	3,312,861	673,984	2,741,767
Stationeries and printing	628,820	2,569,987	433,522	1,763,567
Vehicle rental and running costs	566,145	2,313,835	544,251	2,214,013
Credit card and ATM operation	555,128	2,268,808	436,532	1,775,812
Communication	381,465	1,559,047	399,387	1,624,706
Professional fees	366,221	1,496,745	337,474	1,372,844
Insurance	224,159	916,138	168,714	686,328
Taxes and licenses	278,879	1,139,778	255,144	1,037,926
Travel	243,414	994,833	203,813	829,111
Utilities	208,565	852,405	189,059	769,092
Management fees	145,718	595,549	151,502	616,310
Board of director fees	42,000	171,654	42,000	170,856
Losses on disposals of property and equipment	21,911	89,550	1,602	6,517
Others	355,987	1,454,921	374,413	1,523,114
	<u>6,374,416</u>	<u>26,052,238</u>	<u>5,830,144</u>	<u>23,717,026</u>

26. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Loans to customers	3,358,011	13,724,191	14,561,365	59,235,633
Provision for off-balance-sheet items	20,456	83,604	77,707	316,112
Balances with other banks	4,286	17,517	36,796	149,686
	<u>3,382,753</u>	<u>13,825,312</u>	<u>14,675,868</u>	<u>59,701,431</u>

27. CASH AND CASH EQUIVALENTS

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	827,978	3,408,785	1,056,256	4,303,187
Balances with the NBC	6,403	26,361	2,184	8,898
Balances with other banks	6,040,513	24,868,792	3,901,815	15,895,995
	<u>6,874,894</u>	<u>28,303,938</u>	<u>4,960,255</u>	<u>20,208,080</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value and are used by the Bank in the management of its short-term commitments.

28. COMMITMENTS

Loans and other commitments

In the normal course of business, the Bank provides credit card facilities to customers which gives rise to commitments regarding to the undrawn portion. No material losses are anticipated from these transactions.

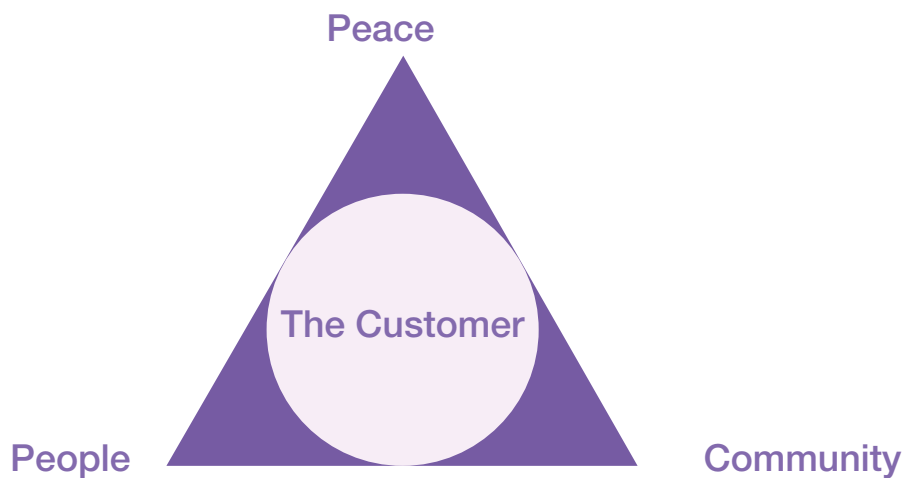
	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Undrawn portion of credit cards	<u>20,720,000</u>	<u>85,304,240</u>	<u>20,323,754</u>	<u>82,798,974</u>

ABOUT AEON GROUP

AEON Basic Principles



Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core.



The word aeon (**AEON**) has its origins in a Latin root meaning “eternity.” The customers’ beliefs and desires comprise the central core of our philosophy. At AEON, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

Aeon Basic Principles are the following:

- “Peace”** AEON is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.
- “People”** AEON is a corporate group that respects human dignity and values personal relationships.
- “Community”** AEON is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community

On the basis of the AEON Basic Principles, AEON practices its “Customer-First” philosophy with its ever-lasting innovative spirit.



ធនាគារឯកទេស អ៊ីអន (ខេមបូឌា) ភីអិលស៊ី
ÆON SPECIALIZED BANK (CAMBODIA) PLC.