

Shinhan Bank (Cambodia) PLC.

ANNUAL REPORT 2023

Bring happiness and
help your dream come true

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Message from the CEO

MESSAGE FROM THE CEO

PARK HEE JIN

Shinhan Bank (Cambodia) PLC.
President & Chief Executive Officer



Dear Valued Customer,

On a global scale, 2023 was perceived as another year of heightened difficulties. Despite the US economy showed signs of resilience in certain areas, the world faced even greater challenges as it was recovering from the COVID-19 pandemic. These included the persistent conflict in the Middle East and Ukraine which exacerbated geopolitical tensions and elevated energy and food prices, the real estate crisis in China together with its decline in domestic consumption, and the on-going rise of interest rates resulting from central banks' efforts to contain inflation through the tighten monetary policy.

In spite of the global economic stagnation, Cambodia's economy grew by approximately 5.5% in 2023, an increase from the 5.3% recorded in 2022. This outcome is primarily attributable to the expansion of the tourism sector, the acceleration of exports of non-garment travel goods and footwear (GTF) products, and the rise in domestic consumption. Nevertheless, according to the National Bank of Cambodia, this accomplishment remained insufficient in comparison to the previous projection of 6% growth due to the decrease in the export of manufactured goods and garments, a sluggish construction and real estate

industry, and difficulties in the agricultural sector.

The Cambodian banking and financial industry remain strong and resilient, serving as the primary forces in supporting economic activity. However, the weakening of some sectors resulted in a slowing of credit growth in 2023, approximately 4.8%, which was the lowest rate in the last two decades, while non-performing credit in the banking sector increased to 5.4% due to the end of the credit restructuring.

Even during these unprecedented times, Shinhan Bank (Cambodia) Plc. (SBC) continued to take major steps forward. As of December 2023, the bank's total gross loan outstanding reached to USD 702 Million, an increase from last year balance recorded USD 691 Million. The customer deposit balance also increased by USD 92 Million, representing a 19% growth from 2022. All of this growth was a reflection of the trust and confidence shown by our loyal customers. Therefore, in 2023 we contributed additional capital of USD 100 Million bringing our total equity balance to USD 265 Million. In addition, we have created a new competitive product named "Simple Loan" and established a real-time overseas remittance transfer to simplify and eliminate

complications. To take our customers comfort to the next level, we had enhanced our SoL Mobile App UI/UX to version 3.0 and adding numerous utility payment functions. Concurrently, we relocated our Olympic Branch to the Chaom Chau Branch in the Pur Senchey district and opened a new branch in the Russey Keo district so that our customers could access the bank's services in their preferable location; this brings the total number of branches to 15.

As part of Corporate Social Responsibility, SBC continuously sought to provide a helping hand to those whom we can support through our scholarships provided for RUPP and CKCC students for Korean language and computer science programs, the "Shinhan Computer Class" project educated and donated computers to young children in Raonjena Children's Choir, and the wise financial education project for over 40 housewives provided for societal development.

As a foreign bank in Cambodia, reliability and trustworthiness are what keep us here today. We are forever grateful for the customer

support and trust that we have received for the past 16 years. On behalf of SBC and SBC members, we are proud to contribute as guidance and knowledge necessary to empower individuals and individual businesses to manage their finances effectively. "We believe finance should be more friendly, secure, and creative."

I would like to thank you for your continuing trust and support for Shinhan Bank Cambodia, and I look forward to what we will achieve together in the year ahead.

In this 2024, we promise to go "beyond Good", and seek for "Great". Let's together share SBC's great story.

Great Cambodia! Great Shinhan! Great Story!

Thank you



Shinhan Bank (Cambodia) PLC.
President & Chief Executive Officer

Park Hee Jin

2

About Us

WHO WE ARE

Shinhan Bank (Cambodia) Plc. (SBC) started its operation in Cambodia in late 2007. Nowadays, it has been opened for over 16 years, with 15 branches across the country. As a foreign bank in Cambodia, it is a subsidiary owned by Shinhan Bank Korea, which is currently the leading bank in Korea. Shinhan Bank Korea is just one of subsidiaries of the Shinhan Financial Group (SFG), whose main business sectors include consumer finance, securities, insurance, asset management, and others. Shinhan has a diverse, yet focused, understanding of the Korean and global financial markets. Shinhan Bank Korea started as a small enterprise with a capital stock of KRW 25.0 billion, 279 employees, and three branches on July 7, 1982. Today, Shinhan Financial Group has transformed itself into one of the largest financial institutions, boasting total assets of KRW 692 trillion and net income of KRW 4.37 trillion as of December 2023.

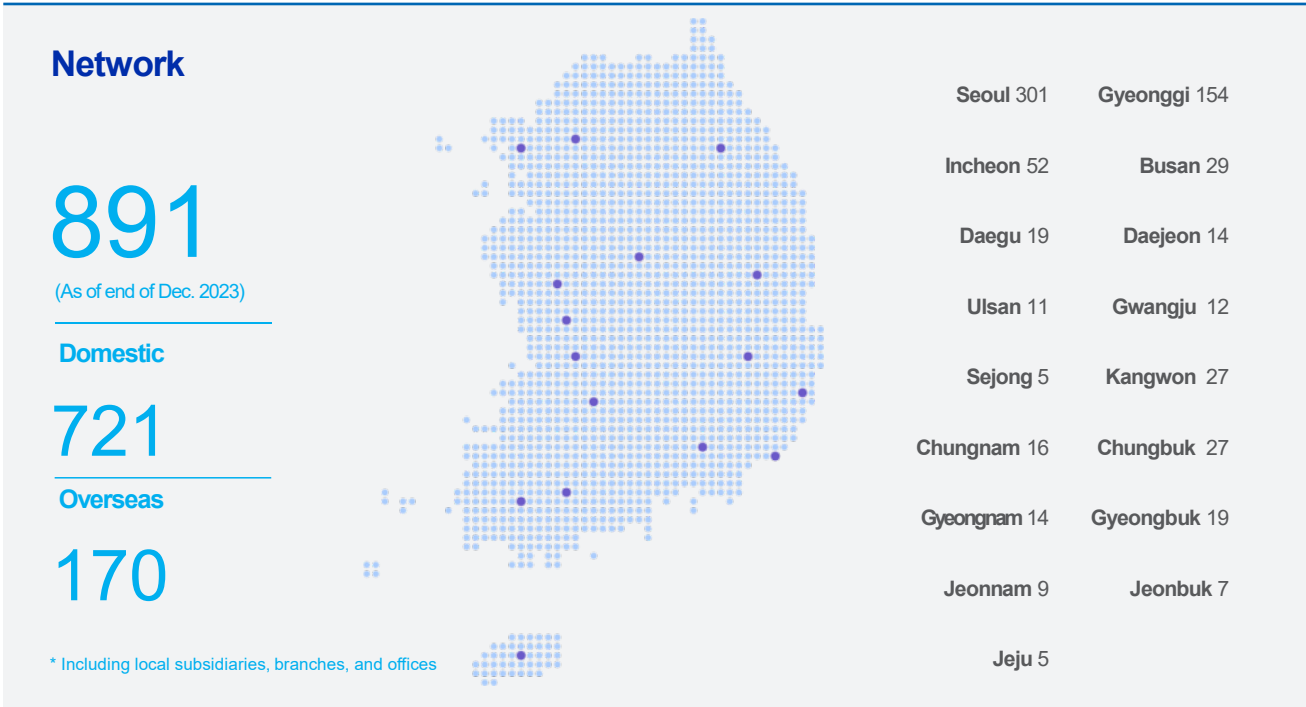
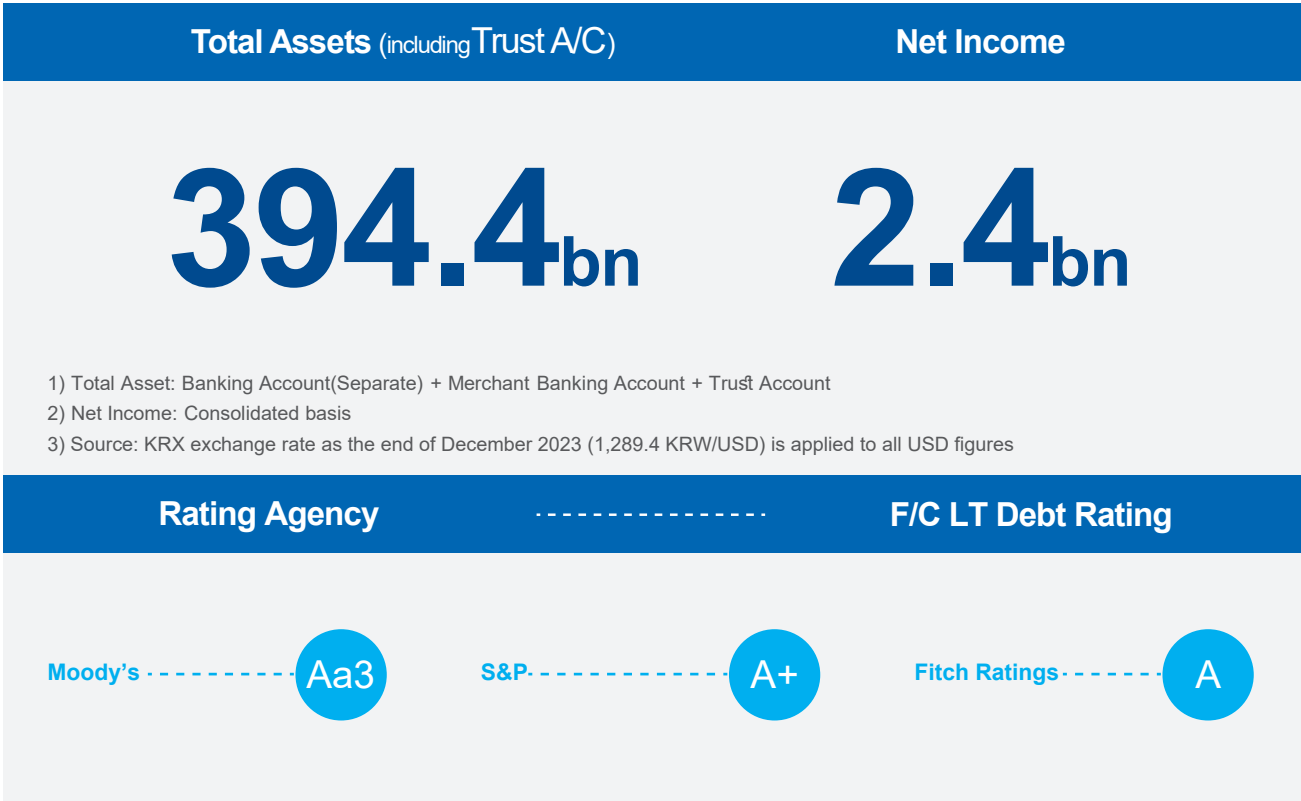


SHINHAN BANK

Overview

(As of end of Dec. 2023)

Shinhan Bank is a leading commercial bank in Korea



SHINHAN FINANCIAL GROUP (As the end of Dec, 2023)

Shinhan Financial Group is a comprehensive financial services group that offers a broad spectrum of products and services through its 51 subsidiaries across tiers 1, 2, and 3. Each subsidiary brings its competitive edge to its respective business area. The Group includes 16 tier 1 subsidiaries, such as Shinhan Bank, Shinhan Card, Shinhan Securities, Shinhan Life, Shinhan Capital, and Shinhan Asset Management.

These are supported by 33 tier 2 subsidiaries and two tier 3 subsidiaries. United by a core value of customer centricity, these entities continuously strengthen their core capabilities and collaborate to generate synergies. This collective effort drives sustained growth and propels us toward the shared vision of achieving “Excellence, Shinhan.”

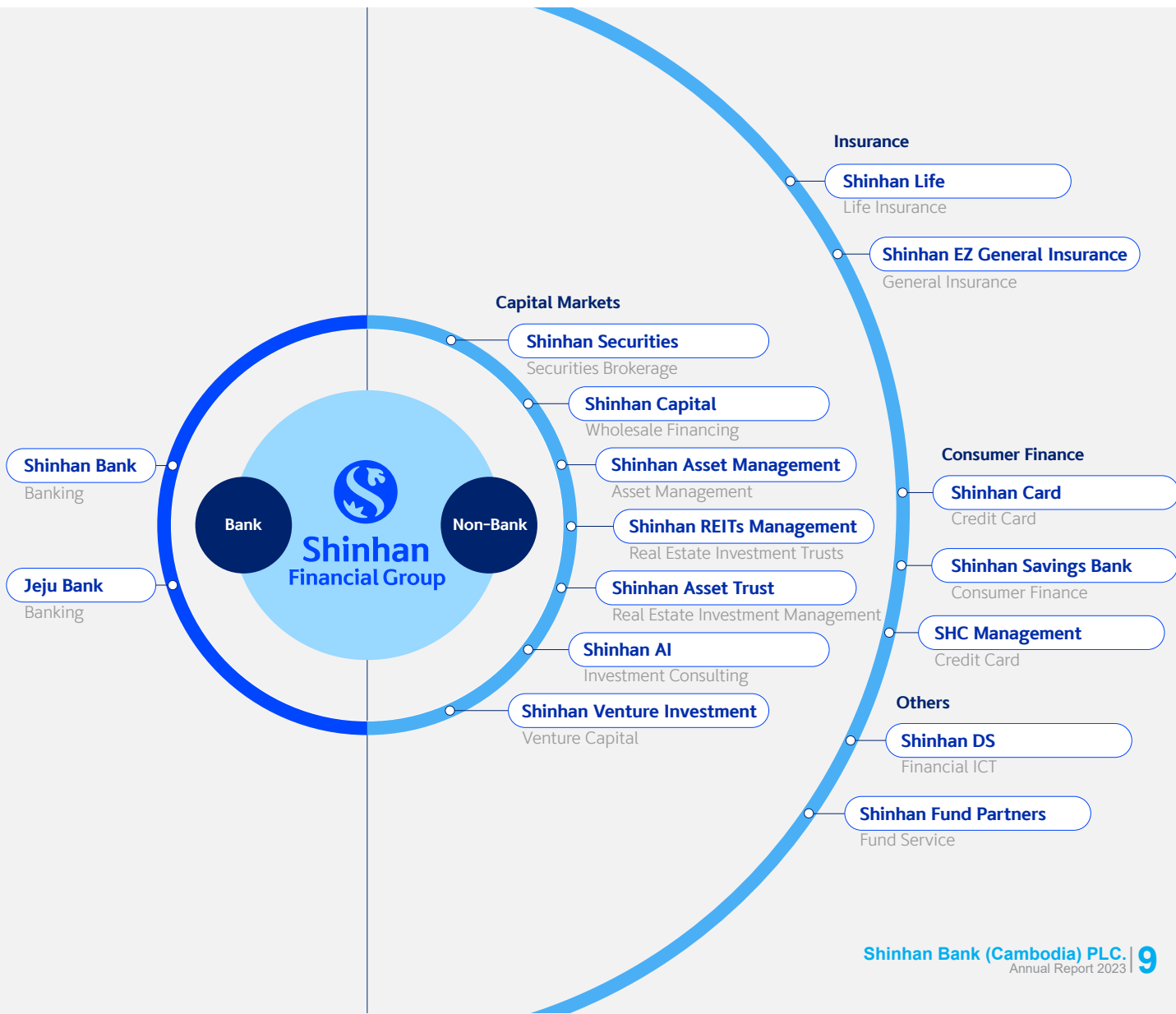
Total Group Assets
USD 536.5_{bn}

Net Income
USD 3.39_{bn}

ROA
0.66%

ROE
8.6%

Source: KRX exchange rate as the end of December 2023 (1,289.4 KRW/USD) is applied to all USD figures



STOCK INFORMATION

Major Shareholders¹⁾

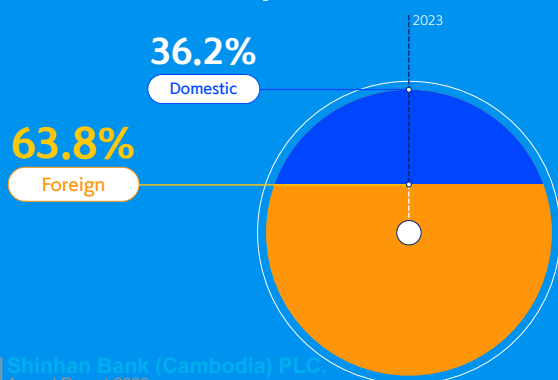
Name of Shareholder	Number of Shares Owned	Ownership
National Pension Service	38,279,553	7.47%
BlackRock Fund Advisors ²⁾	29,063,012	5.67%
SFG Employee Stock Ownership Association	26,654,678	5.20%
Centennial Investment Limited	20,239,539	3.95%
BNP Paribas SA	18,690,310	3.67%
Supreme, L.P.	18,588,400	3.63%
Mercury1, INC.	17,482,000	3.41%
Citibank, N.A. (ADR Dept.)	16,091,417	3.14%
KT Corporation	10,877,651	2.12%
THE GOVERNMENT OF SINGAPORE	9,419,543	1.84%
Vanguard Total International Stock Index	6,695,069	1.31%
Peoples Bank of China	5,439,268	1.06%
Natwest Tstee N DPSTRY SRVCS LTD RE ST JAMES'S PL GBL EQ INC	5,146,309	1.00%
Others	290,092,722	56.57%
Total	512,759,471	100.00%

Stock Performance

(Unit: KRW)

	2023	2022	YoY
Market Capitalization (Year End)	20.70	17.91	15.6%
Share Price			
Year End	40,150	35,200	14.1%
High	44,900	43,200	3.9%
Low	32,500	33,400	-2.7%
Weighting in the KOSPI (% , Year End)	0.97%	1.01%	-0.04%p
Average Daily Trading Volume (Shares)	1,151,215	1,303,523	-11.7%
Dividend Per Share ³⁾	2,100	2,065	1.7%
Total Dividend Paid ⁴⁾	1,077	1,057	1.9%
Dividend Payout Ratio ⁴⁾	24.7%	22.7%	2%p
Total Shareholder Payout Ratio	36.0%	30.0%	6%p
Price Earning Ratio	4.99×	4.14×	-
Price Book Value	0.41×	0.40×	-

Share Ownership



Number of Shares Issued

Type of Stock	Number of Shares
Common Stock	512,759,471
Convertible Preferred Stock	-

- 1) Holding ownership of more than 1% in common stock as of December 31, 2023
 2) Based on the large equity ownership disclosure by BlackRock Fund Advisors with the Financial Supervisor Service on September 27, 2018

GLOBAL NETWORK (As the end of Dec, 2023)

Shinhan Bank

Country	Name	Telephone	Address
Japan	Shinhan Bank Japan	+81-3-6403-0505	Tokyo, Japan
China	Shinhan Bank (China)	+86-10-8529-0088	Beijing 100027, China
Vietnam	Shinhan Bank Vietnam	+84-8-3829-1581	Ho Chi Minh City, Vietnam
USA	Shinhan Bank America	+1-646-843-7300	475 Park Ave South 4th(5th) FL New York, NY 10016
Indonesia	PT Bank Shinhan Indonesia	+62-21-2975-1500	Jenderal Sudirman Kav.22-23 South Jakarta, Indonesia
Germany	Shinhan Bank Europe GmbH	+49-69-975-7130	60322 Frankfurt am Main, Germany
Canada	Shinhan Bank Canada	+1-416-250-3500	Ontario, M2N6L7, Canada
Cambodia	Shinhan Bank (Cambodia) Plc	+855-23-971-100	Phnom Penh, Cambodia
Kazakhstan	Shinhan Bank Kazakhstan	+7-727-356-9620	38 Dostyk ave. Almaty, 050010, Kazakhstan
Mexico	Banco Shinhan de Mexico	+52-55-6722-8000	Piso17, Cuauhtemoc, Juarez, 06600, Mexico City
Hong Kong	Hong Kong Branch	+852-2867-0100	Kowloon, Hong Kong
USA	New York Branch	+1-212-371-8000	New York, NY10016, USA
UK	London Branch	+44-207-256-3400	London, EC3V 0AS. UK
Singapore	Singapore Branch	+65-6536-1144	1 George St. #15-03, Singapore 049145
India	Mumbai Branch	+91-22-6199-2000	Mumbai, 400013, India
India	New Delhi Branch	+91-11-4500-4800	2nd & 3rd Floor, D-5, South Extension, Part-2, New Delhi
India	Poonamallee Branch	+91-44-6714-4400	Tamilnadu, India 602105
India	Pune Branch	+91-20-3086-4800	Maharashtra, India 411001
India	Ahmedabad Branch	+91-79-7117-0400	Ahmedabad, Gujarat, India 380015
India	Ranga Reddy Branch	+91-40-6635-2000	Telangana State, India 500032
Myanmar	Yangon Branch	+95-1-9345-170	Yangon, Myanmar
Australia	Sydney Branch	+61-2-9224-7901	Sydney, NSW 2000, Australia
Philippines	Manila Branch	+63-2-405-6300	Taguig City, Manila, Philippines
UAE	Dubai Branch	+971-4-551-2820	P.O. Box 507001, Dubai, UAE
Uzbekistan	Shinhan Bank Uzbekistan Representative Office	+998-71-150-1184	Oybek St. 22 Tashkent, Uzbekistan 100015
Hungary	Shinhan Bank Hungary Representative Office	+36-30-500-5860	Budapest Irinyi Jozsef utca 4-20, 1117, Hungary

Shinhan Card

Country	Name	Telephone	Address
Indonesia	PT Shinhan Indo Finance	+62-21-8579095	10 JL. MT. Haryono Kav. 8, Jakarta, Indonesia 13330
Kazakhstan	LLP MFO Shinhan Finance	+7-727-355-2550	48 Auezov street, Almaty, Kazakhstan 050000
Myanmar	Shinhan Microfinance Co., Ltd.	+95-1-645685	Insein Towership, Yangon, Myanmar
Vietnam	Shinhan Vietnam Finance Limited (SVFC)	+84-28-391-13666	Thu Thiem New Urban Area, Ho Chi Minh City

Shinhan Securities

Country	Name	Telephone	Address
Indonesia	PT. Shinhan Sekuritas Indonesia	+62-21-8086-9900	No. Kav. 52-53, South Jakarta 12190, Indonesia
Hong Kong	Shinhan Securities Asia Ltd.	+852-3713-5301	1 Austin Road West, Kowloon, Hong Kong
Vietnam	Shinhan Securities Vietnam Co., Ltd.	+84-28-6299-8000	The Mett Tower, Thu Thiem New Urban Area, Ho Chi Minh City
USA	Shinhan Securities America Inc.	+1-212-397-4000	750 7th Avenue 26th Floor, New York, NY 10019, USA
USA	Shinhan Securities Silicon Valley	+1-650-561-5531	480 S. California Avenue, Suite 304, Palo Alto, CA 94306 USA
China	Shinhan Investment Shanghai Representative Office	+86-21-2050-3052	68 Yin Cheng Road, Pudong, Shanghai, 200120, China
Indonesia	Shinhan Asset Management Indonesia	+62-21-3952-5500	Jl. Jend. Sudirman No. Kav. 52-53, South Jakarta 12190, Indonesia

Shinhan Life Insurance

Country	Name	Telephone	Address
Vietnam	Shinhan Life Insurance Vietnam Limited Liability Company (SHLV)	+84-28-7300-9920	The Mett Tower, Thu Thiem New Urban Area, Ho Chi Minh City

Shinhan Asset Management

Country	Name	Telephone	Address
Hong Kong	Shinhan Asset Management (HK) Ltd.	+852-2525-9110	1 Austin Road West Kowloon, Hong Kong

Shinhan DS

Country	Name	Telephone	Address
Vietnam	Shinhan DS Vietnam Company Limited	+84-28-3823-7255	The Mett Tower, Thu Thiem New Urban Area, Ho Chi Minh City

OUR VALUE

"Shinhan WAY 2.0" is Shinhan's new value system as well as a guiding principle for all of its employees.

Mission



A better world through Finance

Core Value



Right

We value doing what is RIGHT for our customers and for the future generations.



Nimble

We value being NIMBLE- executing with flexibility and efficiency, never stop learning and keep moving forward.



Different

We respect individual DIFFERENCES and value having DIFFERENTIATED outcomes.

Vision

*We believe finance should be
+ More Friendly, More Secure, More Creative*



+ More Friendly

Easy & Convenient

We will improve online and offline financial services so that customers can use finance more easily and conveniently, and connect finance more closely with customers' daily life and business.



+ More Secure

Safe & Reliable

We will provide safe, reliable, and secure financial services and support customers realize their dreams.



+ More Creative

Original & Innovative

We will provide new value to our customers through innovative and original financial services that creatively converge Shinhan's expertise and innovative digital technology.

FINANCIAL HIGHLIGHTS (As the end of Dec, 2023)



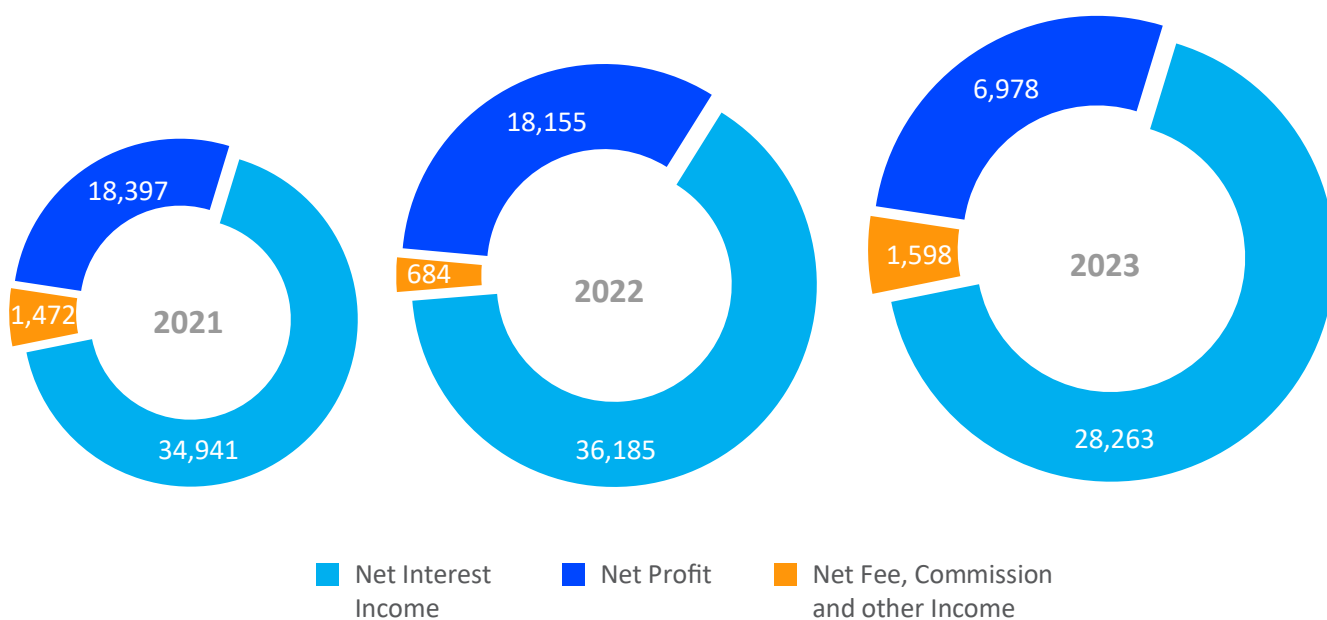
FINANCIAL YEAR ENDED 31 DECEMBER

	2021 (Audited)	2022 (Audited)	2023 (Audited)
Balance Sheet (US\$ million)			
Total Assets	718.90	844.25	841.88
Total Gross Loans and advance	561.98	691.11	702.55
Total Deposits	175.14	181.96	199.21
Equity	139.89	158.05	265.02
P&L Account (US\$ thousand)			
Net Interest Income	34,941.47	36,185.19	28,262.66
Net Fee, Commission and other Income	1,471.77	684.45	1,598.31
Net Profit	18,396.66	18,154.58	6,977.68
Key Performance Indicators (%)			
ROAE	13.2%	11.5%	2.5%
ROAA	2.6%	2.2%	0.8%
Cost/Income	32.4%	27.6%	36.9%
Liquidity Ratio	136.3%	156.3%	159.8%
Credit Deposit Ratio	319.3%	378.0%	348.0%
Solvency Ratio	21.4%	16.2%	32.1%
General Information			
Operating Branches	12	14	15
Staff	402	455	496
ATMs	25	31	38
Depositors	23,268	24,752	34,353
Borrowers	8,195	12,234	12,599
Mobile Banking Users	17,269	23,150	34,871

* Figures updated in accordance with the Cambodian International Financial Reporting Standards

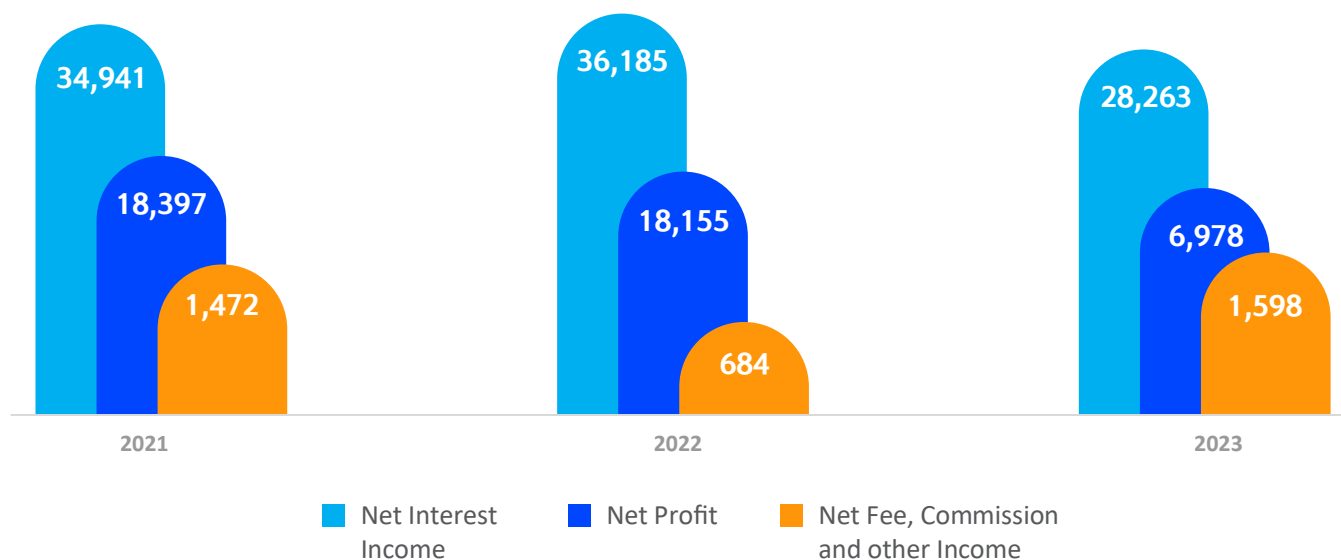
SIMPLIFIED FINANCIAL RESULTS

P&L Account (US\$ Million)

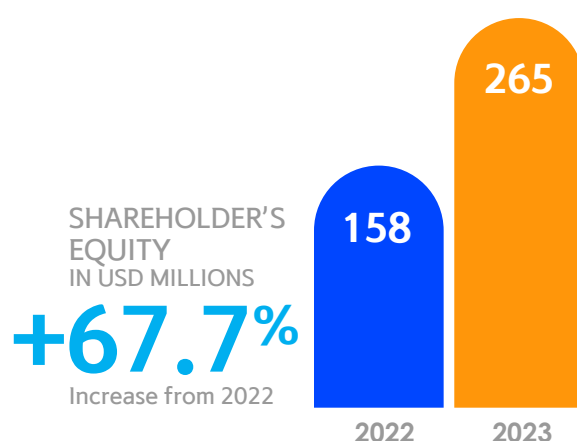
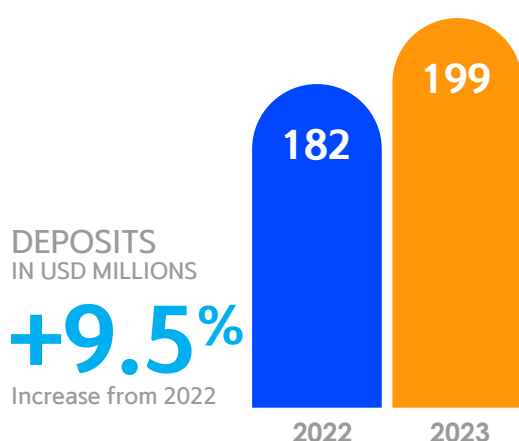
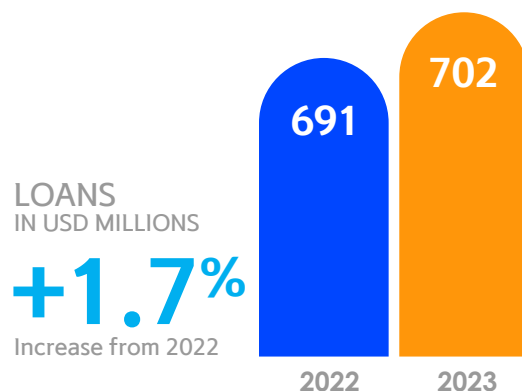
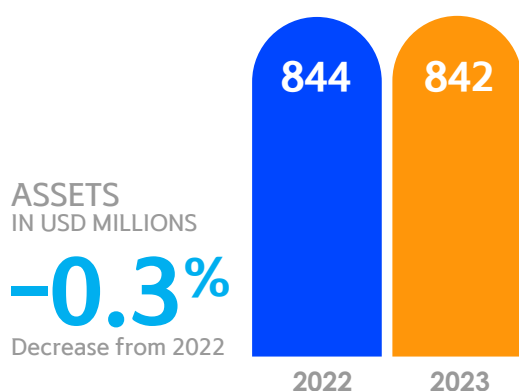
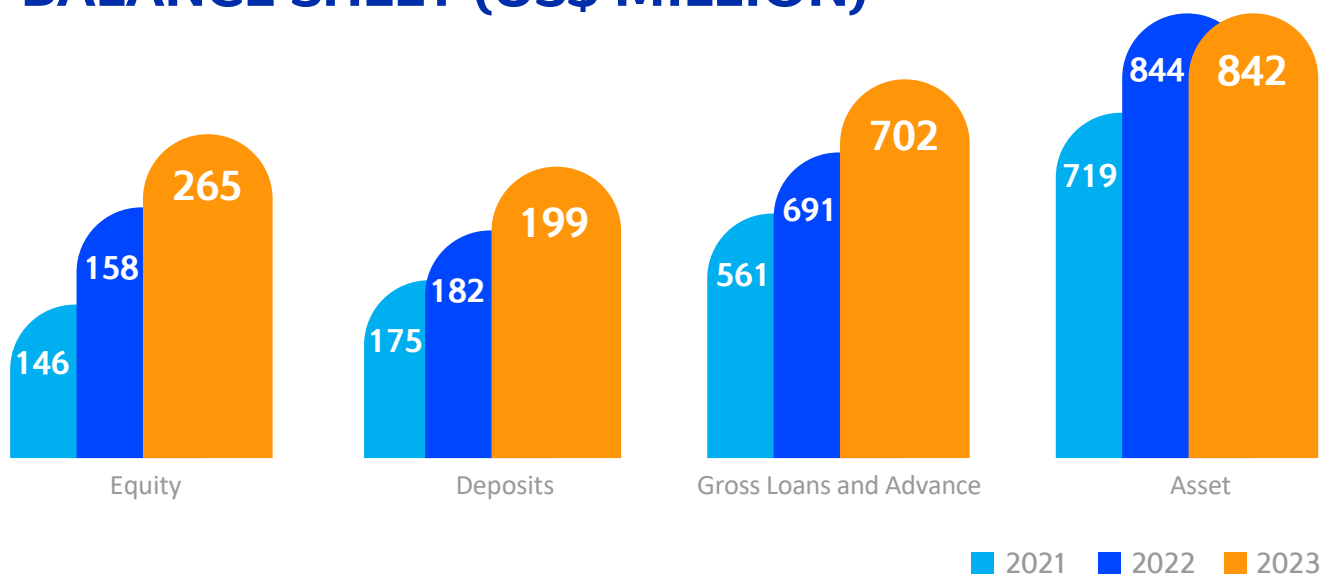


Statement Of Comparison 2022 To 2023

The brief report illustrates the prior year's financial performance and its current result.



BALANCE SHEET (US\$ MILLION)



Key Performance Indicators 2023(%)

ROAE	2.5%
ROAA	0.8%
Cost/Income	36.9%

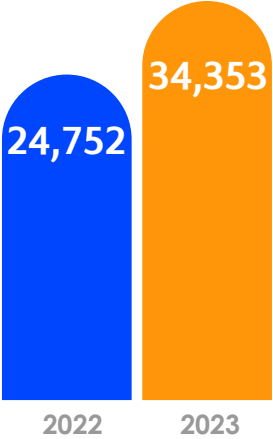
Liquidity Ratio	159.8%
Credit Deposit Ratio	348.0%
Solvency Ratio	32.1%

GENERAL INFORMATION

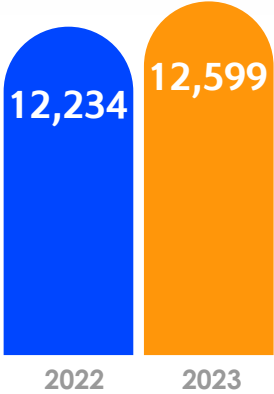
(Comparison Data 2022 to 2023)



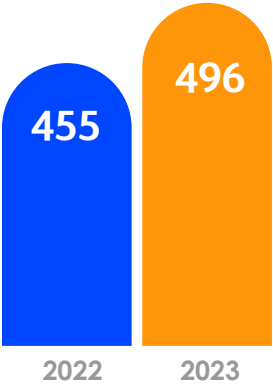
NUMBER OF
DEPOSITORS
+39%
Increase from 2022



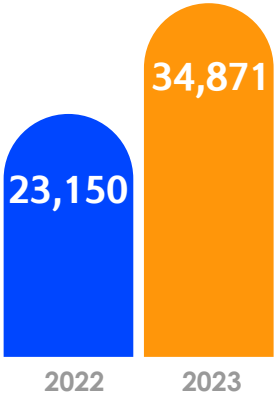
NUMBER OF
BORROWERS
+3%
Increase from 2022



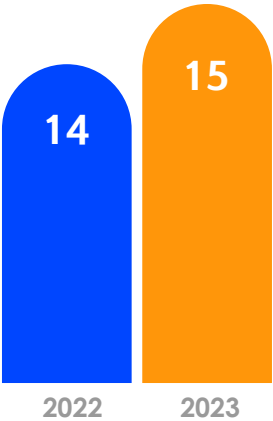
NUMBER OF
STAFFS
+9%
Increase from 2022



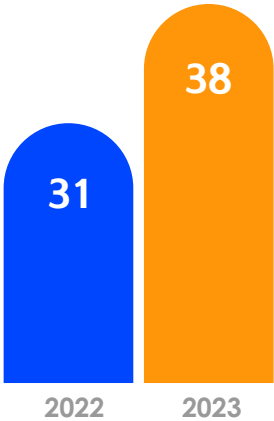
NUMBER OF
MOBILE
BANKING USERS
+51%
Increase from 2022



OPERATING
BRANCHES
+7%
Increase from 2022



NUMBER
OF ATMs
+23%
Increase from 2022



MILESTONES (As the end of Dec, 2023)

Shinhan Bank (Cambodia) PLC. was considered as a pioneer enterprise to promote diplomatic relations between Cambodia and Korea. It was the first Korean Bank to invest in the Cambodian market.



2007

2010

2020

2023

2007
The first subsidiary of Shinhan Bank was opened in Phnom Penh City

2011
Olympic Branch was opened as 1st Branch of Shinhan Khmer Bank

2016
Shinhan Khmer Bank launched Visa Debit Card service

2018
Shinhan Khmer Bank Head Office was relocated and renamed under "Shinhan Bank (Cambodia) PLC".

2020
Shinhan Bank (Cambodia) PLC launched SOL Mobile App

2020
Early in 2020, Shinhan Bank (Cambodia) PLC showed rapid growth through the establishment of 3 new branches (Toul Kouk, Sen Sok and Chbar Ampov).

2021
Shinhan Bank (Cambodia) PLC continued to establish 3 new branches (Beung Keng Kang, Mao Tse Toung, Chroay Chongvar)


2022
Shinhan Bank (Cambodia) PLC has officially launched two more new branches in the provincial area located in Kandal and Siem Reap province.

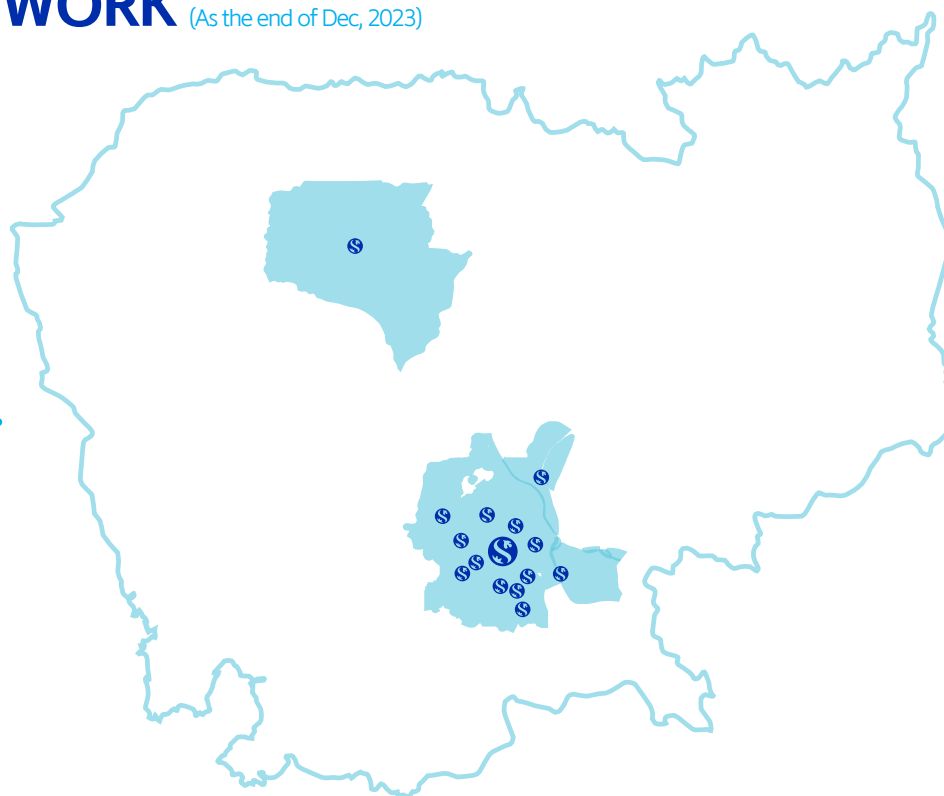
2023
Shinhan Bank (Cambodia) PLC continued expanding our branch to two new locations. One was established in Russey Keo area (Russey Keo branch) and the other was relocated to Chaom Chau area (Chaom Chau branch).

BRANCH NETWORK (As the end of Dec, 2023)

OPERATIONAL AREAS

Phnom Penh 13
Siem Reap 1
Ta Kmau 1

Branches Network 15 



SHINHAN BANK (CAMBODIA) PLC.

No. 79 Kampuchea Krom, Sangkat Monorom.
Khan 7 Makara, Phnom Penh, Cambodia
Tel. (+855) 23 971 100
SWIFT: SHBKHHPP

BUSINESS CENTER

No. 79 Kampuchea Krom, Sangkat Monorom.
Khan 7 Makara, Phnom Penh, Cambodia
Tel. (+855) 23 971 100
SWIFT: SHBKHHPP

CHAOM CHAU BRANCH

Nº 2432 and 2433, National Road No. 4,
Phum Prey Pring Khang Cheung 1,
Sangkat Chaom Chau 3, Khan Pur Senchey,
Phnom Penh, Cambodia
Tel. (+855) 23 988 381/82/83
SWIFT: SHBKHHPP

TEUK THLAR BRANCH

No. 36-38, North Bridge Street,
Phum Trong Moan, Sangkat Ou Baek K'am,
Khan Saensokh, Phnom Penh, Cambodia
Tel. (+855) 23 988 363
SWIFT: SHBKHHPP

MONIVONG BRANCH

Nº 423 & 425E0, Preah Monivong Blvd.
Corner Street Nº 198, Phum Phum 3, Sangkat
Boeng Proluet, Khan Prampir Meakkakra,
Phnom Penh, Cambodia
Tel. (+855) 23 988 390
SWIFT: SHBKHHPP

STUENG MEAN CHEY BRANCH

Nº 8, Preah Monireth Blvd., Group 7,
Phum Trea, Sangkat Stueng Mean Chey 1,
Khan Mean Chey, Phnom Penh, Cambodia
Tel. (+855) 23 957 680
SWIFT: SHBKHHPP

NORODOM BRANCH

No.277 Norodom Blvd, Sangkat Tonle Bassac,
Khan Chamkarmorn ,
Phnom Penh, Cambodia
Tel. (+855) 23 988 310
SWIFT: SHBKHHPP

CHBAR AMPOV BRANCH

#44, National Road 1, Ta Ngov, Niroth,
Chbar Ampov, Phnom Penh, Cambodia
Tel. (+855) 23 900 820
SWIFT: SHBKHHPP

SEN SOK BRANCH

#127, St 1003, Bayab, Phnom Penh Thmey,
Sen Sok, Phnom Penh, Cambodia
Tel. (+855) 23 900 850
SWIFT: SHBKHHPP

TUOL KOUK BRANCH

#57, St.289, Boeung Kak II,
Tuol Kouk, Phnom Penh, Cambodia
Tel. (+855) 23 900 830
SWIFT: SHBKHHPP

BOENG KENG KONG BRANCH

Nº 366C, Preah Monivong Blvd, Phum Phum 2,
Sangkat Boeng Keng Kang Ti Mouy,
Khan Boeng Keng Kang, Phnom Penh, Cambodia
Tel. (+855) 23 902 223
SWIFT: SHBKHHPP

MAO TSE TUNG BRANCH

Nº 145, Mao Tse Tung Blvd (245), Phum Phum 6,
Sangkat Tuol Svay Prey Muoy, Khan Boeng Keng Kang,
Phnom Penh, Cambodia
Tel. (+855) 23 902 224
SWIFT: SHBKHHPP

CHRAOY CHANGVAR BRANCH

Nº 43G, National Road Nº 6, Phum Phum 3,
Sangkat Chraoy Chongvar, Khan Chraoy Chongvar,
Phnom Penh, Cambodia
Tel. (+855) 23 902 225
SWIFT: SHBKHHPP

TA KHMAU BRANCH

#218, National Road No.21 Corner Street No. 110,
Phum Thmei 2, Sangkat Ta Khmau, Krong Ta Khmau,
Kandal Province, Cambodia
Tel. (+855) 24 900 107/ 108/109
SWIFT: SHBKHHPP

SIEM REAP BRANCH

Nº 105, Sivutha Blvd, Phum Mondol 2,
Sangkat Svay Dankum, Krong Siemreap
Siemreap Province, Cambodia
Tel. (+855) 63 900 800/801/802
SWIFT: SHBKHHPP

RUSSEY KEO BRANCH

Nº No. 598, Phum 4, Sangkat Chrang Chamreth Ti Muoy,
Khan Russey Keo, Phnom Penh, Cambodia
Tel. (+855) 23 902 390/391/392
SWIFT: SHBKHHPP

3

Corporate Governance

ORGANIZATION CHART

(As the end of Dec, 2023)



BOARD OF DIRECTORS (As the end of Dec, 2023)



Mr. PARK HEEJIN

Current Chairman

Mr. Park is appointed chairman in June 2022. He has a remarkable professional background in the banking and financial sectors, with an extensive tenure spanning over 20 years at Shinhan Bank. He has consistently demonstrated his expertise and leadership capabilities in various executive roles. During his tenure at Shinhan Bank, Mr. Park has held several key executive positions, each adding to his repertoire of skills and knowledge. These roles have provided him with invaluable hands-on experience in managing complex financial operations, devising strategic initiatives, and fostering strong relationships with stakeholders.



Mr. KIM NAM SOO

Current CEO & Member of Board of Director

Mr. Kim possesses extensive experience and knowledge in his role as CEO and member of the Board of Directors, which he began in March 2021. Before his present role, he served as the General Manager at the Corporate Business Banking Centre of Shinhan Bank, demonstrating outstanding leadership abilities and a profound comprehension of the banking and financial industries. Mr. Kim has spent many years working at Shinhan Bank and has become an experienced professional with a deep understanding of the complexities of the banking sector. His vast experience in different senior positions within Shinhan has provided him with a wide range of skills and a deep knowledge base.



Mr. LEE KYOUNG HO

Current Director & Member of Board of Directors

Mr. Lee has been a Director of Shinhan Bank (Cambodia) PLC since early 2023 and has a wealth of experience from his extended banking career. Prior to his current position, he held significant positions at Shinhan Bank Korea for over 17 years, demonstrating his remarkable leadership abilities and commitment to the sector. Mr. Lee has held a variety of management positions at Shinhan Bank during his career, giving him a thorough grasp of the banking industry.



Mr. JOEN YOUNGKYO

Current Independent Member of Board of Director

Mr. Jeon, who was appointed as an independent member of the Board of Directors in April 2022, possesses a substantial amount of banking and financial sector experience and knowledge. Having amassed more than two decades of professional experience, he has occupied a multitude of executive roles throughout Shinhan Bank Korea and Shinhan Financial Holdings. His diverse experiences have given him a deep understanding of banking operations, risk management, and strategic planning.



Mr. PARK WOO GYUN

Current Independent Member of Board of Director

Since his nomination as an independent member of the Board of Directors in September 2021, Mr. Park has gained substantial professional experience in the financial and banking sectors. During his more than thirty-year successful employment with Shinhan Bank Korea, he held a variety of senior positions, demonstrating his extraordinary insight and leadership abilities.

SENIOR MANAGEMENT (As the end of Dec, 2023)



Mr. KIM NAM SOO

Current CEO & Member of Board of Director

Mr. Kim possesses extensive experience and knowledge in his role as CEO and member of the Board of Directors, which he began in March 2021. Before his present role, he served as the General Manager at the Corporate Business Banking Centre of Shinhan Bank, demonstrating outstanding leadership abilities and a profound comprehension of the banking and financial industries. Mr. Kim has spent many years working at Shinhan Bank and has become an experienced professional with a deep understanding of the complexities of the banking sector. His vast experience in different senior positions within Shinhan has provided him with a wide range of skills and a deep knowledge base.



Mr. JUNG IN CHANG

Current Vice President

Mr. Jung, an accomplished expert in the banking sector, assumed the role of Vice President at Shinhan Bank (Cambodia) PLC in July 2021. Owing to his profound knowledge and impressive history in the Loan Business sector, he imparts insightful counsel and effective leadership to the Shinhan Bank. With more than 16 years of experience in a managerial capacity at Shinhan Bank Korea, Mr. Jung has acquired extensive expertise and refined his abilities across multiple facets of the banking industry. He has a comprehensive understanding of credit risk management, loan portfolio analysis, and strategic lending practices due to his extensive background in the loan industry.



Mr. SONG KYO MIN

Current Vice President

A strong-driven expertise in Credit Planning field, Mr. Song was appointed as a Director of Shinhan Bank (Cambodia) PLC since 2018. With his vast experience in corporate banking for over 13 years, later in 2021 Mr. Song was promoted to be the Executive Vice President specialized in credit management. Mr. Song has developed his managerial position strongly in evaluating business credit, loan business planning, and managing on crediting business process.



Mr. KIM MIN SU

Current Vice President

Mr. Kim, a highly experienced banking professional in retail banking, joined Shinhan Bank (Cambodia) PLC in 2020, and now he is serving in vice president position. With his extensive experience in the retail banking industry, he provides excellent insights and leadership to Shinhan Bank. Mr. Kim has over ten years of experience in managerial positions at Shinhan Bank Korea, where he has developed his talents and obtained extensive understanding in numerous sectors of retail banking. His significant experience includes customer relationship management, product development, branch operations, and providing excellent client experiences.



Mr. PARK CHANG KYUN

Current Director

Mr. Park, an accomplished professional in the field of Human Resources and development, joined Shinhan Bank (Cambodia) PLC in July 2023 as the Director responsible for overseeing HR functions. Prior to his current role, he held a significant managerial position in the HR sector at the Shinhan Bank India. His extensive experience within the Shinhan Bank dates back to 2005, where he gained valuable expertise in branch sale and business management. With his strong background in HR, Mr. Park plays a vital role in shaping the human capital strategies and initiatives of SBC. His expertise includes talent acquisition, employee development, performance management, and fostering a positive work culture.

SENIOR MANAGEMENT (As the end of Dec, 2023)



Mr. LEE KYOUNG HO
Current Director & Member of Board of Director

Mr. Lee has been a Director of Shinhan Bank (Cambodia) PLC since early 2023 and has a wealth of experience from his extended banking career. Prior to his current position, he held significant positions at Shinhan Bank Korea for over 17 years, demonstrating his remarkable leadership abilities and commitment to the sector. Mr. Lee has held a variety of management positions at Shinhan Bank during his career, giving him a thorough grasp of the banking industry.



Mr. LEE HYUN DUK
Current Director

Mr. Lee, an experienced professional in Information Technology (IT) and security information, became the Director of Shinhan Bank (Cambodia) PLC in January 2022. Bringing more than two decades of managerial experience in IT from Shinhan Bank Korea, he offers a depth of insight and leadership to SBC. During his long tenure at Shinhan Bank Korea, Mr. Lee has shown outstanding expertise and skill in IT systems, infrastructure, and security. He has expertise in various fields such as network management, data protection, cybersecurity, and technical innovation.



Mr. YOU HONG KYUN
Current Director

Mr. You, a skilled expert in financial and risk management, joined Shinhan Bank (Cambodia) PLC in 2023. He has had an impressive career at Shinhan Bank for almost two decades. His profound knowledge in the banking sector encompasses corporate Sbanking center management and financial management, rendering him a tremendous asset to SBC. Mr. You has gained extensive knowledge and expertise in different areas of banking operations since he joined Shinhan Bank in 2006. During his time in the position, he has shown outstanding skill in corporate banking, managing important tasks like credit analysis, relationship management, and financial and risk advising.



Mr. KIM YOUNG WOOK
Current Director

Mr. Kim, an experienced expert in Digital and Card Business, assumed a role of Director at Shinhan Bank (Cambodia) PLC in January 2021. Bringing more than 16 years of managerial experience in Retail Banking and Card Business at Shinhan Bank Korea, he offers a depth of insight and leadership to SBC. During his long career at Shinhan Bank Korea, Mr. Kim has shown outstanding expertise in digital banking initiatives, card services, and improving customer experience. His experience spans a wide range of areas, including digital transformation, mobile banking, payment solutions, and driving innovative card products.

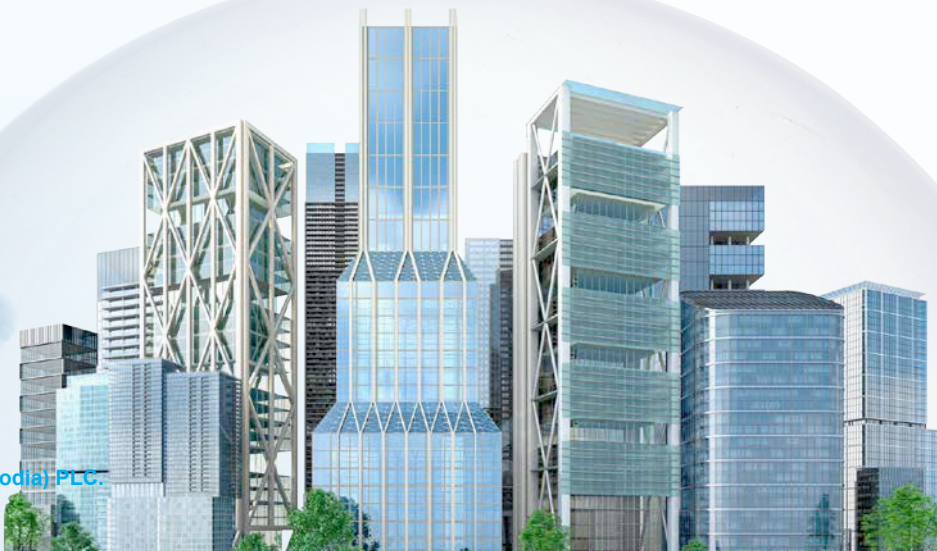
RISK MANAGEMENT

A strong culture of shared attitudes, beliefs, values and standards is one of the essential elements Shinhan Bank (Cambodia) Plc. has been strictly pursuing in order to instill risk awareness, risk taking and risk management into employees of all levels. The Bank aims to maintain appropriate balance between risks and return in line with our risk appetite and strong risk management capability.

Primary role of risk management is to protect the interest of our customers, business, colleagues, and the communities, while ensuring we are able to support our business strategy and provide sustainable growth. We seek to build a long lasting reputable business by balancing social, environmental and economic considerations in the decisions we make.

Within the fiscal year 2023, Risk Management Department had strengthened framework and implemented various procedures to improve our bank policies, structures and processes to best fit the current situation within the nation as well as global impacts. In order to heighten the effectiveness, amendment had been made on Risk Management Committee Policy, Operational Risk Management Policy and Liquidity Management Policy. Moreover, reclassification of overdue loan and expected credit loss were conducted on monthly basis in order to prevent and control credit risk. In addition, Risk Management Committee meeting was held quarterly to set overall risk appetite, analysis of interest rate and liquidity stress test, and to ensure early detection of any potential risks.

FORWARD-LOOKING RISK CONTROL



INTERNAL AUDIT

Audit Committee

Purpose

The Board established the Audit Committee (hereinafter referred to as "AC") to ensure the effectiveness of Shinhan Bank (Cambodia) Plc.'s (hereinafter referred to as "SBC") financial reporting system and risk-related information, quality management of internal control mechanisms, and legal compliance with applicable laws and regulations.

Main Responsibility

AC's primary role and responsibilities include assisting the SBC in fulfilling its corporate governance and oversight responsibilities in areas such as governance structure and processes, risk management structure and processes, internal controls activities, financial management, accounting policies, financial statements and annual reporting, external audit, internal audit, compliance, and implementation of audit and other review recommendations.

Meetings

The Audit Committee shall meet at least four times annually and more frequently if it deems necessary.

Internal Auditor

Purpose

The Board established the Internal Auditor (hereinafter referred to as "IA") to give independent and objective assurance about the sufficiency and efficacy of the bank's governance, risk management, and internal control mechanisms.

The Internal Auditor of SBC conducted periodic controls that were independent of daily operational areas and permanent control duties. The Internal Auditor reported directly to the Audit Committee (AC) on a quarterly basis.

Main Responsibility

The main responsibility of IA is to assess the adequateness and efficiency of the bank's risk management, governance and internal control systems, as well as to determine if the risks that may prevent the bank from achieving its objectives are appropriately evaluated, managed, and controlled.

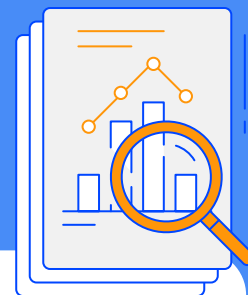
Summary of Internal Audit Activities in 2023

Internal auditor uses a risk-based approach to determining the priorities for internal audit tasks that are compatible with the bank's goals.

According to the risk assessment results, IA priority areas include loan restructuring, credit process, cash management, IT General Control (ITGC), AML & Compliance, procurement process, financial & accounting, digital development, internal control, and financial incident prevention.

During FY2023, the internal auditor conducted 55 audit engagements, including audits of 14 branch offices, 20 of head office departments, 12 of surprise audits, 4 of year-end cash counts, and 5 of special audits. The results of audit engagement are reported quarterly to AC and communicated in the form of a written report to management.

All audit findings and recommendations arising from the audit are continuously updated and followed up with management on a quarterly basis.



COMPLIANCE

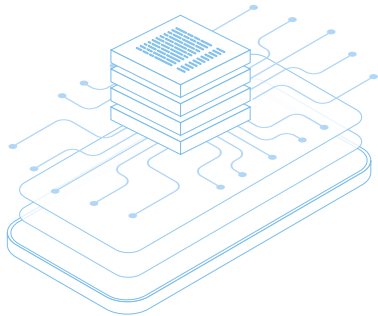
Compliance function is thereto reasonably ensure that the company is complying with all applicable laws, rule and regulations as well as internal codes of conduct, policies and procedures. Roles of compliance function such as : identification, prevention , resolution, advisory and monitoring and detection to manage the banks' compliance risk.



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Our Accomplishments

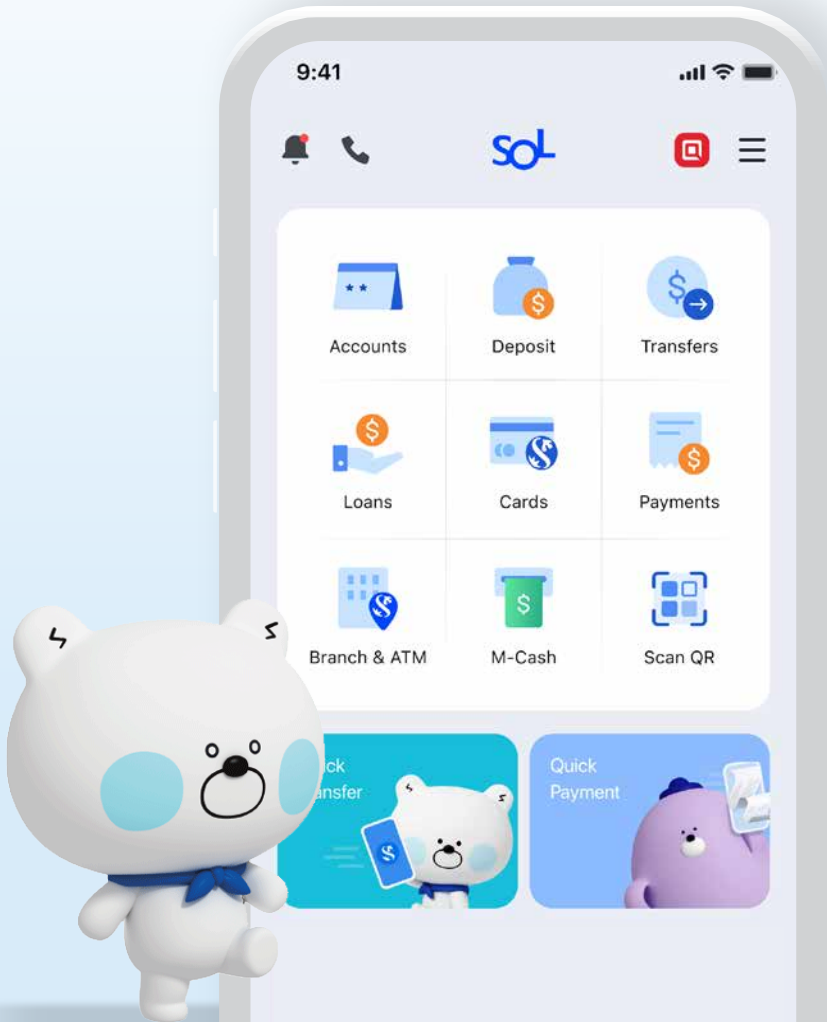
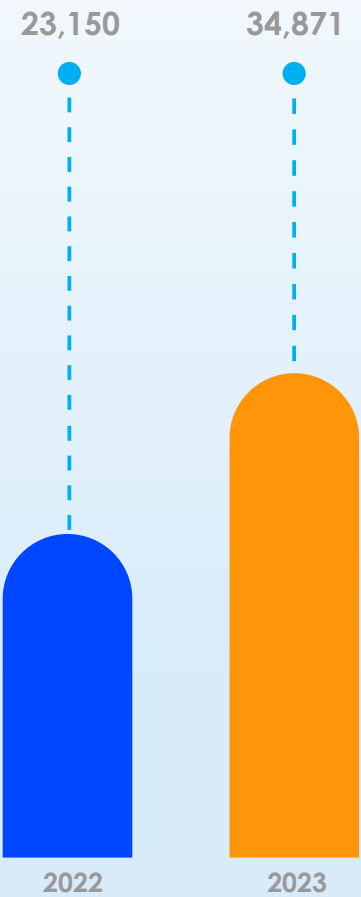
MOBILE BANKING ENHANCEMENT



Our mission is to provide the 24/7 banking service to customer through our mobile banking. Therefore, as of 2023, we significantly enhance and upgrades our SOL Mobile app through enabling users to be able to open more term deposit with higher interest rate, scan KHQR, issue your own virtual card, apply loan through mobile app, utility payment , phone top up, internet & TV with various benefit promotion.

In the return of our development on Mobile Banking App, during 2023 we have increased our Digital Monthly Active Users by 56% comparing to 2022.

Focusing on digital transformation and expand payment channel for customer convenience, bank will increase the volume of payment channel partner, provide reward benefit system in mobile banking app and upgrade most convenience function of digital deposit. Shinhan Bank will commit to promote the banking service facilities with most security and safe function. Trust! Convenience! Benefit!



CUSTOMER SERVICE MANAGEMENT

Following our mission, Shinhan Bank Cambodia has developed variety of customer solutions inmaking our banking services even better and more convenience.

To meet our customer satisfaction, we have launched “Shinhan Payroll Service”, new Product“My Salary Saving Account”, which provide the convenient way to manage on Customers’ employee salary. Moreover, new service also have been implemented including “EscrowService” with license from “Trust Regulator” to provide secure trust fund to customers as an investor.

In addition, we also release “Merchant/Shinhan KHQR” and other digital platforms including payment services to make self-banking services to become the most Innovative Digital Bank in Cambodia.

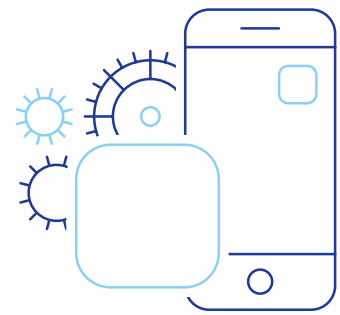
In 2023, new customer has increased 36%, while Digital Active User has also doubled the number compare to 2022, which customers can access and use our banking services through Mobile Banking.

Our Self-Banking Service has one of the most important part, Cash-Out and Cash-In Deposit Machine at all 15 branches in Phnom Penh, Takhmao and Siem Reap, which is more convenience for our customers to use Cash-Out and Cash-In service 24/7 without waiting at Bank Counter.

As Shinhan Bank always care and keep our customers as our pride, we promise to provide our best and keep improving our customer satisfaction as our priority and we always are grateful to our customers that always provide trust, and support to our Bank.



PAYMENT PLATFORM EXPANSION



Presently, the proliferation and popularity of Digital Payments in Cambodia have intensified competitively among the business sector, particularly in providing convenient services to customers and merchants. We have also observed that our customers may truly need convenient services and products to support their payment platforms and lifestyles. In response to meeting customer satisfaction and inquiries, we have innovated, built up, and updated our current services to become modernized and productive. This entails introducing new experiences, such as registering for QR service through the Mobile App and issuing cards instantly.

As a result, in 2023, Shinhan Bank launched new banking services designed to effectively support the payment platform, such as My Merchant Service via the SOL App, alongside another innovative Service-Instant Card Issuance.

The My Merchant Service offers an ideal

solution for business owners, enabling them to manage their business effortlessly on their smartphones. With useful functions, merchants can collect cashless payments from customers and request QR printing directly through the SOL App, avoiding the need to visit branches. Additionally, our instant card issuance service allows customers able to receive the card which has been issued in a short time, enabling them to use it for any payment service.

Observing our customers' utilization of these services over the period, it shows that they can conveniently use our services and are satisfied, meeting our expectations.

With My Merchant Service and Instant Card Issuance introduced, driven by innovation and a focus on customer satisfaction, Shinhan Bank is dedicated to delivering payment experiences for individuals and businesses alike. Our aim is to rights them to transact confidently and efficiently in today's digital economy.



NEW BRANCH LAUNCH

The growth of the bank emphasized the necessity of channel expansion to the potential areas, as part of the bank's channel network strategy, in 2023 Shinhan Bank (Cambodia) PLC continued expanding our branch to two new locations. One was established in Russey Keo area (Russey Keo branch) and the other one was relocated to Chaom Chau area (Chaom Chau branch). Throughout this new channel establishments, we can display our products and services to be accessible and closer to our customers and local community allowing them to fully benefit from our exceptional offering.



STRATEGIC HUMAN RESOURCE MANAGEMENT



“Create a Bank where people want to work, a Bank that align with employee’s life”

Shinhan Bank Cambodia is making maximum efforts to improve institutionally and culturally in order to enhance the satisfaction of employees both in their places of work and family life. For this, we promote establishing a great workplace culture by setting balance between work and family, encouraging communication among employees, and the health of the employees as the main direction plan.

Despite the current financial situation, Shinhan Bank Cambodia also keep diversifying recruitment channels by staff referral incentive, participating in job fair events, and providing internship opportunity and scholarship to university students to allow them to gain banking life experiences with total of 125 new talented employees in 2023.

On another hand, SBC employee is our most valuable asset, upgrading their knowledge and capability is one of HR department’s

main mission. By 2023, we provided more than 200 various internal and external training programs included IBF short courses and certification courses, supported language courses, and task-related training courses with fully supported tuition fee by the Bank. Last but not least, our direction is to establish a 2nd home that employee want to come to work by providing competitive remuneration and welfare systems to all SBC employees with sticking to Shinhan way “Right, Nimble, Different”, performance-based reward culture, nurturing existing talented and developing local management pool.

In accordance to our believe that the bank’s performance affects employee’s growth and employee’s growth affects the bank’s performance which ultimately forms a result in the customer satisfaction and social contribution to SBC mission “A better world through Finance”.

CORPORATE SOCIAL RESPONSIBILITY

Scholarship to RUPP (10.Jan.2023)

Scholarship to 15 students from RUPP majoring in Korean Languages & Computer Science.



Cambodian Red Cross (28.Apr.2023)

Shinhan Bank (Cambodia) Plc has donated USD 2,000 to Cambodian Red Cross.



"Soksabay" Social Activity Donation (19.May.2023)

Donation Ceremony in Tako Secondary School of Prey Veng Province.



Wise Financial Class with Shinhan (05.Sep.2023)

An educational training relating financial knowledge.



Scholarship to RUPP (18.Oct.2023)

Scholarship to outstanding students from Department of Korean Language and Business related Departments, RUPP.



Parasol & Marble Bench Donation (18.Oct.2023)

Shinhan Bank (Cambodia) Plc has donated parasol and marble bench to RUPP and PUC.



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Audited Financial Statements

Corporate information

Bank	Shinhan Bank (Cambodia) Plc.	
Registration No.	00006043	
Registered office	Vanda Tower No. 79, Kampuchea Krom Blvd. Sangkat Monorom, Khan 7 Makara Phnom Penh, Kingdom of Cambodia	
Shareholders	Shinhan Bank Co., Ltd. Insung Co., Ltd.	
Board of Directors	Mr. Park Heejin Mr. Kim Nam Soo Mr. Lee Kyoung Ho Mr. Lee Sanghoon Mr. Park WooGyun Mr. Jeon Youngkyo	Chairman Director Director (appointed on 7 December 2023) Director (ended term on 7 December 2023) Independent director Independent director
Management team	Mr. Kim Nam Soo Mr. Kim Choon Ho Mr. Lee Sanghoon Mr. Lim Joon Hyung Mr. Jung In Chang Mr. Song Kyo Min Mr. Kim Min Su Mr. Kim Young Wook Mr. Lee Hyun Duk Mr. Park Chang Kyun Mr. Lee Kyung Ho Mr. Yoo Hong Kyun	Chief Executive Officer Vice President Vice President Vice President Vice President Vice President Vice President Director Director Director (appointed on 11 July 2023) Director (appointed on 10 July 2023) Director (appointed on 6 July 2023)
Auditors	KPMG Cambodia Ltd	



Report of the Directors

The Board of Directors ("the Directors") hereby submits their report together with the audited financial statements of Shinhan Bank (Cambodia) Plc. ("the Bank") for the year ended 31 December 2023.

Principal activities

The principal activities of the Bank are the operations of core banking business and the provision of related financial services in Cambodia.

There were no changes to the nature of the principal activities during the year.

Financial performance

The financial performance of the Bank for the year is set out in the statement of profit or loss and other comprehensive income on page 9.

Share capital

The share capital of the Bank as at 31 December 2023 is US\$175,000,000 (31 December 2022: US\$75,000,000). On 14 September 2022, the Board of Directors has approved to increase the registered and paid-up share capital by US\$100,000,000. The Bank obtained approval from the National Bank of Cambodia on 17 February 2023 and amended the Memorandum and Articles of Association and obtained approval from the Ministry of Commerce on 3 August 2023.

There were no other changes in shareholders and shareholding structure of the Bank during the financial year.

Reserves and provisions

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

Loans and advances

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that actions had been taken in relation to the writing off of any bad loans and advances and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for doubtful loans and advances.

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

Shinhan Bank (Cambodia) Plc.

Assets

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

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

Valuation methods

At the date of this report, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate in any material respect.

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 in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

Change of circumstances

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

Items of an unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any items, transactions or events 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 items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Bank for the year in which this report is made.

Shinhan Bank (Cambodia) Plc.

Board of Directors

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

Mr. Park Heejin	Chairman
Mr. Kim Nam Soo	Director
Mr. Lee Kyoung Ho	Director (appointed on 7 December 2023)
Mr. Lee Sanghoon	Director (ended term on 7 December 2023)
Mr. Park WooGyun	Independent Director
Mr. Jeon Youngkyo	Independent Director

Directors' interests

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling 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.

During the financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Directors' responsibility in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended.

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

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess 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 Directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Shinhan Bank (Cambodia) Plc.

Approval of the financial statements

We, hereby approve the accompanying financial statements together with the notes thereto as set out on pages 8 to 107 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

Signed in accordance with a resolution of the Board of Directors.

Mr. Park Heejin
Chairman of Board of Director

Mr. Yoo Hong Kyun
Director

Phnom Penh, Kingdom of Cambodia

29 March 2024



KPMG Cambodia Ltd
GIA Tower, Sopheak Mongkul Street, Phum 14
Sangkat Tonle Bassac, Khan Chamkar Mon
Phnom Penh, Cambodia
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Report of the Independent Auditors

To the shareholders of Shinhan Bank (Cambodia) Plc.

Opinion

We have audited the financial statements of Shinhan Bank (Cambodia) Plc. (“the Bank”), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information as set out on pages 8 to 107 (hereafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

Basis for Opinion

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

Other Matter

The financial statements of the Bank for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2023.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Board of Directors on pages 1 to 4, and the annual report, which is expected to be made available to us after the date of auditors’ report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG Cambodia Ltd**

Nge Huy
Senior Partner

Phnom Penh, Kingdom of Cambodia

29 March 2024

Shinhan Bank (Cambodia) Plc.

Statement of financial position as at 31 December 2023

	Notes	31 December 2023		31 December 2022	
		US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
ASSETS					
Cash on hand	9	9,422,708	38,491,762	9,145,476	37,651,925
Balances with the National Bank of Cambodia	10	21,010,829	85,829,236	9,481,393	39,034,895
Balances with other banks and financial institutions	11	49,665,499	202,883,563	70,450,137	290,043,214
Statutory deposits with the National Bank of Cambodia	12	50,153,385	204,876,578	45,481,798	187,248,562
Loans and advances to customers	13	693,171,528	2,831,605,692	687,789,085	2,831,627,663
Investment securities	14	25,000	102,125	5,383,473	22,163,758
Property and equipment	15	7,844,337	32,044,117	6,909,709	28,447,272
Right-of-use assets	16	6,000,462	24,511,887	5,354,659	22,045,131
Intangible assets	17	1,008,319	4,118,983	1,141,332	4,698,864
Other assets	18	3,582,928	14,636,261	3,109,223	12,800,671
TOTAL ASSETS		841,884,995	3,439,100,204	844,246,285	3,475,761,955
LIABILITIES AND EQUITY					
Liabilities					
Deposits from banks and financial institutions	19	106,556,837	435,284,679	104,289,198	429,358,628
Deposits from customers	20	92,650,638	378,477,856	77,670,670	319,770,148
Current income tax liabilities	21	1,215,711	4,966,179	3,338,097	13,742,945
Deferred tax liabilities, net	21	300,076	1,225,810	559,409	2,303,087
Borrowings	22	367,359,074	1,500,661,817	491,589,894	2,023,875,594
Lease liabilities	16	6,527,438	26,664,584	5,910,675	24,334,249
Employee benefit obligations		492,642	2,012,443	94,084	387,344
Other liabilities	23	1,757,859	7,180,855	2,747,214	11,310,280
Total liabilities		576,860,275	2,356,474,223	686,199,241	2,825,082,275
Equity					
Share capital	24	175,000,000	711,575,000	75,000,000	303,375,000
Retained earnings		70,146,676	286,790,420	60,875,853	248,687,338
Regulatory reserves		7,716,769	31,258,404	10,009,916	40,683,238
Non distributable reserves		12,161,275	49,422,067	12,161,275	49,422,067
Currency translation reserve		-	3,580,090	-	8,512,037
Total equity		265,024,720	1,082,625,981	158,047,044	650,679,680
TOTAL LIABILITIES AND EQUITY		841,884,995	3,439,100,204	844,246,285	3,475,761,955

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

Shinhan Bank (Cambodia) Plc.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Interest income	25	56,680,531	232,956,982	50,679,477	207,127,022
Interest expense	26	(28,417,874)	(116,797,462)	(14,494,284)	(59,238,139)
Net interest income		28,262,657	116,159,520	36,185,193	147,888,883
Fee and commission income	27	1,598,313	6,569,066	645,280	2,637,259
Total fee and commission income		1,598,313	6,569,066	645,280	2,637,259
Impairment losses on financial instruments	28	(6,088,884)	(25,025,313)	(387,199)	(1,582,482)
Other gain/(loss) – net	29	594,906	2,445,064	(304,527)	(1,244,602)
Other operating income	30	67,361	276,854	39,169	160,084
Net other operating loss		(5,426,617)	(22,303,395)	(652,557)	(2,667,000)
Personnel expenses	31	(6,924,091)	(28,458,014)	(6,518,900)	(26,642,744)
Depreciation and amortisation	32	(3,250,179)	(13,358,236)	(2,412,842)	(9,861,285)
Other operating expenses	33	(5,253,625)	(21,592,399)	(4,157,505)	(16,991,723)
Profit before income tax		9,006,458	37,016,542	23,088,669	94,363,390
Income tax expense	21	(2,028,782)	(8,338,294)	(4,934,089)	(20,165,622)
Net profit for the year		6,977,676	28,678,248	18,154,580	74,197,768
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Currency translation differences		-	(4,931,947)	-	6,560,014
Total comprehensive income for the year		6,977,676	23,746,301	18,154,580	80,757,782
Profit attributable to:					
Owners of the Bank		6,977,676	28,678,248	18,154,580	74,197,768
Total comprehensive income attributable to:					
Owners of the Bank		6,977,676	23,746,301	18,154,580	80,757,782

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

Shinhan Bank (Cambodia) Plc.

Statement of changes in equity for the year ended 31 December 2023

Attributable to owners of the Bank

	Share capital				Retained earnings		Regulatory reserves		Non distributable reserves		Currency translation reserve		Total	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Balance at 1 January 2023	75,000,000	303,375,000	60,875,853	248,687,338	10,009,916	40,683,238	12,161,275	49,422,067	-	8,512,037	158,047,044	650,679,680		
Total comprehensive income														
Net profit for the year	-	-	6,977,676	28,678,248	-	-	-	-	-	-	6,977,676	28,678,248		
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	(4,931,947)	-	(4,931,947)		
	-	-	6,977,676	28,678,248	-	-	-	-	-	(4,931,947)	6,977,676	23,746,301		
Transactions recognised directly in equity														
Additional share capital contribution	100,000,000	408,200,000	-	-	-	-	-	-	-	-	100,000,000	408,200,000		
Transfer to retained earnings	-	-	2,293,147	9,424,834	(2,293,147)	(9,424,834)	-	-	-	-	-	-		
	100,000,000	408,200,000	2,293,147	9,424,834	(2,293,147)	(9,424,834)	-	-	-	-	100,000,000	408,200,000		
Balance at 31 December 2023	175,000,000	711,575,000	70,146,676	286,790,420	7,716,769	31,258,404	12,161,275	49,422,067	-	3,580,090	265,024,720	1,082,625,981		
Balance at 1 January 2022	75,000,000	303,375,000	52,918,073	216,163,892	6,353,116	25,737,896	5,621,275	22,693,087	-	1,952,023	139,892,464	569,921,898		
Total comprehensive income														
Net profit for the year	-	-	18,154,580	74,197,768	-	-	-	-	-	-	18,154,580	74,197,768		
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	6,560,014	-	6,560,014		
	-	-	18,154,580	74,197,768	-	-	-	-	-	6,560,014	18,154,580	80,757,782		
Transactions recognised directly in equity														
Transfer to regulatory reserves	-	-	(3,656,800)	(14,945,342)	3,656,800	14,945,342	-	-	-	-	-	-		
Transfer to non-distributable reserves	-	-	(6,540,000)	(26,728,980)	-	-	6,540,000	26,728,980	-	-	-	-		
	-	-	(10,196,800)	(41,674,322)	3,656,800	14,945,342	6,540,000	26,728,980	-	-	-	-		
Balance at 31 December 2022	75,000,000	303,375,000	60,875,853	248,687,338	10,009,916	40,683,238	12,161,275	49,422,067	-	8,512,037	158,047,044	650,679,680		

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

Shinhan Bank (Cambodia) Plc.

Statement of cash flows for the year ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Cash flows from operating activities					
Profit before income tax		9,006,458	37,016,542	23,088,669	94,363,390
<i>Adjustments for:</i>					
Provision for employee benefit obligations		398,558	1,638,073	8,856	36,194
Depreciation and amortisation	32	3,250,179	13,358,236	2,412,842	9,861,285
Impairment losses on financial instruments	28	6,088,884	25,025,313	387,199	1,582,482
Unrealised exchange gains		-	-	(1,912)	(7,814)
Write-offs of property and equipment		488	2,006	-	-
Gain on disposal of investment securities		-	-	93,244	381,088
(Gain)/ loss on disposal of property and equipment		(12,207)	(50,171)	79,720	325,816
Interest income	25	(56,680,531)	(232,956,982)	(50,679,477)	(207,127,022)
Interest expense	26	28,417,874	116,797,462	14,494,284	59,238,139
		(9,530,297)	(39,169,521)	(10,116,575)	(41,346,442)
<i>Changes in:</i>					
Reserve requirement		(6,420,551)	(26,388,465)	(5,721,761)	(23,384,837)
Loans and advances to customers		(10,556,564)	(43,387,478)	(128,525,061)	(525,281,924)
Other assets		(473,705)	(1,946,928)	(786,490)	(3,214,385)
Deposits from banks and financial institutions		1,774,602	7,293,614	(5,748,664)	(23,494,790)
Deposits from customers		14,017,080	57,610,199	11,819,465	48,306,153
Other liabilities		(1,199,336)	(4,929,271)	732,713	2,994,598
Cash used in operations		(12,388,771)	(50,917,850)	(138,346,373)	(565,421,627)
Interest received		55,247,144	227,065,762	50,397,592	205,974,959
Interest paid		(25,729,878)	(105,749,799)	(9,303,870)	(38,024,917)
Income tax paid	21	(4,410,501)	(18,127,159)	(4,720,083)	(19,290,979)
Net cash generated from/ (used in) operating activities					
		12,717,994	52,270,954	(101,972,734)	(416,762,564)

Shinhan Bank (Cambodia) Plc.

Statement of cash flows (continued) for the year ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Cash flows from investing activities					
Purchases of property and equipment	15	(2,938,830)	(12,078,591)	(1,667,490)	(6,815,032)
Purchases of intangible assets	17	(62,759)	(257,939)	(195,524)	(799,107)
Proceeds from disposals of property and equipment		21,318	87,617	-	-
Balances with National Bank of Cambodia – maturity more than three months		-	-	13,860,000	56,645,820
Balances with other banks and financial institutions – maturity more than three months		15,317,838	62,956,314	6,318,535	25,823,853
Proceeds from disposal of investment securities		5,583,667	22,948,871	19,581,986	80,031,577
Net cash generated from investing activities		17,921,234	73,656,272	37,897,507	154,887,111
Cash flows from financing activities					
Proceeds from issuance of share capital		100,000,000	411,000,000	-	-
Proceeds from borrowings	22	408,500,000	1,678,935,000	447,000,000	1,826,889,000
Repayments of borrowings	22	(533,500,000)	(2,192,685,000)	(351,549,337)	(1,436,782,140)
Payment of lease liabilities		(1,381,210)	(5,676,773)	(750,013)	(3,065,303)
Net cash (used in)/generated from financing activities		(26,381,210)	(108,426,773)	94,700,650	387,041,557
Net increase in cash and cash equivalents		4,258,018	17,500,453	30,625,423	125,166,104
Cash and cash equivalents at 1 January		61,773,996	254,323,541	31,148,573	126,899,287
Currency translation differences		-	(2,083,217)	-	2,258,150
Cash and cash equivalents at 31 December	34	66,032,014	269,740,777	61,773,996	254,323,541

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements for the year ended 31 December 2023

1 Background information

Shinhan Bank (Cambodia) Plc. (previously known as “Shinhan Khmer Bank Plc.”) (“the Bank”) was incorporated in the Kingdom of Cambodia on 27 June 2007 under Registration No. 00006043 issued by the Ministry of Commerce and officially commenced its operations on 15 October 2007. On 24 February 2009, the Bank was granted a permanent banking licence No. 017 from the National Bank of Cambodia (“the NBC”).

The registered address of the Bank is located at Vanda Tower No. 79, Kampuchea Krom Blvd, Sangkat Monourom, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia.

The Bank is a subsidiary of Shinhan Bank Co., Ltd., a bank incorporated in South Korea.

The principal activity of the Bank is the provision of all aspects of banking business and related financial services in Cambodia.

As at 31 December 2023, the Bank had 496 employees (31 December 2022: 455 employees).

2. Basis of accounting

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

Details of the Bank’s material accounting policies are included in Note 6.

These financial statements of the Bank were authorised for issue by the Board of Directors on 29 March 2024.

3. Functional and presentation currency

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

These financial statements are presented in US\$, which is the Bank’s functional currency. All US\$ amounts have been rounded to the nearest dollars, unless otherwise indicated.

4. Use of judgments and estimates

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

4. Use of judgments and estimates (continued)

(a) Judgements

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

- Note 6(C)(vii): establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Note 6(C)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI ("Solely Payment of Principal and Interest") on the principal amount outstanding.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes.

- Note 6(C)(vii): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- Note 6(C)(vi): measurement of the fair value of financial instruments with significant unobservable inputs.

5. Changes in material accounting policies

(a) Deferred tax related to assets and liabilities arising from a single transaction

The Bank has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

5. Changes in material accounting policies (continued)

(a) Deferred tax related to assets and liabilities arising from a single transaction (continued)

The Bank previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Bank has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of CIAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Bank relates to disclosure of the deferred tax assets and liabilities recognised.

(b) Material accounting policy information

The Bank also adopted Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 6 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

6. Material accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

(a) Basis of measurement

The financial statements have been prepared on a historical cost basis, except if mentioned otherwise.

(b) Foreign currency transactions

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(b) Foreign currency transactions (continued)

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

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

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

(c) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

Financial assets

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

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

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

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets (continued)

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets (continued)

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

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

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

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

Reclassifications

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

(iii) Derecognition

Financial assets

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(iii) Derecognition (continued)

Financial liabilities

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

(iv) Modifications of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

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

Financial assets (continued)

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

Financial liabilities

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

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

Interest rate benchmark reform

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

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(v) *Offsetting*

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

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions.

(vi) *Fair value measurement*

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

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

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

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

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vii) Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

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

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

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

Determining whether credit risk has increased significantly

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

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

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

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 90 days past due; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Measurement of ECL

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

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

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment

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

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

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

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

The Bank adopts the proxy models to estimate its PD. The proxied model from Head Office comes in multiple parameters, i.e. PD with external rating, PD with internal rating and PD without internal and external rating, in which these PD models had incorporated forward-looking information adjusted at Head Office level.

LGD is the magnitude of the likely loss if there is a default. The Bank uses LGD based on a proxied model from Head Office. The Bank further estimates LGD forward looking parameters based on the history of recovery rates of claims against defaulted counterparties. The forward looking LGD consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the on balance sheet EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount and accrued interest at the time of default. Further, the Bank derives the off balance sheet EAD exposure based on the credit conversion factor (CCF) by Head Office.

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more for long term facilities or 30 days for short-term facilities is considered credit-impaired even when the regulatory definition of default is different.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

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

Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets/other income' in profit or loss.

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

(d) Cash and cash equivalents

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(e) Deposits and placements with banks

Deposits and placements with banks are stated at amortised cost less impairment for any uncollectable amounts.

(f) Statutory deposits

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital and the customers' deposits as required by NBC.

(g) Loans and advances to customers

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

(h) Investment securities

Investment securities on initial recognition at cost and is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI.

(i) Other assets

Other assets are carried at amortised cost less impairment if any.

(j) Property and equipment

(i) Recognition and measurement

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(j) Property and equipment (continued)

(ii) *Recognition and measurement*

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

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

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

(iii) *Subsequent costs*

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iv) *Depreciation*

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

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(j) Property and equipment (continued)

(iv) Depreciation (continued)

Depreciation of property and equipment is charged to the profit or loss using the following methods and rates:

Asset class	Prior to 20 December 2023		From 20 December 2023	
	Depreciation method	Useful life	Depreciation method	Useful life
Leasehold improvements	Straight-line	Shorter of its contractual lease term and its economic lives of 10 years	Straight-line	10 – 20 years
Computer and office equipment	Declining	4 years	Straight-line	2 – 4 years
Furniture and fittings	Declining	2 – 4 years	Straight-line	2 – 4 years
Motor vehicles	Declining	4 years	Straight-line	2 – 4 years

The effect of this change from 20 December 2023 by using net book value resulted in a decrease in depreciation expenses of US\$16,616 for the year ended 31 December 2023. This change in accounting estimate has been applied prospectively.

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

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

(k) Intangible assets

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

Intangible assets are amortised over their estimated useful lives of 10 years using the declining balance method prior to 20 December 2023. From 20 December 2023, intangible assets are amortised using the straight-line method. The effect of this change from 20 December 2023 by using net book value resulted in a decrease in depreciation expenses of US\$7,970 for the year ended 31 December 2023. This change in accounting estimate has been applied prospectively.

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(I) Leases

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

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

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

Leases in which the Bank is a lessee

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

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(I) Leases (continued)

Leases in which the Bank is a lessee (continued)

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

- Building and office space 10 years

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(m) Deposits from customers and from other banks

Deposits from customers and from other banks are initially measured at fair value minus incremental direct transaction costs, and subsequently are measured at amortised cost using the effective interest method. The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks and customers.

(n) Borrowings

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

(o) Employee benefits

(i) Short-term employee benefits

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

(ii) Pension fund schemes

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

(iii) Other employee benefits - seniority payments

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued providing guidelines on the implementation of the law. In accordance with the law/Prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

- Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six month on 30 June and 31 December (7.5 days each payment).
- Past years of seniority service - employees are entitled to 15 days of their salary per year of service since the commencement of employment up to 31 December 2018 and still continue working with the Bank. The past seniority payment depends on each staff's past services and shall not exceed six months of average gross salaries. On 22 March 2019, the Ministry of Labour and Vocational Training issued guideline number 042/19 K.B/S.N.N.Kh.L, to delay the payment of the past years of seniority service which will be payable three days each in June and in December starting December 2021.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(o) Employee benefits (continued)

(iii) Other employee benefits - seniority payments (continued)

The annual service pay is considered as short-term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Bank.

The past years of seniority service is classified as long-term employee benefits, except for those payable within 12 months. Past seniority liability is recognised at the present value of defined obligations at the reporting period. The present value of the past seniority payment is determined by discounting the estimated future payments by references to the high-quality corporate bond of the currency that the liability is denominated.

(p) Provisions

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

(q) Share capital

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

(r) Regulatory reserves

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(r) Regulatory reserves (continued)

- (ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Articles 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of the financial position.

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

(s) Non-distributable reserves

The non-distributable reserves are maintained following the shareholder resolutions on 30 December 2014 and 31 March 2022 to transfer part of its retained earnings to non-distributable reserves.

(t) Interest income and expense

(i) Effective interest rate

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

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

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

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

(ii) Amortised cost and gross carrying amount

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(t) Interest income and expense (continued)

(iii) Calculation of interest income and expense

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

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

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

(iv) Presentation

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

Interest expense presented in the statement of profit and loss and OCI includes interest on financial liabilities measured at amortised cost and lease liabilities.

(u) Fee and commission

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

Other fee and commission income, including account servicing fees, are recognised as the related services are performed.

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(v) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(w) Income tax

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

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

(i) Current tax

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

6. Material accounting policies (continued)

(w) Income tax (continued)

(ii) *Deferred tax*

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

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

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

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

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

(x) **Contingent liabilities**

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

(y) **Contingent assets**

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

7. Accounting standards issued but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Bank has not early adopted the new and amended accounting standards in preparing these financial statements.

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

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to CIAS 1)
- Supplier Finance Arrangements (Amendments to CIAS 7 and CIFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to CIFRS 16)
- Lack of Exchangeability (Amendments to CIAS 21)

8. Translation of United States Dollars into Khmer Riel

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

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

The Bank uses the following exchange rates:

Financial year end			Closing rate	Average rate
31 December 2023	US\$1	=	KHR4,085	KHR4,110
31 December 2022	US\$1	=	KHR4,117	KHR4,087

These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

9. Cash on hand

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Current</i>				
US Dollars	7,973,084	32,570,048	8,095,593	33,329,556
Khmer Riel	1,449,624	5,921,714	1,049,883	4,322,369
	<u>9,422,708</u>	<u>38,491,762</u>	<u>9,145,476</u>	<u>37,651,925</u>

10. Balances with the National Bank of Cambodia

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Current</i>				
Current accounts	14,865,515	60,725,629	3,602,250	14,830,463
Settlement accounts	4,195,361	17,138,049	4,377,682	18,022,917
Negotiable certificates of deposit (i)	1,949,953	7,965,558	1,501,461	6,181,515
	<u>21,010,829</u>	<u>85,829,236</u>	<u>9,481,393</u>	<u>39,034,895</u>

- (i) The Bank has pledged Negotiable Certificates of Deposit ("NCD") amounting to US\$1,948,960 (2022: US\$200,000) with the National Bank of Cambodia as collateral for settlement clearing facility. As at 31 December 2023, the Bank had yet utilised the overdraft on settlement clearing facility.

Annual interest rates of balances with the National Bank of Cambodia are as follows:

	2023	2022
Current accounts	Nil	Nil
Settlement accounts	Nil	Nil
Negotiable certificates of deposit	<u>0.30% - 3.42%</u>	<u>3.40% - 3.42%</u>

11. Balances with other banks and financial institutions

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Current</i>				
<i>Balances with local banks</i>				
Current accounts	63,730	260,337	78,927	324,942
Fixed deposits	24,483,315	100,014,342	40,898,083	168,377,408
	<u>24,547,045</u>	<u>100,274,679</u>	<u>40,977,010</u>	<u>168,702,350</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

11. Balances with other banks and financial institutions (continued)

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Current (continued)</i>				
<i>Balances with overseas banks</i>				
Current accounts	2,210,705	9,030,730	5,383,336	22,163,194
Fixed deposits	23,010,158	93,996,495	24,180,770	99,552,231
	<u>25,220,863</u>	<u>103,027,225</u>	<u>29,564,106</u>	<u>121,715,425</u>
	49,767,908	203,301,904	70,541,116	290,417,775
Less: Impairment loss allowance	<u>(102,409)</u>	<u>(418,341)</u>	<u>(90,979)</u>	<u>(374,561)</u>
	<u>49,665,499</u>	<u>202,883,563</u>	<u>70,450,137</u>	<u>290,043,214</u>

The movements of impairment loss allowance on balances with other banks and financial institutions during the year were as follows:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
At 1 January	90,979	374,561	155,262	632,537
Recognised in profit or loss (Note 28)	11,430	46,977	1,416	5,787
Derecognised during the year	-	-	(65,699)	(268,512)
Currency translation differences	-	(3,197)	-	4,749
At 31 December	<u>102,409</u>	<u>418,341</u>	<u>90,979</u>	<u>374,561</u>

Annual interest rates of balances with other banks and financial institutions are as follows:

	2023	2022
Current accounts	Nil	Nil
Fixed deposits	<u>5.30% - 7.90%</u>	<u>4.00% - 7.75%</u>

12. Statutory deposits with the National Bank of Cambodia

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Current:</i>				
Reserve requirement (a)	32,653,385	133,389,078	37,981,798	156,371,062
<i>Non-current</i>				
Capital guarantee deposits (b)	17,500,000	71,487,500	7,500,000	30,877,500
	<u>50,153,385</u>	<u>204,876,578</u>	<u>45,481,798</u>	<u>187,248,562</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

12. Statutory deposits with the National Bank of Cambodia (continued)

(a) Reserve requirement

On 9 January 2023, the NBC repealed the Prakas No. B7-020-230 on the Maintenance of Reserve Requirements against Banks and Financial Institutions' Deposits and Borrowings and issued new Prakas No. B7-023-005, which requires Banking and Financial Institutions to maintain reserve requirement against deposits and borrowings at daily average balances with the NBC as follows:

- For local currency (Khmer Riel):
 - Reserve requirement shall be maintained at 7%.
- For foreign currencies (other than Khmer Riel):
 - From 1 January 2023 to 31 December 2023, reserve requirement shall be maintained at 9%.
 - From 1 January 2024 onwards, reserve requirement shall be maintained at 12.5%.

On 23 November 2023, the NBC issued the letter No. B7-023-2621 allowing Banking and Financial Institutions to maintain reserve requirement in foreign currency at 7% until 31 December 2024.

The reserve requirement on customers' deposits and borrowings bear no interest.

(b) Capital guarantee deposit

In accordance with NBC's Prakas No. B7-01-136 dated 15 October 2001 on "Bank's capital guarantee", the Bank is required to deposit 10% of the Bank's registered share capital 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.

This deposit earned interest rate at 1.19% - 1.33% (2022: 0.08% - 1.19%) per annum.

13. Loans and advances to customers

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>At amortised cost:</i>				
Financial institutions	5,957,575	24,336,694	9,198,219	37,869,067
Consumer loans	615,395,686	2,513,891,378	591,469,326	2,435,079,216
Commercial loans				
Long-term loans	63,023,498	257,450,989	66,679,552	274,519,716
Short-term loans	3,442,654	14,063,242	7,331,539	30,183,946
Overdrafts	14,726,717	60,158,639	16,435,823	67,666,283
Total gross carrying amount	702,546,130	2,869,900,942	691,114,459	2,845,318,228
Less: Impairment loss allowance	(9,374,602)	(38,295,250)	(3,325,374)	(13,690,565)
	<u>693,171,528</u>	<u>2,831,605,692</u>	<u>687,789,085</u>	<u>2,831,627,663</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

13. Loans and advances to customers (continued)

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

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
At 1 January	3,325,374	13,690,565	2,781,679	11,332,559
Recognised in profit or loss (Note 28)	6,049,228	24,862,327	543,695	2,222,083
Currency translation differences	-	(257,642)	-	135,923
At 31 December	9,374,602	38,295,250	3,325,374	13,690,565

(a) By loan classification

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Performing				
Gross amount	681,398,585	2,783,513,221	664,555,157	2,735,973,582
Exposure at default	680,717,903	2,780,732,634	664,801,593	2,774,814,903
Impairment loss allowance	(1,602,164)	(6,544,840)	(1,236,932)	(5,092,449)
Under-performing				
Gross amount	8,246,014	33,684,967	18,980,175	78,141,380
Exposure at default	8,275,862	33,806,896	19,033,834	78,362,294
Impairment loss allowance	(375,732)	(1,534,865)	(503,991)	(2,074,931)
Non-performing				
Gross amount	12,901,531	52,702,754	7,579,127	31,203,266
Exposure at default	13,027,334	53,216,659	7,109,817	31,203,266
Impairment loss allowance	(7,396,706)	(30,215,545)	(1,584,451)	(6,523,185)
Total				
Gross amount	702,546,130	2,869,900,942	691,114,459	2,845,318,228
Exposure at default	702,021,099	2,867,756,189	690,945,244	2,875,988,127
Impairment loss allowance	(9,374,602)	(38,295,250)	(3,325,374)	(13,690,565)

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

13. Loans and advances to customers (continued)

(b) By maturity

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Not later than 1 year	56,635,453	231,355,826	64,340,480	264,889,756
Later than 1 year and no later than 3 years	33,870,482	138,360,919	30,749,333	126,595,004
Later than 3 year and no later than 5 years	52,964,655	216,360,616	80,621,260	331,917,727
Later than 5 years	559,075,540	2,283,823,581	515,403,386	2,121,915,741
Total gross carrying amount	<u>702,546,130</u>	<u>2,869,900,942</u>	<u>691,114,459</u>	<u>2,845,318,228</u>

(c) By secured/unsecured

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Secured	662,258,612	2,705,326,431	653,970,270	2,692,395,602
Unsecured	40,287,518	164,574,511	37,144,189	152,922,626
	<u>702,546,130</u>	<u>2,869,900,942</u>	<u>691,114,459</u>	<u>2,845,318,228</u>

(d) By exposure

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Non-large exposure	<u>702,546,130</u>	<u>2,869,900,942</u>	<u>691,114,459</u>	<u>2,845,318,228</u>

Large exposure is defined by the National Bank of Cambodia as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

(e) By relationship

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Related parties	5,205,053	21,262,640	5,232,661	21,542,866
Non-related parties	697,341,077	2,848,638,302	685,881,798	2,823,775,362
Total gross loans	<u>702,546,130</u>	<u>2,869,900,942</u>	<u>691,114,459</u>	<u>2,845,318,228</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

13. Loans and advances to customers (continued)

(f) By residency

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Residents	702,332,972	2,869,030,192	690,783,180	2,843,954,352
Non-residents	213,158	870,750	331,279	1,363,876
Total gross loans	<u>702,546,130</u>	<u>2,869,900,942</u>	<u>691,114,459</u>	<u>2,845,318,228</u>

(g) By interest rate

	2023 (Per annum)	2022 (Per annum)
Financial institutions	7.80% - 8.00%	5.50% - 6.30%
Consumer loans	4.00% - 18.00%	4.00% - 18.00%
Long-term loans	6.00% - 15.00%	4.85% - 7.50%
Short-term loans	7.50% - 8.00%	3.00% - 11.00%
Overdraft	<u>7.00% - 12.00%</u>	<u>6.50%</u>

14. Investment securities

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Debt investment at amortised cost:				
<i>Listed corporate bonds</i>				
Phnom Penh Commercial Bank Plc.	-	-	3,891,368	16,020,762
Prasac Microfinance Institution Plc.	-	-	1,478,335	6,086,305
	-	-	5,369,703	22,107,067
Less: Impairment loss allowance	-	-	(11,230)	(46,234)
	<u>-</u>	<u>-</u>	<u>5,358,473</u>	<u>22,060,833</u>
Equity investment at FVOCI				
<i>Unlisted securities</i>				
Credit bureau (Cambodia) Co., Ltd.	25,000	102,125	25,000	102,925

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

14. Investment securities (continued)

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Current	-	-	5,358,473	22,060,833
Non-current	25,000	102,125	25,000	102,925
	<u>25,000</u>	<u>102,125</u>	<u>5,383,473</u>	<u>22,163,758</u>

Equity investment at FVOCI

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

The fair value of the investment at 31 December 2023 was US\$25,000.

Dividend received during the year was US\$67,361 (2022: US\$39,169).

There is no gain/loss recognised in other comprehensive income because fair value approximates the carrying amount.

The movements of impairment loss allowance on investment securities during the year were as follows:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
At 1 January	11,230	46,234	28,450	115,905
Recognised in profit or loss (Note 28)	(11,230)	(46,155)	(17,220)	(70,378)
Currency translation differences	-	(79)	-	707
At 31 December	<u>-</u>	<u>-</u>	<u>11,230</u>	<u>46,234</u>

15. Property and equipment

2023

Cost

	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 8)
At 1 January	5,780,626	3,144,167	2,186,088	421,410	90,282	11,622,573	47,850,133
Additions	7,612	17,875	9,173	42,000	2,862,170	2,938,830	12,078,591
Transfers	1,457,563	766,516	454,908	-	(2,678,987)	-	-
Transfer to intangible assets	-	-	-	-	(22,741)	(22,741)	(93,466)
Disposals	-	(1,850)	(22,032)	(43,765)	-	(67,647)	(278,029)
Write-offs	-	(24,196)	-	-	-	(24,196)	(99,446)
Currency translation differences	-	-	-	-	-	-	(442,526)
At 31 December	7,245,801	3,902,512	2,628,137	419,645	250,724	14,446,819	59,015,257
Less: Accumulated depreciation							
At 1 January	1,341,364	2,048,315	1,062,728	260,457	-	4,712,864	19,402,861
Depreciation for the year	420,125	1,009,531	454,554	87,652	-	1,971,862	8,104,353
Disposals	-	(1,783)	(18,029)	(38,724)	-	(58,536)	(240,583)
Write-offs	-	(23,708)	-	-	-	(23,708)	(97,440)
Currency translation differences	-	-	-	-	-	-	198,051
At 31 December	1,761,489	3,032,355	1,499,253	309,385	-	6,602,482	26,971,140
Carrying amounts							
At 1 January	4,439,262	1,095,852	1,123,360	160,953	90,282	6,909,709	28,447,272
At 31 December	5,484,312	870,157	1,128,884	110,260	250,724	7,844,337	32,044,117

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

15. Property and equipment (continued)

	2022	Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Construction in progress US\$	Total	
							US\$	KHR'000 (Note 8)
Cost								
At 1 January		4,360,591	2,327,330	1,888,549	368,920	1,135,428	10,080,818	41,502,728
Additions		13,982	56,910	14,338	52,490	1,553,040	1,690,760	6,949,024
Transfers		1,543,167	762,606	292,413	-	(2,598,186)	-	-
Disposals		(137,114)	(2,679)	(9,212)	-	-	(149,005)	(612,411)
Currency translation differences		-	-	-	-	-	-	10,792
At 31 December		5,780,626	3,144,167	2,186,088	421,410	90,282	11,622,573	47,850,133
Less: Accumulated depreciation								
At 1 January		1,037,120	1,356,692	744,054	222,771	-	3,360,637	13,835,743
Depreciation for the year		363,998	694,027	325,801	37,686	-	1,421,512	5,809,720
Disposals		(59,754)	(2,404)	(7,127)	-	-	(69,285)	(283,168)
Currency translation differences		-	-	-	-	-	-	40,566
At 31 December		1,341,364	2,048,315	1,062,728	260,457	-	4,712,864	19,402,861
Carrying amounts								
At 1 January		3,323,471	970,638	1,144,495	146,149	1,135,428	6,720,181	27,378,017
At 31 December		4,439,262	1,095,852	1,123,360	160,953	90,282	6,909,709	28,447,272

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

16. Leases

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

The Bank has leased various buildings for its branch offices. The Bank applies the recognition exemption for short-term leases of car parking spaces, ATM locations and house rentals for key management.

(a) Right-of-use assets

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Costs				
At 1 January	8,071,155	33,228,945	7,616,955	31,031,475
Additions	2,568,875	10,558,076	454,200	1,856,315
Termination of lease	(1,845,512)	(7,585,054)	-	-
Currency translation differences	-	(276,361)	-	341,155
At 31 December	8,794,518	35,925,606	8,071,155	33,228,945
Less: Accumulated depreciation				
At 1 January	2,716,496	11,183,814	1,847,470	7,526,593
Depreciation for the year	1,059,804	4,355,794	869,026	3,551,709
Termination of lease	(982,244)	(4,037,023)	-	-
Currency translation differences	-	(88,866)	-	105,512
At 31 December	2,794,056	11,413,719	2,716,496	11,183,814
Carrying amounts				
At 31 December	6,000,462	24,511,887	5,354,659	22,045,131

(b) Lease liabilities

Present value of lease liabilities:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Current	997,044	4,072,925	898,163	3,697,737
Non-current	5,530,394	22,591,659	5,012,512	20,636,512
	6,527,438	26,664,584	5,910,675	24,334,249

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

16. Leases (continued)

(b) Lease liabilities (continued)

Maturity analysis – contractual undiscounted cashflows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Less than one years	1,422,356	5,810,324	814,986	3,355,297
One to five years	5,114,930	20,894,489	3,627,606	14,934,854
More than five years	1,478,110	6,038,079	1,666,821	6,862,302
	<u>8,015,396</u>	<u>32,742,892</u>	<u>6,109,413</u>	<u>25,152,453</u>

Amounts recognised in profit or loss:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Interest expense on lease liabilities (Note 26)	462,891	1,902,482	452,022	1,847,414
Expense relating to leases of short-term and low-value assets (included in other operating expenses) (Note 33)	272,912	1,121,668	340,839	1,393,009
Total expenses related to leases	<u>735,803</u>	<u>3,024,150</u>	<u>792,861</u>	<u>3,240,423</u>

Amounts recognised in statement of cash flows:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Cash flows from financing activities				
Cash payments for the principal portion of the lease liabilities	1,381,210	5,676,773	750,013	3,065,303
Cash flows from operating activities				
Cash payments for the interest portion of the lease liabilities	462,891	1,902,482	452,022	1,847,414
Cash payments for leases of low-value assets and short-term leases assets	272,912	1,121,668	340,839	1,393,009
	<u>2,117,013</u>	<u>8,700,923</u>	<u>1,542,874</u>	<u>6,305,726</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

17. Intangible assets

	Computer software			
	US\$	2023 KHR'000 (Note 8)	US\$	2022 KHR'000 (Note 8)
Cost				
At 1 January	1,463,810	6,026,506	1,268,286	5,166,997
Additions	62,759	257,939	195,524	799,107
Transfer from property and equipment	22,741	93,466	-	-
Currency translation differences	-	(48,980)	-	60,402
At 31 December	1,549,310	6,328,931	1,463,810	6,026,506
Less: Accumulated depreciation				
At 1 January	322,478	1,327,642	200,174	815,509
Amortisation during the year	218,513	898,089	122,304	499,856
Currency translation differences	-	(15,783)	-	12,277
At 31 December	540,991	2,209,948	322,478	1,327,642
Carrying amounts				
At 31 December	1,008,319	4,118,983	1,141,332	4,698,864

18. Other assets

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Advanced employee benefits	2,293,986	9,370,933	2,010,519	8,277,307
Refundable deposits	798,137	3,260,390	749,310	3,084,909
Prepayments	313,610	1,281,097	155,754	641,239
Others	177,195	723,841	193,640	797,216
	3,582,928	14,636,261	3,109,223	12,800,671
Current	686,741	2,805,337	410,712	1,690,901
Non-current	2,896,187	11,830,924	2,698,511	11,109,770
	3,582,928	14,636,261	3,109,223	12,800,671

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

19. Deposits from banks and financial institutions

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Savings accounts	3,357,761	13,716,454	590,492	2,431,056
Current accounts	2,624,247	10,720,049	1,815,158	7,473,005
Fixed deposits	100,574,829	410,848,176	101,883,548	419,454,567
	<u>106,556,837</u>	<u>435,284,679</u>	<u>104,289,198</u>	<u>429,358,628</u>
(a) By residency status				
	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Resident	105,728,874	431,902,450	102,501,918	422,000,396
Non-resident	827,963	3,382,229	1,787,280	7,358,232
	<u>106,556,837</u>	<u>435,284,679</u>	<u>104,289,198</u>	<u>429,358,628</u>
(b) By relationship				
	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Related parties	827,963	3,382,229	1,787,280	7,358,232
Non-related parties	105,728,874	431,902,450	102,501,918	422,000,396
	<u>106,556,837</u>	<u>435,284,679</u>	<u>104,289,198</u>	<u>429,358,628</u>
(c) By interest rate				
	2023 (Per annum)		2022 (Per annum)	
Savings accounts	0.10% - 1.00%		0.10% - 1.00%	
Current accounts	0.00% - 1.00%		Nil	
Fixed deposits	<u>6.00% - 6.50%</u>		<u>2.50% - 6.25%</u>	

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

20. Deposits from customers

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Saving accounts	29,206,589	119,308,916	29,338,547	120,786,798
Current accounts	6,301,087	25,739,940	17,054,816	70,214,677
Fixed deposits	57,142,962	233,429,000	31,277,307	128,768,673
	<u>92,650,638</u>	<u>378,477,856</u>	<u>77,670,670</u>	<u>319,770,148</u>
(a) By maturity				
	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Current	80,103,393	327,222,360	77,159,535	317,665,805
Non-current	12,547,245	51,255,496	511,135	2,104,343
	<u>92,650,638</u>	<u>378,477,856</u>	<u>77,670,670</u>	<u>319,770,148</u>
(b) By residency status				
	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Resident	85,228,957	348,160,289	73,573,141	302,900,621
Non-resident	7,421,681	30,317,567	4,097,529	16,869,527
	<u>92,650,638</u>	<u>378,477,856</u>	<u>77,670,670</u>	<u>319,770,148</u>
(c) By relationship				
	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Non-related parties	<u>92,650,638</u>	<u>378,477,856</u>	<u>77,670,670</u>	<u>319,770,148</u>
(d) By interest rate				
	2023 (Per annum)		2022 (Per annum)	
Savings accounts	0.10% - 3.00%		0.10% - 2.70%	
Current accounts	0.00% - 2.00%		0.00% - 2.00%	
Fixed deposits	<u>1.25% - 9.10%</u>		<u>1.25% - 7.10%</u>	

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

21. Income tax

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

(a) Income tax expense

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Current income tax	2,074,905	8,527,860	4,226,028	17,271,776
(Under)/over provision of prior year income tax	(39,720)	(163,248)	351,199	1,435,351
Impact from reversal on accrued interest expenses on borrowings	252,930	1,039,542	-	-
	2,288,115	9,404,153	4,577,227	18,707,127
Deferred income tax	(259,333)	(1,065,859)	356,862	1,458,495
Income tax expense	<u>2,028,782</u>	<u>8,338,294</u>	<u>4,934,089</u>	<u>20,165,622</u>

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

		2023			2022	
	%	US\$	KHR'000 (Note 8)	%	US\$	KHR'000 (Note 8)
Profit before income tax		<u>9,006,458</u>	<u>37,016,542</u>		<u>23,088,669</u>	<u>94,363,390</u>
Income tax using statutory rate	20	1,801,292	7,403,310	20	4,617,734	18,872,679
Non-deductible expense	2	175,416	720,960	1	186,756	763,272
Tax-exempt income	-	-	-	-	(39,169)	(160,084)
Deferred tax	1	(161,136)	(662,269)	-1	(182,431)	(745,596)
(Under)/over provision of prior year income tax	-	(39,720)	(163,249)	2	351,199	1,435,351
Impact from reversal on accrued interest expenses on borrowings	3	252,930	1,039,542	-	-	-
Income tax expense	<u>25</u>	<u>2,028,782</u>	<u>8,338,294</u>	<u>21</u>	<u>4,934,089</u>	<u>20,165,622</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

21. Income tax (continued)

(b) Current income tax liabilities

The movements of current income tax liabilities during the year were as follows:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
At 1 January	3,338,097	13,742,945	3,480,953	14,181,403
Income tax expense	2,074,905	8,527,860	4,226,028	17,271,776
Income tax paid	(4,410,501)	(18,127,159)	(4,720,083)	(19,290,979)
(Under)/over provision of prior year income tax	(39,720)	(163,249)	351,199	1,435,351
Impact from reversal on accrued interest expense on borrowings	252,930	1,039,542	-	-
Currency translation differences	-	(53,760)	-	145,394
At 31 December	<u>1,215,711</u>	<u>4,966,179</u>	<u>3,338,097</u>	<u>13,742,945</u>

(c) Deferred tax liabilities, net

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Deferred tax assets	1,439,333	5,879,675	1,222,959	5,034,922
Deferred tax liabilities	(1,739,409)	(7,105,485)	(1,782,368)	(7,338,009)
Net deferred tax liabilities	<u>(300,076)</u>	<u>(1,225,810)</u>	<u>(559,409)</u>	<u>(2,303,087)</u>

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

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
At 1 January	(559,409)	(2,303,087)	(202,547)	(825,176)
Recognised in profit or loss	259,333	1,065,859	(356,862)	(1,458,495)
Currency translation differences	-	11,418	-	(19,416)
At 31 December	<u>(300,076)</u>	<u>(1,225,810)</u>	<u>(559,409)</u>	<u>(2,303,087)</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

21. Income tax (continued)

(c) Deferred tax liabilities, net (continued)

The deferred tax assets/(liabilities) are attributable to the followings:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Deferred tax assets				
Lease liabilities	1,305,487	5,332,914	1,182,135	4,866,850
Impairment losses	51,212	209,201	(354,036)	(1,457,566)
Unearned revenue	29,515	120,569	-	-
Unrealised foreign exchange gain	8,906	36,381	-	-
Provision for seniority	17,021	69,531	18,817	77,469
Depreciation and amortisation	27,192	111,079	(41,554)	(171,078)
Other	-	-	22,007	90,603
	<u>1,439,333</u>	<u>5,879,675</u>	<u>827,369</u>	<u>3,406,278</u>
Deferred tax liabilities				
Right-of-use assets	(1,200,092)	(4,902,376)	(1,070,932)	(4,409,027)
Unamortised process fee	(539,317)	(2,203,109)	(315,846)	(1,300,338)
	<u>(1,739,409)</u>	<u>(7,105,485)</u>	<u>(1,386,778)</u>	<u>(5,709,365)</u>
	<u>(300,076)</u>	<u>(1,225,810)</u>	<u>(559,409)</u>	<u>(2,303,087)</u>

22. Borrowings

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Borrowings at amortised cost</i>				
Shinhan Bank Co., Ltd. (Note 36(c)) (i)	284,327,757	1,161,478,887	336,781,644	1,386,530,028
Shinhan Bank, Hongkong Branch (Note 36(c)) (i)	83,031,317	339,182,930	154,808,250	637,345,566
	<u>367,359,074</u>	<u>1,500,661,817</u>	<u>491,589,894</u>	<u>2,023,875,594</u>
Current	241,916,982	988,230,871	417,629,284	1,719,379,762
Non-current	125,442,092	512,430,946	73,960,610	304,495,832
	<u>367,359,074</u>	<u>1,500,661,817</u>	<u>491,589,894</u>	<u>2,023,875,594</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

22. Borrowings (continued)

- (i) These are borrowings from the Bank's related parties which are unsecured and bear annual interest rates ranging from 0.88% - 6.05% (2022: 0.88% - 5.75%).

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Principal amount	361,000,000	1,474,685,000	486,000,000	2,000,862,000
Interest payables	6,359,074	25,976,817	5,589,894	23,013,594
	<u>367,359,074</u>	<u>1,500,661,817</u>	<u>491,589,894</u>	<u>2,023,875,594</u>

Changes in liabilities arising from financing activities – borrowings

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Principal amount				
At 1 January	486,000,000	2,000,862,000	390,549,337	1,591,097,999
Additions	408,500,000	1,678,935,000	447,000,000	1,826,889,000
Repayments	(533,500,000)	(2,192,685,000)	(351,549,337)	(1,436,782,140)
Currency translation differences	-	(12,427,000)	-	19,657,141
At 31 December	<u>361,000,000</u>	<u>1,474,685,000</u>	<u>486,000,000</u>	<u>2,000,862,000</u>
Interest payables				
At 1 January	5,589,894	23,013,594	1,151,403	4,690,816
Additions	19,280,462	79,242,699	10,048,614	41,068,685
Repayments	(18,511,282)	(76,081,369)	(5,610,123)	(22,928,573)
Currency translation differences	-	(198,107)	-	182,666
At 31 December	<u>6,359,074</u>	<u>25,976,817</u>	<u>5,589,894</u>	<u>23,013,594</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

23. Other liabilities

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Current</i>				
Amount due to related parties (Note 36(d))	426,000	1,740,210	1,174,009	4,833,395
Accrued expense and other payables	313,565	1,280,914	706,265	2,907,693
Other tax payables	508,196	2,075,981	480,220	1,977,066
Contract liabilities	221,550	905,032	168,560	693,962
Impairment loss allowance on loan commitments, guarantees and other financial commitments	288,548	1,178,718	218,160	898,164
	<u>1,757,859</u>	<u>7,180,855</u>	<u>2,747,214</u>	<u>11,310,280</u>

24. Share capital

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Registered, issued and fully paid ordinary share of US\$1 each	<u>175,000,000</u>	<u>711,575,000</u>	<u>75,000,000</u>	<u>303,375,000</u>

The total number of authorised shares of the Bank as at 31 December 2023 was 175,000,000 shares (2022: 75,000,000 shares) with a par value of US\$1 per share (2022: US\$1). All authorised shares are issued and fully paid up.

	31 December 2023			31 December 2022		
	Number of shares	%	US\$	Number of shares	%	US\$
Shareholders:						
Shinhan Bank Co., Ltd.	170,625,000	97.50%	170,625,000	73,125,000	97.50%	73,125,000
Insung Co., Ltd.	4,375,000	2.50%	4,375,000	1,875,000	2.50%	1,875,000
	<u>175,000,000</u>	<u>100%</u>	<u>175,000,000</u>	<u>75,000,000</u>	<u>100%</u>	<u>75,000,000</u>
In KHR'000 equivalent (Note 8)			<u>711,575,000</u>			<u>303,375,000</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

24. Share capital (continued)

The share capital of the Bank as at 31 December 2023 is US\$175,000,000 (31 December 2022: US\$75,000,000). On 14 September 2022, the Board of Directors has approved to increase the registered and paid-up share capital by US\$100,000,000. The Bank obtained approval from the National Bank of Cambodia on 17 February 2023 and amended the Memorandum and Articles of Association and obtained approval from the Ministry of Commerce on 3 August 2023.

There were no other changes in shareholders and shareholding structure of the Bank during the financial year.

25. Interest income

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Interest income from financial assets at amortised cost:</i>				
Loans and advances to customers	53,538,241	220,042,170	48,239,351	197,154,228
Balances with the National Bank of Cambodia	233,543	959,862	1,290,652	5,274,894
Balances with other banks and financial institutions	2,694,783	11,075,558	1,082,015	4,422,195
Investment securities	213,964	879,392	67,459	275,705
	<u>56,680,531</u>	<u>232,956,982</u>	<u>50,679,477</u>	<u>207,127,022</u>

26. Interest expenses

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Interest expense on financial liabilities at amortised cost:</i>				
Deposits from banks and financial institutions	5,689,646	23,384,445	2,697,973	11,026,616
Deposits from customers	2,984,875	12,267,836	1,295,675	5,295,424
Borrowings	19,280,462	79,242,699	10,048,614	41,068,685
Lease liabilities	462,891	1,902,482	452,022	1,847,414
	<u>28,417,874</u>	<u>116,797,462</u>	<u>14,494,284</u>	<u>59,238,139</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

27. Fee and commission income

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Inward and outward remittance	561,104	2,306,137	597,536	2,442,130
Bank guarantee fees	59,767	245,642	5,452	22,282
Other fees	977,442	4,017,287	42,292	172,847
	<u>1,598,313</u>	<u>6,569,066</u>	<u>645,280</u>	<u>2,637,259</u>

28. Impairment losses on financial instruments

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Loans and advances to customers	6,049,228	24,862,327	583,780	2,385,909
Investment securities	(11,230)	(46,155)	(17,220)	(70,378)
Balances with other banks and financial institutions	11,430	46,977	1,416	5,787
Loan commitments, guarantees and other financial commitments	70,388	289,295	(180,777)	(738,836)
Recovery from write-off on loans to customers	(30,932)	(127,131)	-	-
	<u>6,088,884</u>	<u>25,025,313</u>	<u>387,199</u>	<u>1,582,482</u>

29. Other gain/(loss) – net

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Net foreign exchange gain/(loss)	582,699	2,394,893	(224,807)	(918,786)
Gain/(loss) on disposal of property and equipment	12,207	50,171	(79,720)	(325,816)
	<u>594,906</u>	<u>2,445,064</u>	<u>(304,527)</u>	<u>(1,244,602)</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

30. Other operating income

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Dividend income from equity investment	67,361	276,854	39,169	160,084

31. Personnel expenses

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Salaries and wages	4,900,056	20,139,230	4,398,924	17,978,402
Bonuses and incentives	1,025,495	4,214,784	1,295,713	5,295,579
Seniority payments	232,915	957,281	218,124	891,473
Staff loans benefits	145,509	598,042	32,561	133,077
Employee training expenses	38,972	160,175	9,014	36,840
Others	581,144	2,388,502	564,564	2,307,373
	6,924,091	28,458,014	6,518,900	26,642,744

32. Depreciation and amortisation

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Depreciation of property and equipment	1,971,862	8,104,353	1,421,512	5,809,720
Depreciation of right-of-use assets	1,059,804	4,355,794	869,026	3,551,709
Amortisation of intangible assets	218,513	898,089	122,304	499,856
	3,250,179	13,358,236	2,412,842	9,861,285

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

33. Other operating expenses

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Public relations, marketing and advertising	2,091,621	8,596,562	1,540,027	6,294,090
License fee expenses	516,323	2,122,088	411,702	1,682,626
Office supplies	469,291	1,928,786	355,200	1,451,702
Expense relating to leases of short-term	272,912	1,121,668	340,839	1,393,009
Other tax expenses	505,870	2,079,126	297,646	1,216,479
Utilities	365,196	1,500,956	289,051	1,181,351
Communication expenses	219,304	901,339	197,239	806,116
Audit fee	66,832	274,680	114,561	468,211
Legal and professional fees	2,330	9,576	4,020	16,430
Insurance expenses	115,166	473,332	96,525	394,498
Repairs and maintenance	133,316	547,929	87,571	357,903
Travelling and accommodation	83,166	341,812	56,185	229,628
Others	412,298	1,694,545	366,939	1,499,680
	<u>5,253,625</u>	<u>21,592,399</u>	<u>4,157,505</u>	<u>16,991,723</u>

34. Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Cash on hand (Note 9)	9,422,708	38,491,762	9,145,476	37,651,925
Balances with the National Bank of Cambodia				
Current accounts (Note 10)	14,865,515	60,725,629	3,602,250	14,830,463
Settlement accounts (Note 10)	4,195,361	17,138,049	4,377,682	18,022,917
Negotiable certificates of deposit with maturity three months or less	-	-	1,300,000	5,352,100
Balances with other banks and financial institutions				
Current accounts (Note 11)	2,274,435	9,291,067	5,462,263	22,488,136
Fixed deposits with original maturity three months or less	35,273,995	144,094,270	37,886,325	155,978,000
	<u>66,032,014</u>	<u>269,740,777</u>	<u>61,773,996</u>	<u>254,323,541</u>

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Notes to the financial statements (continued) for the year ended 31 December 2023

35. Commitments and contingencies

(a) Loan commitments, guarantees and other financial commitments

The Bank had contracts for off-balance sheet financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Unused portion of credit facilities	5,270,622	21,530,491	7,465,998	30,737,516
Bank guarantees	20,170,126	82,394,965	15,986,628	65,816,947
Loan commitments	1,223,854	4,999,444	1,934,841	7,965,741
Total exposure	26,664,602	108,924,900	25,387,467	104,520,204
Less: Impairment loss allowance	(288,548)	(1,178,718)	(218,160)	(898,165)
Net exposure	26,376,054	107,746,182	25,169,307	103,622,039

The movements of impairment loss allowance on off-balance sheets during the year were as follows:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
At 1 January	218,160	898,164	270,215	1,100,856
Recognised in profit or loss (Note 28)	70,388	289,295	(52,055)	(212,749)
Currency translation differences	-	(8,741)	-	10,057
At 31 December	288,548	1,178,718	218,160	898,164

(b) Lease commitments

The Bank recognised right-of-use assets and lease liabilities for lease contracts where the Bank is a lessee, except for short-term leases and low value assets, (see Note 6(i) and Note 33) for further information. The lease commitments of short-term leases are within one year only and low value assets and the balance is immaterial.

(c) Tax contingency

Fiscal years 2019 – 2020 (comprehensive tax audit)

On 8 April 2021, the Bank received a tax notification letter from the GDT for the purpose of conducting a comprehensive tax audit for the period from 1 January 2019 to 31 December 2020. As of the date of this report, the Bank has not received any result from the GDT yet.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

35. Commitments and contingencies (continued)

(c) Tax contingency (continued)

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

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

36. Related party transactions

The Bank entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balance at the year end and relating expenses and income for the year are as follows:

(a) Related parties and relationships

The related parties of the Bank are as follows:

Related party	Relationship
Shinhan Financial Group Co., Ltd.	Ultimate parent company
Shinhan Bank Co., Ltd.	Immediate parent company
Shinhan Bank, Hong Kong Branch	Affiliate
Shinhan Bank, London Branch	Affiliate
Key management personnel	All members of Board of Directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their immediate family)

(b) Deposits and placements with related parties

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Immediate parent company				
Shinhan Bank Co., Ltd.				
Current accounts	827,963	3,382,229	1,787,280	7,358,232

The current accounts at the immediate parent company which bear no interest.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

36. Related party transactions (continued)

(b) Deposits and placements with related parties (continued)

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Affiliate				
Shinhan Bank, Hong Kong Branch				
Fixed deposits	23,000,000	93,955,000	24,000,000	98,808,000
Interest income	425,779	1,739,307	114,796	469,170

Annual interest rates during the year are as follows:

	2023	2022
Fixed deposits	0.30% - 7.90%	4.00%

(c) Borrowings

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Immediate parent company				
Shinhan Bank Co., Ltd. (Note 22)	284,327,757	1,161,478,887	336,781,644	1,386,530,028
Affiliate				
Shinhan Bank, Hong Kong Branch (Note 22)	83,031,317	339,182,930	154,808,250	637,345,566
	367,359,074	1,500,661,817	491,589,894	2,023,875,594
Interest expense	20,426,335	83,952,237	9,802,735	40,063,778

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

36. Related party transactions (continued)

(d) Amounts due to related parties

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Immediate parent company				
Shinhan Bank Co., Ltd.				
Payables on withholding tax on Interest expenses	-	-	744,009	3,063,085
Management service fees	46,000	187,910	60,000	247,020
Advisory service fees	380,000	1,552,300	370,000	1,523,290
	<u>426,000</u>	<u>1,740,210</u>	<u>1,174,009</u>	<u>4,833,395</u>

(e) Key management compensations

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Long-term benefits	253,536	1,042,033	176,660	722,009
Salaries and other benefits	1,203,198	4,945,144	878,172	3,589,090
	<u>1,456,734</u>	<u>5,987,177</u>	<u>1,054,832</u>	<u>4,311,099</u>

37. Financial risk management

The Bank embraces risk management as an integral part of the Bank's business, operations and decision-making process. In ensuring that the Bank achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

Generally, the objectives of the Bank's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholders' value through sound risk management framework.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

The Bank holds the following financial assets and financial liabilities:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Financial assets				
<i>Financial assets measured at amortised cost</i>				
Cash on hand	9,422,708	38,491,762	9,145,476	37,651,925
Balances with the National Bank of Cambodia	21,010,829	85,829,236	9,481,393	39,034,895
Balances with other banks and financial institutions	49,665,499	202,883,563	70,450,137	290,043,214
Loans and advances to customers	693,171,528	2,831,605,692	687,789,085	2,831,627,663
Investment securities	-	-	5,358,473	22,060,833
Other assets	1,251,710	5,113,236	1,108,450	4,563,489
Total financial assets measured at amortised cost	774,522,274	3,163,923,489	783,333,014	3,224,982,019
Financial assets at fair value through other comprehensive income	25,000	102,125	25,000	102,925
Total financial assets (1)	774,547,274	3,164,025,614	783,358,014	3,225,084,944
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Deposits from banks and financial institutions	106,556,837	435,284,679	104,289,198	429,358,628
Deposits from customers	92,650,638	378,477,856	77,670,670	319,770,148
Borrowings	367,359,074	1,500,661,817	491,589,894	2,023,875,594
Lease liabilities	6,527,438	26,664,584	5,910,675	24,334,249
Other liabilities	961,110	3,926,134	715,310	2,944,931
Total financial liabilities (2)	574,055,097	2,345,015,070	680,175,747	2,800,283,550
Total net financial assets [(1) – (2)]	200,492,177	819,010,544	103,182,267	424,801,394

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises from balances with the National Bank of Cambodia and other banks, loans and advances, other financial assets, and credit commitments and financial guarantee contracts. Credit exposure arises principally in lending activities.

(i) Credit risk measurement

Credit risk is managed on a group basis such as non-retail and retail portfolio.

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

Central banks have no historical loss, and with strong capacity to meet obligation in near term, expected credit loss for deposits and placements with central banks are nil. Balances with other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit losses.

The Bank's investment securities at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' ECL. Management considers these investment securities to be low credit risk where they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows three-stage approach in Note 37(a(iii)).

(ii) Risk limit control and mitigation policies

The Bank operates and provides loans to individuals or enterprises within 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 collaterals for loans and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collaterals or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Cash in the form of fixed deposits or margin deposits, if any.
- Commercial buildings and lands

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iii) *Expected credit loss (“ECL”) policies*

The measurement of expected credit loss allowance under the CIFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instruments for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

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

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

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

Significant increase in credit risk (“SICR”)

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

Non-retail portfolios

Quantitative criteria

- Customer has more than 30 days past due on its contractual payments as at reporting date

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Expected credit loss (“ECL”) policies (continued)

Significant increase in credit risk (“SICR”) (continued)

Qualitative criteria

- Significant downgrade of the customers’ initial credit ratings to the credit rating evaluated as at reporting date
- Actual or expected issuance of modified auditor’s opinion
- Actual or expected significant adverse change in business, financial or economic conditions that are expected to cause a significant change to the customer’s ability to meet its obligations.

Retail portfolios

Quantitative criteria

- Customer has more than 30 days past due on its contractual payments as at reporting date

Definition of default and credit impaired

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

Quantitative criteria

- The principal or interest or both of the loan is past due for more than 90 days. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of 90 days or more consecutive days. For the purpose of ascertaining the period in arrears:
 - 1) Repayment on each of the instalment amounts must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
 - 2) Where a moratorium on loan repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor’s/counterparty’s application for the moratorium.
 - 3) Where repayments are scheduled on intervals of 90 days or longer, the loan is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading policy.

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Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Expected credit loss (“ECL”) policies (continued)

Definition of default and credit impaired (continued)

Qualitative criteria

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

Measuring (ECL – inputs, assumptions and estimation techniques)

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is assessed and measured on a collective basis and individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for the collective segment. The three components are multiplied together to calculate an ECL for each future year. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Probability of default (PD)

Retail portfolio

The PD represents the likelihood that a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instruments, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

The PD is derived from historical default rates and reflecting current portfolio composition and market data.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Expected credit loss (“ECL”) policies (continued)

Measuring (ECL – inputs, assumptions and estimation techniques) (continued)

Probability of default (PD) (continued)

Non-retail portfolio

For non-retail portfolios, there are not sufficient historical default data to estimate the PD. Therefore, proxy PDs are used.

Exposure at Default (“EAD”)

EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which was benchmarked from an external source, to allow for the expected drawdown of the remaining limit by the time of default.

Loss Given Default (“LGD”)

LGD represents the Bank’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

For portfolios without sufficient default data, Proxy LGD is used.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated into the ECL models

The Bank incorporates forward-looking information into the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and selected private-sector and academic forecasters. The current data reflect the current economic condition and is therefore the reasonable and supportable information.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Expected credit loss (“ECL”) policies (continued)

Forward-looking information incorporated into the ECL models (continued)

Sensitivity analysis

ECL sensitivity assessment on loans to customers and financing based on the changes in in ECL rate are as follows:

The table below outlines the effect of ECL on the changes in ECL rate:

ECL rate	Changes			
	+/-1%			
	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Total decrease in ECL on the positive changes	(97,656)	(398,923)	(36,457)	(150,093)
Total increase in ECL on the negative changes	97,656	398,923	36,457	150,093

Grouping of exposure for ECL measured on collective basis

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

In performing this grouping, there must be sufficient information for the Bank to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk.

Write off policy

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

Recoveries of amounts previously written off are included in ‘credit impairment losses’ in the statement of profit or loss and other comprehensive income.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iii) *Expected credit loss (“ECL”) policies (continued)*

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

Modification of loans

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

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

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

Off-balance sheet exposures

Off-balance sheet exposures are exposures such as undrawn credit facilities and financial guarantee contracts. The Bank has applied internal Credit Conversion Factor (“CCF”) to estimate the EAD of off-balance sheet items. For operational simplification, the Bank assumes CCF for the off-balance sheet exposures as follows:

- 75% CCF is assumed for unused portion of credit facilities and overdraft loans
- 100% CCF is assumed for bank guarantees issued for financing

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk before collateral held or other credit enhancement

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Bank on financial instruments subject to impairment:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
<i>Credit risk exposure relating to on-balance sheet assets:</i>				
Balances with other banks and financial institutions	49,767,908	203,301,904	70,541,116	290,417,775
Loans and advances to customers	702,546,130	2,869,900,942	691,114,459	2,845,318,228
Investment securities	-	-	5,369,703	22,107,067
Other assets	1,251,710	5,113,236	1,108,450	4,563,489
	<u>753,565,748</u>	<u>3,078,316,082</u>	<u>768,133,728</u>	<u>3,162,406,559</u>
<i>Credit risk exposure relating to off-balance sheet items:</i>				
Unused portion of credit facilities	5,270,622	21,530,491	7,465,998	30,737,516
Bank guarantees	20,170,126	82,394,965	15,986,628	65,816,947
Loan commitments	1,223,854	4,999,444	1,934,841	7,965,741
	<u>26,664,602</u>	<u>108,924,900</u>	<u>25,387,467</u>	<u>104,520,204</u>
Total maximum credit risk exposure that are subject to impairment	780,230,350	3,187,240,982	793,521,195	3,266,926,763
Less: Impairment loss allowance	(9,765,559)	(39,892,309)	(3,645,743)	(15,009,525)
Total net credit exposure	<u>770,464,791</u>	<u>3,147,348,673</u>	<u>789,875,452</u>	<u>3,251,917,238</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(iv) *Maximum exposure to credit risk before collateral held or other credit enhancement (continued)*

The above table represents a worst-case scenario of credit risk exposure to the Bank, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As shown above, 90% (2022: 90%) of total maximum exposure is derived from loans and advances to customers. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Bank's loans to customers due to the following:

- Almost all loans to customers are collateralised and loan to collateral value range from 50% to 90%
- The Bank has a proper credit evaluation process in place for granting of loans to customers.
- All deposits and placement are held with local banks and overseas banks, and management has done proper risk assessment and believe there will be no material loss from these local banks and overseas banks.

(v) *Credit quality analysis*

Pursuant to the NBC guideline Prakas B7-017-344, it has defined each credit grading according to its credit quality as follows:

Normal

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

Special mention

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(v) Credit quality analysis (continued)

Substandard

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

Factors leading to a substandard classification include:

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

Doubtful

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

Loss

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(v) Credit quality analysis (continued)

Recognition of ECL

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

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

The Bank assesses credit quality of loans and financing using internal rating techniques tailored in combination with the day past due ("DPD") information for staging criteria.

Stages	Credit risk status	Grades	Day past due	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} < 30$	Performing
2	Credit risk increased significantly	Special Mention	$30 \leq \text{DPD} < 90$	Under-performing
3	Credit impaired assets	Substandard	$90 \leq \text{DPD} < 180$	Non-performing
		Doubtful	$180 \leq \text{DPD} < 360$	
		Loss	$\text{DPD} \geq 360$	

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(v) Credit quality analysis (continued)

The following table shows an analysis of the credit exposure by stages, together with the impairment loss allowance:

	31 December 2023				31 December 2022			
	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Balances with other banks and financial institutions								
Normal	49,767,908	-	-	49,767,908	70,541,116	-	-	70,541,116
Less: Impairment loss allowance	(102,409)	-	-	(102,409)	(90,979)	-	-	(90,979)
Net carrying amount	49,665,499	-	-	49,665,499	70,450,137	-	-	70,450,137
KHR'000 equivalent (Note 8)	202,883,563	-	-	202,883,563	290,043,214	-	-	290,043,214

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(v) Credit quality analysis (continued)

The following table shows an analysis of the credit exposure by stages, together with the impairment loss allowance: (continued)

	31 December 2023				31 December 2022			
	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Loans and advances to customers								
Normal	681,398,585	2,435,943	-	683,834,528	664,555,157	1,644,785	-	666,199,942
Special mention	-	5,810,071	-	5,810,071	-	16,863,146	-	16,863,146
Substandard	-	-	3,007,942	3,007,942	-	472,244	724,333	1,196,577
Doubtful	-	-	1,977,428	1,977,428	-	-	2,426,232	2,426,232
Loss	-	-	7,916,161	7,916,161	-	-	4,428,562	4,428,562
Gross carrying amount	681,398,585	8,246,014	12,901,531	702,546,130	664,555,157	18,980,175	7,579,127	691,114,459
Less: Impairment loss allowance	(1,602,164)	(375,732)	(7,396,706)	(9,374,602)	(1,236,932)	(503,991)	(1,584,451)	(3,325,374)
Net carrying amount	679,796,421	7,870,282	5,504,825	693,171,528	663,318,225	18,476,184	5,994,676	687,789,085
KHR'000 equivalent (Note 8)	2,776,968,381	32,150,102	22,487,209	2,831,605,692	2,730,881,132	76,066,450	24,680,081	2,831,627,663

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(v) Credit quality analysis (continued)

The following table shows an analysis of the credit exposure by stages, together with the impairment loss allowance: (continued)

	31 December 2023				31 December 2022			
	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Investment securities								
Standard monitoring	-	-	-	-	5,369,703	-	-	5,369,703
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross carrying amount					5,369,703	-	-	5,369,703
Less: Impairment loss allowance	-	-	-	-	(11,230)	-	-	(11,230)
Net carrying amount	-	-	-	-	5,358,473	-	-	5,358,473
KHR'000 equivalent (Note 8)	-	-	-	-	22,060,833	-	-	22,060,833

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(v) Credit quality analysis (continued)

The following table shows an analysis of the credit exposure by stages, together with the impairment loss allowance: (continued)

	31 December 2023				31 December 2022			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Off-balance sheet items								
Normal	26,622,418	27,184	-	26,649,602	24,464,247	620,223	-	25,084,470
Special mention	-	-	-	-	-	302,997	-	302,997
Substandard	-	-	15,000	15,000	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Gross carrying amount	26,622,418	27,184	15,000	26,664,602	24,464,247	923,220	-	25,387,467
Less: Impairment loss allowance	(284,469)	(704)	(3,375)	(288,548)	(199,443)	(18,717)	-	(218,160)
Net carrying amount	26,337,949	26,480	11,625	26,376,054	24,264,804	904,503	-	25,169,307
KHR'000 equivalent (Note 8)	107,590,522	108,171	47,488	107,746,182	99,898,200	3,723,839	-	103,622,039

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance

Expected credit loss reconciliation – Loans and advances to customers:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not	Lifetime ECL	
	US\$	Credit-Impaired	Credit-Impaired	US\$
Expected credit losses				
Impairment loss allowance as at 1 January 2023	1,236,932	503,991	1,584,451	3,325,374
Changes due to exposure:				
Transfer to stage 1	256,376	(185,921)	(70,455)	-
Transfer to stage 2	(217,883)	224,885	(7,002)	-
Transfer to stage 3	(1,003,472)	(529,285)	1,532,757	-
Net remeasurement of loss allowance (*)	1,270,032	385,139	4,433,195	6,088,366
New financial assets originated or purchased	232,296	62,856	24,401	319,553
Financial assets derecognised during the period other than write off	(172,117)	(85,933)	(100,641)	(358,691)
Impairment loss allowance as at 31 December 2023	1,602,164	375,732	7,396,706	9,374,602
KHR'000 equivalent (Note 8)	6,544,840	1,534,865	30,215,545	38,295,250

(*) Impact of the measurement of ECL due to changes in PD and LGD during the year arising from regular refreshing of inputs to models.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2023	664,555,157	18,980,175	7,579,127	691,114,459
Changes due to exposure:				
Transfer to stage 1	1,342,539	(1,236,699)	(105,840)	-
Transfer to stage 2	(475,846)	496,350	(20,504)	-
Transfer to stage 3	(39,695)	(70,164)	109,859	-
Net remeasurement of loss allowance (*)	(47,425,353)	(7,100,437)	6,187,760	(48,338,030)
New financial assets originated or purchased	114,554,457	643,834	121,750	115,320,041
Financial assets derecognised during the period other than write off	(51,112,674)	(3,467,045)	(970,621)	(55,550,340)
Gross carrying amount as at 31 December 2023	681,398,585	8,246,014	12,901,531	702,546,130
In KHR'000 equivalent (Note 8)	2,783,513,221	33,684,967	52,702,754	2,869,900,942

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	US\$
	US\$	US\$	US\$	US\$
Expected credit losses				
Impairment loss allowance as at 1 January 2022	1,554,450	290,279	936,976	2,781,705
Changes due to exposure:				
Transfer to stage 1	4,905	(4,858)	(47)	-
Transfer to stage 2	(238,077)	239,097	(1,020)	-
Transfer to stage 3	(566,146)	(137,444)	703,590	-
Net remeasurement of loss allowance (*)	92,953	116,917	30,302	240,172
New financial assets originated or purchased	388,847	-	-	388,847
Financial assets derecognised during the period other than write off	-	-	(85,350)	(85,350)
Impairment loss allowance as at 31 December 2022	1,236,932	503,991	1,584,451	3,325,374
In KHR'000 equivalent (Note 8)	5,092,449	2,074,931	6,523,185	13,690,565

(*) Impact of the measurement of ECL due to changes in PD and LGD during the year arising from regular refreshing of inputs to models.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2022	542,596,123	14,682,699	4,698,314	561,977,136
Changes due to exposure:				
Transfer to stage 1	815,352	(686,176)	(129,176)	-
Transfer to stage 2	(9,322,423)	9,406,689	(84,266)	-
Transfer to stage 3	(2,263,484)	(703,119)	2,966,603	-
New financial assets originated or purchased	269,514,231	-	127,652	269,641,883
Financial assets derecognised during the period other than write off	(136,784,642)	(3,719,918)	-	(140,504,560)
Gross carrying amount as at 31 December 2022	<u>664,555,157</u>	<u>18,980,175</u>	<u>7,579,127</u>	<u>691,114,459</u>
KHR'000 equivalent (Note 8)	<u>2,735,973,582</u>	<u>78,141,380</u>	<u>31,203,266</u>	<u>2,845,318,228</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance (continued)

Expected credit loss reconciliation – loan commitments, guarantees and other financial commitments

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Expected credit losses				
Impairment loss allowance as at 1 January 2023	199,443	18,717	-	218,160
Changes due to exposure:				
Transfer to stage 1	3,139	(3,139)	-	-
Transfer to stage 2	(509)	509	-	-
Transfer to stage 3	(3,375)	-	3,375	-
Net remeasurement of loss allowance	46,724	(9,982)	-	36,742
New financial assets originated or purchased	48,750	-	-	48,750
Exposure derecognised or expired	(9,703)	(5,401)	-	(15,104)
Impairment loss allowance as at 31 December 2023	284,469	704	3,375	288,548
KHR'000 equivalent (Note 8)	1,162,055	2,876	13,787	1,178,718

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance (continued)

Expected credit loss reconciliation – loan commitments, guarantees and other financial commitments (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Exposure amount				
Exposure amount as at 1 January 2023	24,464,247	923,220	-	25,387,467
Changes due to exposure:				
Transfer to stage 1	41,046	(41,046)	-	-
Transfer to stage 2	(9,728)	9,728	-	-
Transfer to stage 3	(15,000)	-	15,000	-
New financial assets originated or purchased	3,651,699	-	-	3,651,699
Financial assets derecognised during the period other than write off	(1,509,846)	(864,718)	-	(2,374,564)
Gross carrying amount as at 31 December 2023	<u>26,622,418</u>	<u>27,184</u>	<u>15,000</u>	<u>26,664,602</u>
KHR'000 equivalent (Note 8)	<u>108,752,578</u>	<u>111,047</u>	<u>61,275</u>	<u>108,924,900</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance (continued)

Expected credit loss reconciliation – loan commitments, guarantees and other financial commitments (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not	Lifetime ECL	Total
	US\$	Credit-Impaired	Credit-Impaired	US\$
Expected credit losses				
Impairment loss allowance at 1 January 2022	256,141	14,074	-	270,215
Changes due to exposure:				
Transfer to stage 1	14,065	(14,065)	-	-
Transfer to stage 2	(6,773)	6,773	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement	(40,868)	6,947	-	(33,921)
New financial assets originated or purchased	145,002	4,988	-	149,990
Financial assets derecognised during the period other than write off	(168,124)	-	-	(168,124)
Impairment loss allowance as at 31 December 2022	199,443	18,717	-	218,160
KHR'000 equivalent (Note 8)	821,107	77,058	-	898,164

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vi) Loss allowance (continued)

Expected credit loss reconciliation – loan commitments, guarantees and other financial commitments (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not	Lifetime ECL	Total
	US\$	Credit-Impaired	Credit-Impaired	US\$
Exposure amount				
Exposure amount as at 1 January 2022	24,464,247	923,220	-	25,387,467
Changes due to exposure:				
Transfer to stage 1	447,278	(447,278)	-	-
Transfer to stage 2	(300,000)	300,000	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	17,951,797	147,278	-	18,099,075
Financial assets derecognised during the period other than write off	(18,099,075)	-	-	(18,099,075)
Gross carrying amount as at 31 December 2022	24,464,247	923,220	-	25,387,467
KHR'000 equivalent (Note 8)	100,719,306	3,800,898	-	104,520,204

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Concentration of financial assets with credit risk exposure

Geographical region

The following table breaks down the Bank's main credit exposure at their carrying amount, as categorised by geographical region as at 31 December 2023. For this table, the Bank has allocated exposure to countries based on the country of domicile of its counterparties.

	Cambodia US\$	Hong Kong US\$	USA US\$	Total US\$
At 31 December 2023				
Balances with other banks and financial institutions	24,547,045	23,010,158	2,210,705	49,767,908
Loans and advances to customers	702,546,130	-	-	702,546,130
Other assets	1,251,710	-	-	1,251,710
Unused portion of credit facilities	5,270,622	-	-	5,270,622
Bank guarantees	20,170,126	-	-	20,170,126
Loan commitments	1,223,854	-	-	1,223,854
Gross carrying amount	755,009,487	23,010,158	2,210,705	780,230,350
Less: Impairment loss allowance	(9,748,031)	(16,790)	(738)	(9,765,559)
Net carrying amount	745,261,456	22,993,368	2,209,967	770,464,791
KHR'000 equivalents (Note 8)	3,044,393,048	93,927,908	9,027,715	3,147,348,671

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Concentration of financial assets with credit risk exposure (continued)

Geographical region (continued)

	Cambodia US\$	Hong Kong US\$	USA US\$	Total US\$
At 31 December 2022				
Balances with other banks and financial institutions	41,829,930	24,005,333	4,705,853	70,541,116
Loans and advances to customers	691,114,459	-	-	691,114,459
Investment securities	5,369,703	-	-	5,369,703
Other assets	1,108,450	-	-	1,108,450
Unused portion of credit facilities	7,465,998	-	-	7,465,998
Bank guarantees	15,986,628	-	-	15,986,628
Loan commitments	1,934,841	-	-	1,934,841
Gross carrying amount	764,810,009	24,005,333	4,705,853	793,521,195
Less: Impairment loss allowance	(3,633,447)	(9,602)	(2,694)	(3,645,743)
Net carrying amount	761,176,562	23,995,731	4,703,159	789,875,452
KHR'000 equivalents (Note 8)	3,133,763,906	98,790,426	19,362,906	3,251,917,238

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Concentration of financial assets with credit risk exposure (continued)

Industry sectors

The following table breaks down the Bank's main credit exposure at their gross carrying amounts less impairment if any, as categorised by the industry sector of its counterparties.

	2023					
	Balances with other banks and financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Other assets US\$	Off-balance- sheet items US\$	Total US\$
Wholesale and retails	-	11,590,334	-	-	994,299	12,584,633
Construction	-	2,608,347	-	-	947,580	3,555,927
Real estate	-	7,056,233	-	-	-	7,056,233
Financial institutions	49,767,908	5,957,575	-	-	-	55,725,483
Staff loans	-	5,818,091	-	-	-	5,818,091
Manufacturing	-	495,919	-	-	-	495,919
Others	-	669,019,631	-	1,251,710	24,722,723	694,994,064
Gross carrying amount	49,767,908	702,546,130	-	1,251,710	26,664,602	780,230,350
Less: Impairment loss allowance	(102,409)	(9,374,602)	-	-	(288,548)	(9,765,559)
Net carrying amount	49,665,499	693,171,528	-	1,251,710	26,376,054	770,464,791
KHR'000 equivalents (Note 8)	202,883,563	2,831,605,692	-	5,113,236	107,746,182	3,147,348,673

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(vii) Concentration of financial assets with credit risk exposure (continued)

Industry sectors (continued)

The following table breaks down the Bank's main credit exposure at their gross carrying amounts less impairment if any, as categorised by the industry sector of its counterparties. (continued)

	2022					
	Balances with other banks US\$	Loans and advances to customers US\$	Investment securities US\$	Other financial assets US\$	Off-balance-sheet items US\$	Total US\$
Wholesale and retails	-	12,316,758	-	-	1,094,258	13,411,016
Construction	-	3,374,389	-	-	786,051	4,160,440
Real estate	-	7,033,899	-	-	-	7,033,899
Financial institutions	70,541,116	9,198,219	5,369,703	-	-	85,109,038
Staff loans	-	4,045,361	-	-	-	4,045,361
Manufacturing	-	2,487,941	-	-	-	2,487,941
Others	-	652,657,892	-	1,108,450	23,507,158	677,273,500
Gross carrying amount	70,541,116	691,114,459	5,369,703	1,108,450	25,387,467	793,521,195
Less: Impairment loss allowance	(90,979)	(3,325,374)	(11,230)	-	(218,160)	(3,645,743)
Net carrying amount	70,450,137	687,789,085	5,358,473	1,108,450	25,169,307	789,875,452
KHR'000 equivalents (Note 8)	290,043,214	2,831,627,663	22,060,833	4,563,489	103,622,037	3,251,917,236

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(a) Credit risk (continued)

(viii) Repossessed collateral

Repossessioned collaterals are sold as soon as practicable. The Bank does not utilise the repossessioned collaterals for its business use. The Bank did not obtain assets by taking possession of collateral held as security as at 31 December 2023 and 31 December 2022.

(b) Market risk

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

(i) Foreign exchange risk

The Bank operates in Cambodia and transacts in United States Dollars and Khmer Riel and is exposed to primarily with KHR currency.

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

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

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

	In US\$ equivalent			
	US\$	KHR	KRW	Total
As at 31 December 2023				
Financial assets				
Cash on hand	7,973,084	1,449,624	-	9,422,708
Balances with the National Bank of Cambodia	18,840,469	2,170,360	-	21,010,829
Balances with other banks and financial institutions	45,904,744	3,760,755	-	49,665,499
Loans and advances to customers	618,410,019	74,761,509	-	693,171,528
Investment securities	25,000	-	-	25,000
Other assets	1,251,710	-	-	1,251,710
Total financial assets	692,405,026	82,142,248	-	774,547,274
Financial liabilities				
Deposits from banks and financial institutions	86,855,463	19,701,374	-	106,556,837
Deposits from customers	81,385,526	11,265,112	-	92,650,638
Borrowings	367,359,074	-	-	367,359,074
Lease liabilities	6,527,438	-	-	6,527,438
Other liabilities	961,110	-	-	961,110
Total financial liabilities	543,088,611	30,966,486	-	574,055,097
Net on-balance sheet position	149,316,415	51,175,762	-	200,492,177
KHR'000 equivalent (Note 8)	609,957,555	209,052,988	-	819,010,543
Off-balance-sheet items				
Unused portion of credit facilities	5,196,180	-	-	5,196,180
Bank guarantees	4,982,855	-	14,989,926	19,972,781
Loan commitments	1,183,021	24,072	-	1,207,093
	11,362,056	24,072	14,989,926	26,376,054
KHR'000 equivalent (Note 8)	46,414,000	98,334	61,233,848	107,746,182

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

	In US\$ equivalent			
	US\$	KHR	KRW	Total
As at 31 December 2022				
Financial assets				
Cash on hand	8,095,593	1,049,883	-	9,145,476
Balances with the National Bank of Cambodia	8,120,568	1,360,825	-	9,481,393
Balances with other banks and financial institutions	56,568,519	13,881,618	-	70,450,137
Loans and advances to customers at amortised cost	613,602,243	74,186,842	-	687,789,085
Investment securities	25,000	5,358,473	-	5,383,473
Other assets	1,108,450	-	-	1,108,450
Total financial assets	687,520,373	95,837,641	-	783,358,014
Financial liabilities				
Deposits from banks and financial institutions	70,856,028	33,433,170	-	104,289,198
Deposits from customers	73,228,826	4,441,844	-	77,670,670
Borrowings	491,589,894	-	-	491,589,894
Lease liabilities	5,910,675	-	-	5,910,675
Other liabilities	715,310	-	-	715,310
Total financial liabilities	642,300,733	37,875,014	-	680,175,747
Net on-balance sheet position	45,219,640	57,967,606	-	103,182,267
KHR'000 equivalent (Note 8)	186,169,258	238,632,136	-	424,801,394
Off-balance-sheet items				
Unused portion of credit facilities	7,394,720	-	-	7,394,720
Bank guarantees	533,588	-	15,324,115	15,857,703
Loan commitments	1,853,594	63,290	-	1,916,884
	9,781,902	63,290	15,324,115	25,169,307
KHR'000 equivalent (Note 8)	40,272,091	260,566	63,089,382	103,622,039

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity analysis

The Bank take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The table below sets out the principal structure of foreign exchange exposures of the Bank:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Asset/(liability)				
Khmer Riel ("KHR")	51,151,690	210,591,508	58,306,237	240,046,777

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

The analysis below is based on the assumption that KHR exchange rate had increased or decreased by 1% which is set based on the 3-year moving average of exchange rate from 2021 to 2023.

An analysis of the exposures to assess the impact of a 1% change in the foreign currency exchange rates to the profit after tax are as follows:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Increase/(decrease)				
-1%				
Khmer Riel ("KHR")	405,162	1,655,088	471,162	1,939,774
Increase/(decrease)				
+1%				
Khmer Riel ("KHR")	(413,347)	(1,688,523)	(461,832)	(1,901,362)

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(b) Market risk (continued)

(ii) Price risk

The Bank's exposure to equity securities price risk arises from investment securities held by the Bank and classified as FVOCI. The equity investment securities at FVOCI is immaterial, so the Bank did not have any policy to manage its price risk arising from investments in equity securities.

(iii) Interest rate risk

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

The Bank's main interest rate risk arises from fixed rate borrowings. The Bank does not have fair value interest rate risk as the interest rates of financial instruments measured at amortised cost are similar to prevailing market rates. The management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2023

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest rate sensitive US\$	Total US\$
Financial assets							
Cash on hand	-	-	-	-	-	9,422,708	9,422,708
Balances with the National Bank of Cambodia	19,061,869	1,948,960	-	-	-	-	21,010,829
Balances with other banks and financial institutions	39,665,499	10,000,000	-	-	-	-	49,665,499
Loans and advances to customers	4,105,921	16,094,373	33,445,932	83,551,608	555,973,694	-	693,171,528
Investment securities	-	-	-	-	-	25,000	25,000
Other assets	-	-	-	-	-	1,251,710	1,251,710
Total financial assets	62,833,289	28,043,333	33,445,932	83,551,608	555,973,694	10,699,418	774,547,274
Financial liabilities							
Deposits from banks and financial institutions	11,277,841	5,869,189	89,409,807	-	-	-	106,556,837
Deposits from customers	40,726,673	18,824,947	20,907,988	12,191,030	-	-	92,650,638
Borrowings	33,278,862	69,338,367	139,299,753	125,442,092	-	-	367,359,074
Lease liabilities	80,455	162,320	754,269	4,172,235	1,358,159	-	6,527,438
Other liabilities	-	-	-	-	-	961,110	961,110
Total financial liabilities	85,363,831	94,194,823	250,371,817	141,805,357	1,358,159	961,110	574,055,097
Net interest repricing gap	(22,530,542)	(66,151,490)	(216,925,885)	(58,253,749)	554,615,535	9,738,308	200,492,177
KHR'000 equivalent (Note 8)	(92,037,264)	(270,228,837)	(886,142,240)	(237,966,565)	2,265,604,460	39,780,988	819,010,542
Off-balance-sheet items							
Unused portion of credit facilities	-	-	-	1,283,102	3,913,078	-	5,196,180
Bank guarantees	-	-	-	19,972,781	-	-	19,972,781
Loan commitments	-	-	-	-	1,207,093	-	1,207,093
KHR'000 equivalent (Note 8)	-	-	-	21,255,883	5,120,171	-	26,376,054
	-	-	-	86,830,283	20,915,899	-	107,746,182

Shinhan Bank (Cambodia) PLC.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2022		Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest rate sensitive US\$	Total US\$
Financial assets								
Cash on hand		-	-	-	-	-	9,145,476	9,145,476
Balances with the National Bank of Cambodia		-	-	-	-	-	7,979,928	9,481,393
Balances with other banks		34,107,744	1,300,365	201,100	-	-	5,462,265	70,450,137
Loans and advances to customers		6,178,887	20,974,735	9,905,393	-	-	-	687,789,085
Investment securities		-	18,606,364	38,531,224	82,162,701	542,309,909	25,000	5,383,473
Other assets		-	-	5,358,473	-	-	1,108,450	1,108,450
Total financial assets		40,286,631	40,881,464	53,996,190	82,162,701	542,309,909	23,721,119	783,358,014
Financial liabilities								
Deposits from banks and financial institutions		9,873,713	29,839,468	61,919,080	-	-	2,656,937	104,289,198
Deposits from customers		32,276,960	11,075,689	17,410,120	623,924	-	16,283,977	77,670,670
Borrowings		42,506,409	55,654,763	284,285,010	109,143,712	-	-	491,589,894
Lease liabilities		63,341	128,515	587,105	3,498,148	1,633,566	-	5,910,675
Other liabilities		-	-	-	-	-	715,310	715,310
Total financial liabilities		84,720,423	96,698,435	364,201,315	113,265,784	1,633,566	19,656,224	680,175,747
Net interest repricing gap		(44,433,792)	(55,816,971)	(310,205,125)	(31,103,083)	540,676,343	4,064,895	103,182,267
KHR'000 equivalent (Note 8)		(182,933,922)	(229,798,470)	(1,277,114,498)	(128,051,393)	2,225,964,504	16,735,173	424,801,394
Off-balance-sheet items								
Unused portion of credit facilities		762,638	863,740	5,668,055	100,287	-	-	7,394,720
Bank guarantees		-	-	59,996	15,797,707	-	-	15,857,703
Loan commitments		-	-	-	1,632,170	284,714	-	1,916,884
KHR'000 equivalent (Note 8)		762,638	863,740	5,728,051	17,530,164	284,714	-	25,169,307
		3,139,781	3,556,018	23,582,386	72,171,686	1,172,168	-	103,622,039

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(c) Liquidity risk

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

(i) Liquidity risk management process

The Bank's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and project for the next day, week and month respectively, as these are key periods for liquidity management. The management monitors the movement of the main depositors and projection of their withdrawals.

(ii) Funding approach

The Bank's main sources of liquidities arise from shareholder's paid-up capital, borrowings and customers' deposits. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

(iii) Non-derivative cash flows

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

The management considers there is no liquidity risk for its expected cash flow for the next twelve months since the financial liabilities are mostly from the short-term borrowings obtained from the Bank's related parties which are negotiable.

The amount disclosed in the table are the contractual undiscounted cash flows.

Shinhan Bank (Cambodia) PLC.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(c) Liquidity risk (continued)

(iii) Non-derivative cash flows (continued)

As at 31 December 2023

Financial assets	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$
Cash on hand	9,422,708	9,422,708	9,422,708	-	-	-	-
Balances with the National Bank of Cambodia	21,010,829	21,024,633	19,061,870	1,962,763	-	-	-
Balances with other banks	49,665,499	99,332,696	79,391,999	19,940,697	-	-	-
Loans and advances to customers	693,171,528	1,263,441,909	13,511,401	37,111,626	113,728,727	407,839,292	691,250,863
Other assets	1,251,710	1,251,710	1,251,710	-	-	-	-
Total financial assets	774,522,274	1,394,473,656	122,639,688	59,015,086	113,728,727	407,839,292	691,250,863
KHR'000 equivalents (Note 8)	3,163,923,488	5,696,424,884	500,983,125	241,076,626	464,581,850	1,666,023,508	2,823,759,775
Financial liabilities							
Deposits from banks and financial institutions	106,556,837	110,127,088	11,287,008	5,939,078	92,901,002	-	-
Deposits from customers	92,650,638	95,948,854	40,736,456	18,979,653	21,751,651	14,481,094	-
Borrowings	367,359,074	381,394,161	33,336,575	69,857,194	142,769,588	135,430,804	-
Lease liabilities	6,527,438	8,015,396	118,530	237,059	1,066,767	5,114,930	1,478,110
Other liabilities	961,110	961,110	961,110	-	-	-	-
Total financial liabilities	574,055,097	596,446,609	86,439,679	95,012,984	258,489,008	155,026,828	1,478,110
KHR'000 equivalents (Note 8)	2,345,015,070	2,436,484,398	353,106,089	388,128,040	1,055,927,598	633,284,592	6,038,079
Off-balance sheet items							
Unused portion of credit facilities	5,196,180	5,196,180	-	-	-	1,283,102	3,913,078
Bank guarantees	19,972,781	19,972,781	-	-	-	19,972,781	-
Loan commitments	1,207,093	1,207,093	-	-	-	-	1,207,093
	26,376,054	26,376,054	-	-	-	21,255,883	5,120,171
KHR'000 equivalents (Note 8)	107,746,182	107,746,181	-	-	-	86,830,282	20,915,899

Shinhan Bank (Cambodia) PLC.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(c) Liquidity risk (continued)

(iii) Non-derivative cash flows (continued)

As at 31 December 2022

	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$
Financial assets							
Cash on hand	9,145,476	9,145,476	9,145,476	-	-	-	-
Balances with the National Bank of Cambodia	9,481,393	9,481,393	7,979,929	1,310,992	202,342	-	-
Balances with other banks	70,450,137	75,507,530	44,259,711	21,050,939	10,196,880	-	-
Loans and advances to customers	687,789,085	1,083,552,490	8,726,109	31,043,447	52,845,244	249,628,119	741,309,571
Investment securities	5,358,473	5,555,524	-	-	5,555,524	-	-
Other assets	1,108,450	1,108,450	1,108,450	-	-	-	-
Total financial assets	783,333,014	1,184,362,733	71,219,675	53,405,378	68,799,990	249,628,119	741,309,571
KHR'000 equivalents (Note 8)	3,224,982,019	4,876,021,372	293,211,402	219,869,941	283,249,559	1,027,718,966	3,051,971,504
Financial liabilities							
Deposits from banks and financial institutions	104,289,198	106,790,298	12,534,075	30,060,328	64,195,895	-	-
Deposits from customers	77,670,670	78,367,284	48,563,947	11,101,443	18,009,476	692,418	-
Borrowings	491,589,894	504,345,259	42,547,242	55,933,706	291,031,392	114,832,919	-
Lease liabilities	5,910,675	8,033,820	108,597	217,915	970,535	4,907,816	1,828,957
Other liabilities	715,310	715,310	715,310	-	-	-	-
Total financial liabilities	680,175,747	698,251,971	104,469,171	97,313,392	374,207,298	120,433,153	1,828,957
KHR'000 equivalents (Note 8)	2,800,283,550	2,874,703,365	430,099,577	400,639,235	1,540,611,446	495,823,291	7,529,816
Off-balance sheet items							
Unused portion of credit facilities	7,394,720	7,394,720	762,638	863,740	5,668,055	100,287	-
Bank guarantees	15,857,703	15,857,703	-	-	59,996	15,797,707	-
Loan commitments	1,916,884	1,916,884	-	-	-	1,632,170	284,714
	25,169,307	25,169,307	762,638	863,740	5,728,051	17,530,164	284,714
KHR'000 equivalents (Note 8)	103,622,039	103,622,039	3,139,781	3,556,018	23,582,386	72,171,686	1,172,168

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(d) Fair value of financial assets and liabilities

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statements of financial position date.

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

Balances with the National Bank of Cambodia and Balances with other banks and financial institutions

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

Loans and advances to customers

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loans and advances to customers might approximate to their carrying value as reporting date.

Investment securities

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

Financial assets at FVOCI

For fixed rate financial assets at FVOCI with remaining period to maturity of less than or more than one year, the carrying amounts are generally reasonable estimates of their fair values.

Deposits from banks and financial institutions and deposits from customers

The fair value of deposits from banks, financial institutions and customers with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits from banks, financial institutions and customers with remaining maturities of more than one year are expected to approximate their carrying amount because the Bank offers similar interest rate of the instrument with similar maturities and terms.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(d) Fair value of financial assets and liabilities (continued)

Deposits from banks and financial institutions and deposits from customers

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing deposits, deposits payable on demand is the amount payable at the reporting date.

Other financial assets and other financial liabilities

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

Fair value hierarchy

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

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

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

Borrowings

Borrowings are not quoted in an active market and their fair value approximates their carrying amount.

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Notes to the financial statements (continued) for the year ended 31 December 2023

37. Financial risk management (continued)

(e) Capital management

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

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

The National Bank of Cambodia requires all commercial banks or branch to i) hold the minimum capital requirement, ii) maintain the Bank's net worth at least equal to the minimum capital and iii) comply with solvency and liquidity ratios.

The table below summarises the composition of regulatory capital:

	2023		2022	
	US\$	KHR'000 (Note 8)	US\$	KHR'000 (Note 8)
Tier 1 capital				
Share capital	175,000,000	711,575,000	75,000,000	303,375,000
Reserve	12,161,275	49,422,067	12,161,275	49,422,067
Retained earnings (capped at 20% of Tier 1 capital)	48,525,853	198,228,110	13,581,273	56,458,739
Audited net profit for the last financial year	6,977,676	28,678,248	18,154,580	74,197,768
Less: Intangible assets	(1,008,319)	(4,118,983)	(1,141,332)	(4,698,864)
	<u>241,656,485</u>	<u>983,784,442</u>	<u>117,755,796</u>	<u>478,754,710</u>
Tier 2 complementary capital				
General provision	7,583,452	30,978,403	7,637,252	31,442,566
	<u>249,239,937</u>	<u>1,014,762,845</u>	<u>125,393,048</u>	<u>510,197,276</u>



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