

Shinhan Bank (Cambodia) PLC.

20

22

ANNUAL REPORT

Bring happiness and
help your dream come true



Shinhan Bank Cambodia

SHINHAN BANK WILL BRING HAPPINESS AND HELP YOUR DREAM COME TRUE

We will make customer value creation a top priority, delivering new values and transforming customer experiences in financial services. As a good corporate citizen, we will take our responsibilities to the public seriously and remain committed to making our communities a better place under our Compassionate Finance initiative.

We look forward to your continued support in our endeavor to make changes and take challenges towards the future of finance.

Contents

MESSAGE FROM THE CEO

1

Message from the CEO.....	05
---------------------------	----

ABOUT US

2

Who We Are.....	07
Shinhan Financial Group.....	09
Global Network.....	11
Our Value.....	12
Financial Highlights.....	13
Milestone.....	16
Branch Network.....	17

CORPORATE GOVERNANCE

3

Organization Chart.....	19
Board of Directors.....	20
Senior Management.....	21
Risk Management.....	23
Internal Audit.....	24
Compliance.....	25

OUR ACCOMPLISHMENTS

4

Mobile Banking Enhancement.....	27
Customer Service Management.....	28
Payment Platform Expansion.....	29
New Branches Launch.....	30
Strategic Human Resource Management.....	31
Corporate Social Responsibility.....	32

AUDITED FINANCIAL STATEMENT

5

Audited Financial Statement.....	34
----------------------------------	----

1

Message from the CEO

MESSAGE FROM THE CEO



Dear Valued Customer,

I am glad to report to you Shinhan Bank Cambodia's business performance and important achievements for the financial year 2022. Let me begin by highlighting the global economy outlook, where we are still witnessing ongoing uncertainty from multiple challenges, including the prolonged effect of the new pandemic variants, the geopolitical conflict between Ukraine and Russia causing the surge of global commodity prices, particularly oil and gas, and the increase of interest rate in the international money market as a result of anti-inflation measures taken by many countries, most notably the United States.

For Cambodia, the economy has continued to recover, and the Banking and Financial sector has proven to be resilient, proving the efficacy of the Royal Government's response policies, as well as the favorable conditions for growing investor confidence and international arrival brought about by China's removal of the "Zero Covid" restriction.

The bank's financial performance in 2022 is remarked by the continued growth of the total assets, which recorded a balance of US\$ 844 Million in 2022, a 17 percent increase compared to the previous year's total asset balance of US\$ 719 Million. This increase is primarily attributable to the growth of customer deposit, loan and advances to customers. With a well-managed and solid credit portfolio, our loans and advances increased by 23 percent to US\$ 691 Million from US\$ 561 Million in the previous year, mostly due to the continued development of the retail lending category. The customer deposit also continued to expand, with a substantial increase of roughly US\$ 7 Million bringing the balance end of 2022 to US\$ 182 Million, an increase of 4 percent over 2021. At the same time, we expanded two additional branches in the provincial area, raising the total number of branches to 14 in order to provide customers with easy access to the bank's services at a convenient location.

I am so humbled by the commitment of our personnel and the unwavering support of all SBC's customers that I can only admit that our loyal customers and employees are accountable for these accomplishments. Customers who have always supported and cared about SBC, as well as personnel who have devoted their hearts and souls to providing customers with outstanding service while keeping the bank's "Customer-Oriented" fundamental values in mind, are primarily to thank for SBC's success.

I would like to thank you for your continued support and confidence in Shinhan Bank Cambodia, and I look forward to what we can accomplish together in the coming year.

Thank you

Kim Nam Soo

Shinhan Bank (Cambodia) PLC.
President & Chief Executive Officer
Mr. Kim Nam Soo

2

About Us

WHO WE ARE

Shinhan Bank Cambodia Plc. ("Shinhan Bank") is a subsidiary of Shinhan Bank Korea, an affiliate of Shinhan Financial Group (SFG) which its main business sector includes: consumer finance, securities, insurance, asset management, and others, Shinhan Bank is considered as the flagship of Shinhan Financial Group with over 160 Networks in 21 countries. We will continue to realize innovations to meet our vision as the No. 1 bank that creates a new future and is loved by all.

Shinhan has a diverse, yet focused on understanding of the Korean and global financial market. Shinhan Bank started as a small enterprise with a capital stock of KRW 25.0 billion, 279 employees, and three branches on July 7, 1982. Today, it has transformed itself into a large bank, boasting total assets of KRW 581.5 trillion, net income of KRW1,683 billion as of June 2022.



SHINHAN BANK

Overview

(As of end of Dec. 2022)

Shinhan Bank Overview

Shinhan Bank is a leading commercial bank in Korea.

Total Asset (including Trust A/C)

USD 388.2_{bn}

2022 Net Income

USD 2.4_{bn}

Rating Agency F/C LT Debt Rating

Moody's

Aa3

S&P

A+

Fitch Ratings

A

1) Total Asset: Banking Account(Separate) + Merchant Banking Account + Trust Account

2) Net Income: Consolidated basis

Source: KRX exchange rate as the end of December 2022 (1267.3 KRW/USD) is applied to all USD figures

Network

890

(As of end of Dec. 2022)

Domestic

721

Overseas

169

* Including local subsidiaries, branches, and offices



Seoul 301 Gyeonggi 153

Incheon 52 Busan 29

Daegu 20 Daejeon 14

Ulsan 11 Gwangju 11

Sejong 5 Kangwon 27

Chungnam 15 Chungbuk 28

Gyeongnam 15 Gyeongbuk 19

Jeonnam 9 Jeonbuk 7

Jeju 5

Shinhan Financial Group consists of 15 direct subsidiaries that include Shinhan Bank, Shinhan Card, Shinhan Securities, Shinhan Life, Shinhan Capital and Shinhan Asset Management, and 33 indirect subsidiaries. We provide comprehensive financial services, principally consisting of the following:

- commercial banking services, including retail banking, corporate banking, international banking, and other banking services.
- credit card services
- securities brokerage services
- life insurance services
- asset management services
- 11 other services, such as savings banking services, loan collection and credit reporting, collective investment administrative services, financial system development services, real estate trust services, investment advisory services, and venture capital services.

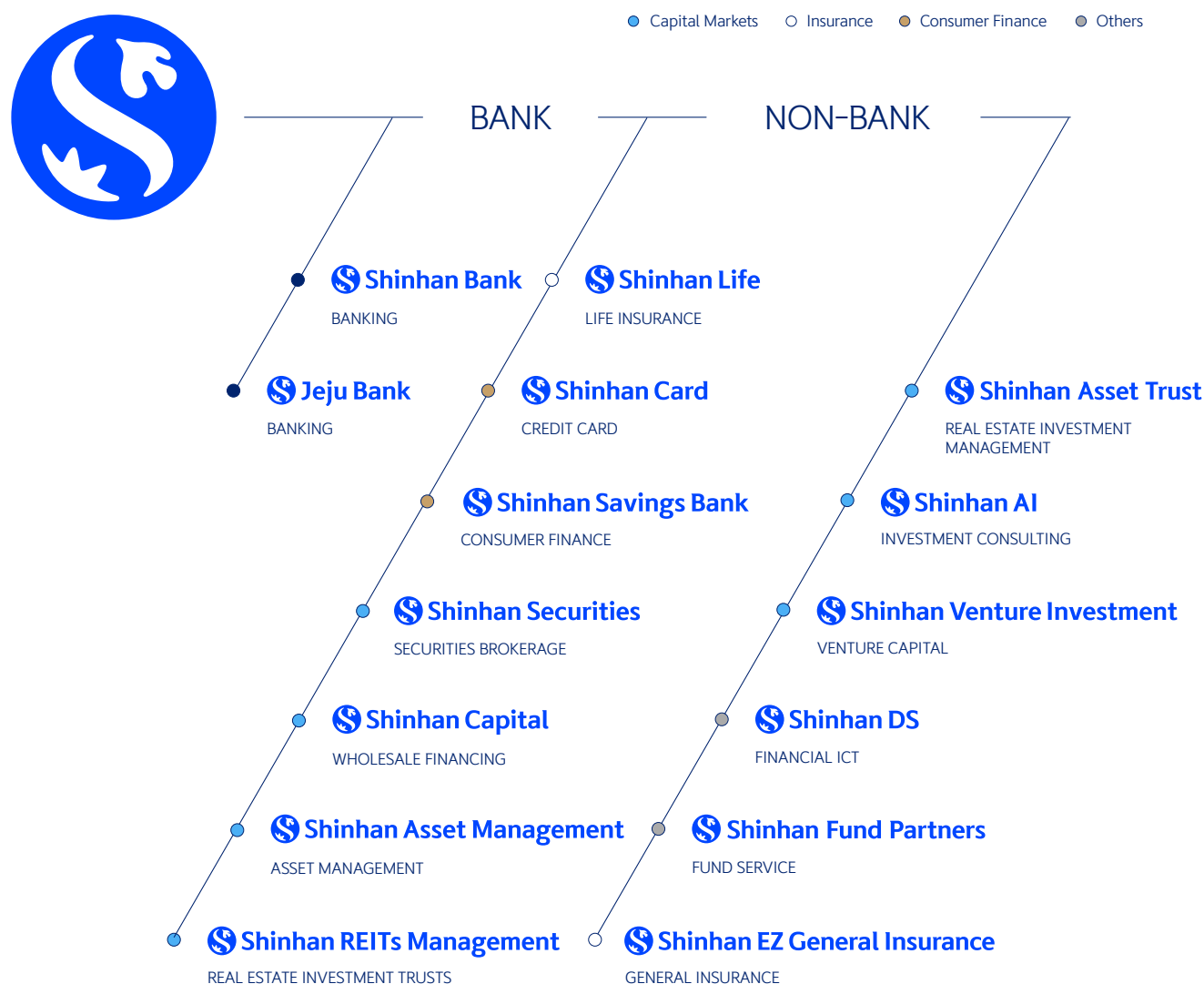
Total Group Assets
USD 533.3_{bn}

Net Income
USD 3.66_{bn}

ROA
0.70%

ROE
10.3%
(As the end of Dec 2022)

Source: KRX exchange rate as the end of December 2022 (1267.3 KRW/USD) is applied to all USD figures



STOCK INFORMATION

Major Shareholders¹⁾

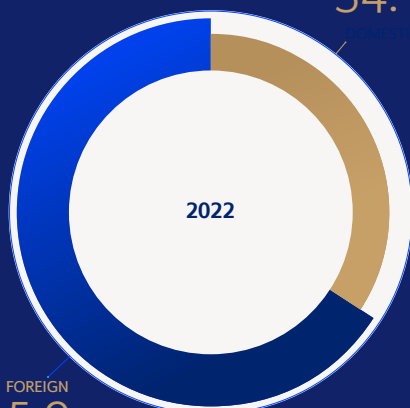
Name of Shareholder	Number of Shares Owned	Ownership
National Pension Service	40,476,692	7.96%
BlackRock Fund Advisors ²⁾	30,250,549	5.95%
SFG Employee Stock Ownership Association	26,121,183	5.13%
Centennial Investment Limited	20,239,539	3.98%
BNP Paribas SA	18,690,310	3.67%
Supreme, L.P.	18,690,000	3.67%
Citibank, N.A. (ADR Dept.)	15,254,583	3.00%
The Government of Singapore	13,225,770	2.60%
KT	10,877,651	2.14%
Vanguard Total International Stock Index	6,602,322	1.30%
Peoples Bank of China	5,571,550	1.10%
Others	302,784,720	59.51%
Total	508,784,869	100.00%

Stock Performance

(Unit: KRW)

	2022	2021	YoY
Market Capitalization (Year End)	17.91 trillion	19.01 trillion	-5.8%
Share Price			
Year End	35,200	36,800	-4.3%
High	43,200	43,000	0.5%
Low	33,400	30,650	9.0%
Weighting in the KOSPI (% , Year End)	1.01%	0.86%	0.15%p
Average Daily Trading Volume (Shares)	1,303,523	1,784,390	-26.9%
Dividend Per Share ³⁾	2,065	1,960	5.4%
Total Dividend Paid ⁴⁾	1,087 billion	1,047 billion	3.8%
Dividend Payout Ratio ⁴⁾	23.6%	26.0%	-2.4%p
Total Shareholder Payout Ratio	30.0%	26.0%	3.9%p
Price Earning Ratio	4.16×	5.04×	-
Price Book Value	0.42×	0.45×	-

Share Ownership



Number of Shares Issued

Type of Stock	No. of Shares
Common Stock	508,784,869
Convertible Preferred Stock ⁵⁾	17,482,000

¹⁾ Holding ownership of more than 1% in common stock as of December 31, 2022

²⁾ Based on the statement of acquisition of beneficial ownership by individuals disclosure by BlackRock Fund Advisors with the SEC on Feb. 13, 2023

³⁾ Common stock

⁴⁾ Common stock + Convertible preferred stock

⁵⁾ All of the 17,482,000 convertible preferred shares other than the above common shares are held by Mercury 1st LLC.

GLOBAL NETWORK

(As the end of Dec, 2022)



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	+52-55-5525-7787	Mexico D.F., Mexico
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	+44-207-600-0606	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

OUR VALUE

"ShinhanWAY 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

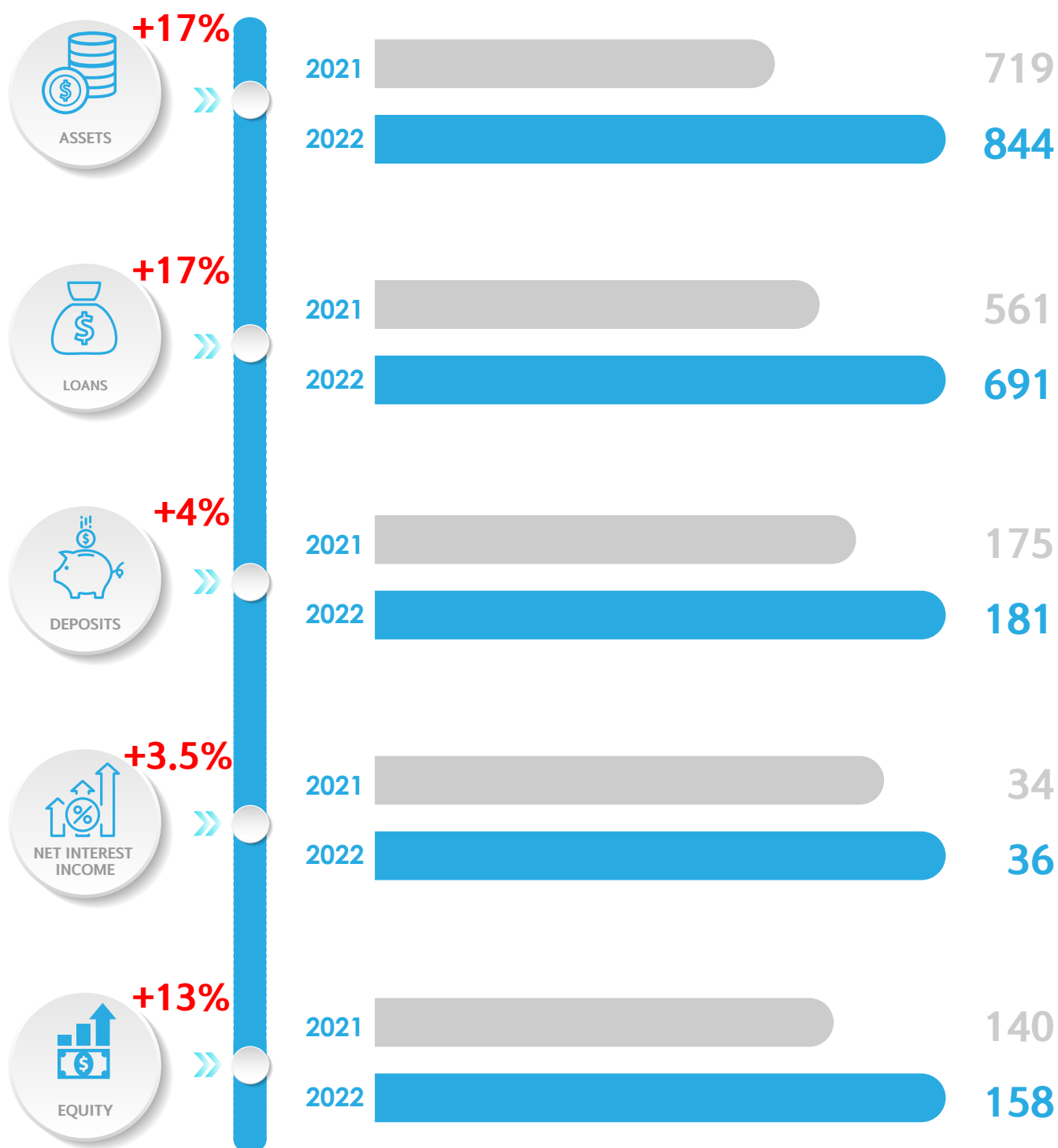
We will provide new value to our customers through innovative and original financial services that creatively converge Shinhan's expertise and innovative digital technology.

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2020 (Audited)	2021 (Audited)	2022 (Audited)
Balance Sheet (US\$ million)			
Total Assets	605.94	718.90	844.25
Total Gross Loans and advance	436.73	560.76	691.11
Total Deposits	154.02	175.14	181.96
Equity	121.50	139.89	158.05
P&L Account (US\$ thousand)			
Net Interest Income	24,265.89	34,941.47	36,185.19
Net Fee, Commission and other Income	1,023.95	1,471.77	684.45
Net Profit	12,146.93	18,396.66	18,154.58
Key Performance Indicators (%)			
ROAE	10.5%	13.2%	11.5%
ROAA	2.3%	2.6%	2.2%
Cost/Income	31.1%	32.4%	26.6%
Liquidity Ratio	113.5%	136.3%	156.3%
Credit Deposit Ratio	282.64%	319.3%	378.0%
Solvency Ratio	22.90%	21.4%	16.2%
General Information			
Operating Branches	9	12	14
Staff	345	402	447
ATMs	18	25	31
Depositors	17,252	23,268	24,752
Borrowers	5,900	8,195	12,234
Mobile Banking Users	12,268	17,269	23,150

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

BALANCE SHEET (US\$ MILLION)



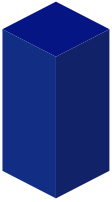





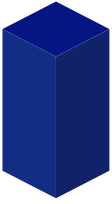





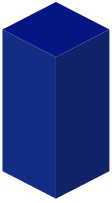





Key Performance Indicators (%)

ROAE	11.5%
ROAA	2.2%
Cost/Income	26.6%

Liquidity Ratio	156.3%
Credit Deposit Ratio	378.0%
Solvency Ratio	16.2%

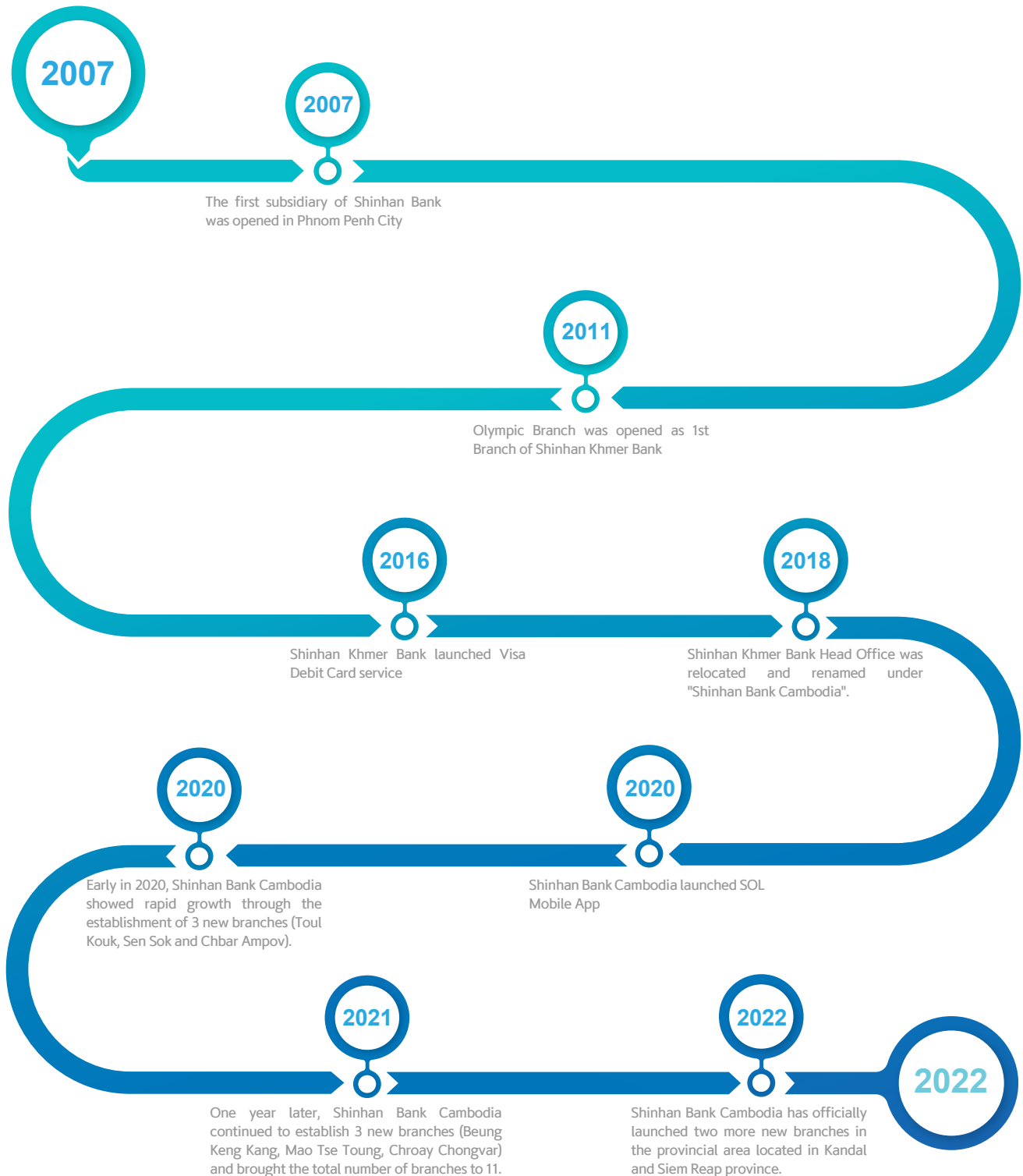
GENERAL INFORMATION (Comparison Data 2021 to 2022)

	2021	2022
 NUMBER OF DEPOSITORS	 <u>23,268</u>	 <u>24,752</u> +6%
 NUMBER OF BORROWERS	 <u>8,195</u>	 <u>12,234</u> +49%
 NUMBER OF STAFFS	 <u>402</u>	 <u>447</u> +11%
 NUMBER OF MOBILE BANKING USERS	 <u>17,269</u>	 <u>23,150</u> +34%
 OPERATING BRANCHES	 <u>12</u>	 <u>14</u> +17%
 NUMBER OF ATMs	 <u>25</u>	 <u>31</u> +24%

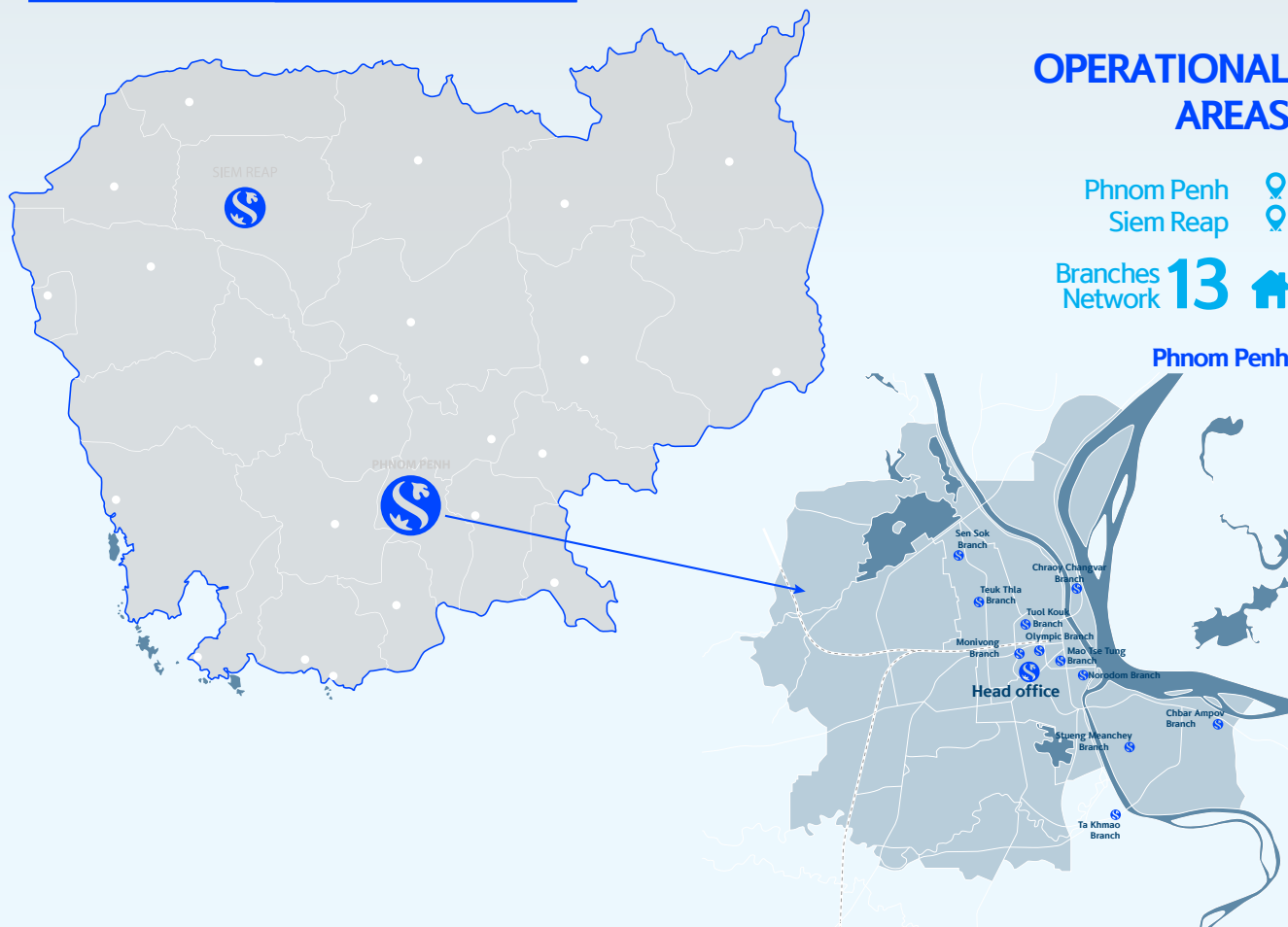
MILESTONES

[As the end of Dec, 2022]

Shinhan Bank Cambodia 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.



BRANCH NETWORK (As the end of Dec, 2022)



SHINHAN BANK (CAMBODIA) PLC.

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

SHINHAN BANK MAIN BRANCH

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

OLYMPIC BRANCH

No.11 St. 163, Sangkat Veal Vong, Khan 7
Makara, Phnom Penh, Cambodia
Tel. (+855) 23 988 381
Fax. (+855) 23 988 382
SWIFT: SHBKHHPP

TEUK THLAR BRANCH

No.A99 & A101, Russian Federation Blvd.,
Sangkat Teuk Thlar, Khan Sen Sok,
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, Tangov, 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 Toung 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

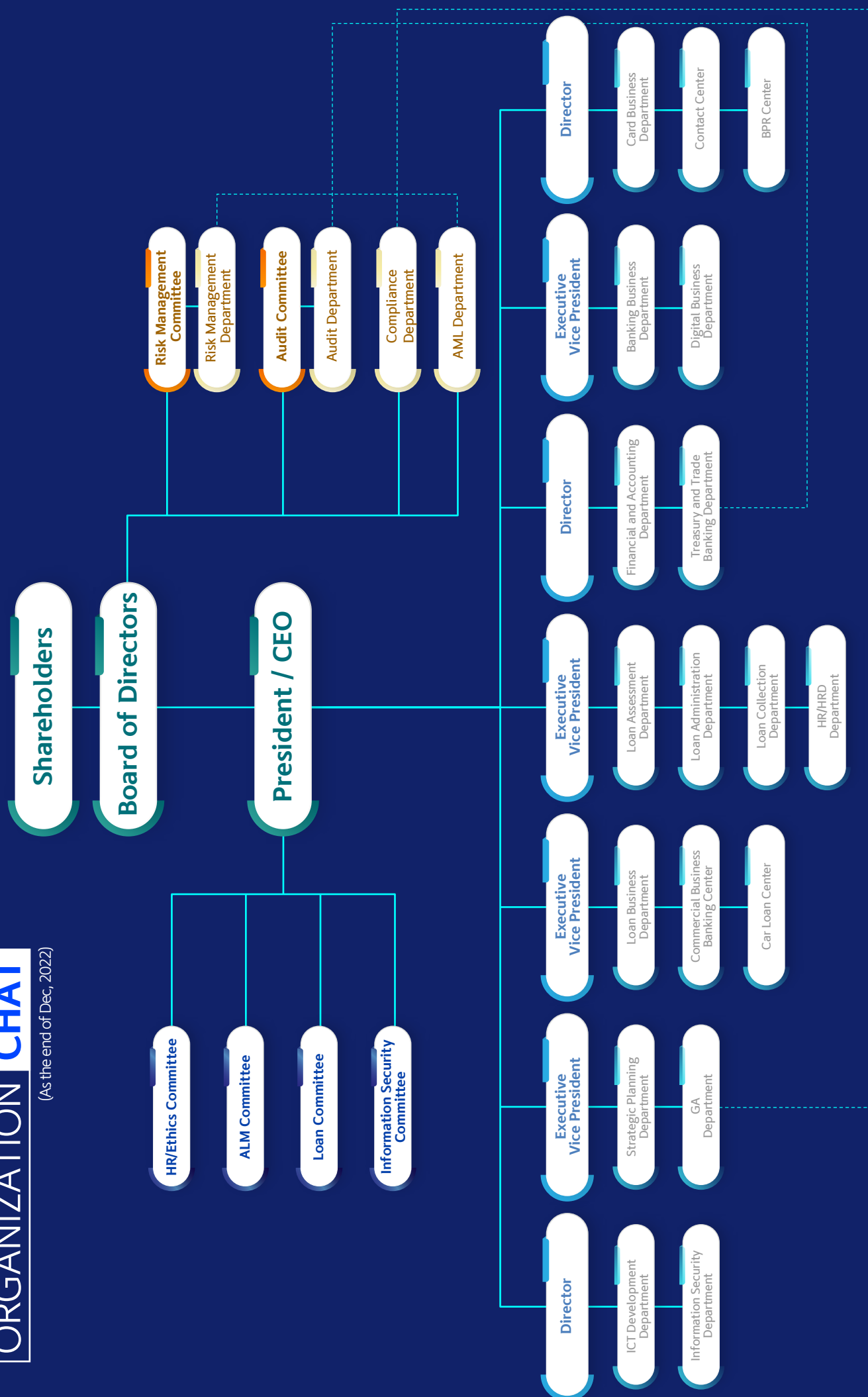
Nº 105, Sivutha Blvd, Phum Mondol 2,
Sangkat Svay Dankum, Krong Siemreap Province
Kandal Province, Cambodia
Tel. (+855) 63 900 800/801/802
SWIFT: SHBKHHPP

3

Corporate Governance

ORGANIZATION CHART

(As the end of Dec, 2022)



BOARD OF DIRECTORS (As the end of Dec, 2022)



Mr. Park Heejin

Mr. PARK HEEJIN joined Shinhan Bank Korea in 2000 where he spent 8 years demonstrated his profession in sale and business promotion in various branches. He extended expertise in customer support and retail business banking for another 7 years before assumed role of managing the bank's strategy and planning in various Southeast Asia countries such as Vietnam and Indonesia. In 2022, he was promoted as director of global business division in Shinhan Bank Korea and was also appointed as the Chairman of the Board of Director of Shinhan Bank Cambodia.



Mr. Kim Nam Soo

Mr. Kim joined Shinhan Bank Korea in 1995 and after gaining substantial experiences for 26 years, he was appointed as the Chief Executive Officer of Shinhan Bank Cambodia in 2021. Prior to becoming this role, Mr. Kim spent 13 years earning extensive and profound knowledge in general manager roles in sale and business promotion both in retail and corporate banking business. In addition to this, he also had professional experiences in business planning and management including HR management in Shinhan Bank Korean and Shinhan Financial Group for another 13 years.



Mr. Joen Youngkyo

Mr. Joen was appointed as independent member of Board of Director of Shinhan Bank Cambodia in 2022. In his early career, Mr. Joen joined Shinhan Bank Korea in 1995 as Manager of Business Planning Department, and after spending 9 years with extensive experiences he was promoted to be Branch General Manager where he spent 2 years in this role in promoting branch sale and business performances. He also had 13 years of managerial level experience with financial planning and human resources development.



Mr. Lee Sang Hoon

Mr. Lee is an Executive Vice President and also serves as member of the Board of Director of Shinhan Bank Cambodia. Prior to his appointment in 2021, Mr. Lee spent almost 20 years demonstrating his profession in various business expertise and gaining significant knowledge and experience in managerial roles including proficiency in Business Development, Strategic Planning, Human Resources and Shinhan Culture.



Mr. Park Woo Gyun

Mr. Park was appointed independent member of Board of directors in September 2021. Since joining Shinhan Bank in 1987, Mr. Park has served many executive positions in Shinhan Bank Korea including General Manager of many Branches, Manager of HR Department, and Executive Director in Compliance Department.

SENIOR MANAGEMENT

(As the end of Dec, 2022)



Mr. Kim Nam Soo

Mr. Kim joined Shinhan Bank Korea in 1995 and after gaining substantial experiences for 26 years, he was appointed as the Chief Executive Officer of Shinhan Bank Cambodia in 2021. Prior to becoming this role, Mr. Kim spent 13 years earning extensive and profound knowledge in general manager roles in sale and business promotion both in retail and corporate banking business. In addition to this, he also had professional experiences in business planning and management including HR management in Shinhan Bank Korean and Shinhan Financial Group for another 13 years.



Mr. Jung In Chang

Mr. Jung joined Shinhan Bank Cambodia in July 2021 as the Vice President. He has very strong expertise in Loan Business. He had served with managerial position at Shinhan Bank Korea for more than 20 years.



Mr. Lee Sang Hoon

Mr. Lee is an Executive Vice President and also serves as member of the Board of Director of Shinhan Bank Cambodia. Prior to his appointment in 2021, Mr. Lee spent almost 20 years demonstrating his profession in various business expertise and gaining significant knowledge and experience in managerial roles including proficiency in Business Development, Strategic Planning, Human Resources and Shinhan Culture.



Mr. Song Kyo Min

Mr. Song joined Shinhan Bank Cambodia in 2018, and was promoted to the Executive Vice President in 2021. Prior to this, he served in many managerial roles in Shinhan Bank Korea in Corporation Banking Center for almost 10 years, and later on spending his another 3 years in Credit Planning Department. With this combined 13 years of progressive experience, he had very strong expertise in corporate and credit planning.

SENIOR MANAGEMENT

(As the end of Dec, 2022)



Mr. Kim Min Su

Mr. Kim joined Shinhan Bank Cambodia in 2020, and was promoted to the Executive Vice President in 2022. Prior to joining Shinhan Bank Cambodia, Mr. Kim had profound experience as Manager at Branch in Shinhan Bank Korea for almost 5 years, and spent another 6 years in Retail Banking Department where he demonstrated his profession and expertise in managing retail banking business.



Mr. Lee Hyun Duk

Mr. Lee was appointed as the Director of Shinhan Bank Cambodia In 2022. Having over 20 years of experience, Mr. Lee had in-depth knowledge in several managerial positions of Information Technology in Shinhan Bank Korea.



Mr. Lee Jung Hoon

Having strong experience in Shinhan Bank Korea for more than 15 years, Mr. Lee joined Shinhan Bank Cambodia in 2019 as the director position in charge of Risk Management, Finance & Accounting, and Treasury. His specialization in Shinhan Bank Korea is Risk Management.



Mr. Kim Young Wook

Mr. Kim was appointed as the Director of Shinhan Bank Cambodia in 2021. He served as managerial position with extensive experiences in Retail Banking & Card Business at Shinhan Bank Korea for more than 16 years.

RISK MANAGEMENT

Effective risk management is one of the essential elements Shinhan Bank (Cambodia) Plc. has been relentlessly thriving to achieve. Our objective is to ensure that an appropriate balance between risks and return is reached and maintained which resulting in the implementation of comprehensive policies and procedures to identify, monitor and manage risk throughout our Bank.

Shinhan Bank (Cambodia) Plc. recognizes that the primary role of risk management is to

protect our customers, business, colleagues, and the communities, while ensuring we are able to support our business strategy and provide sustainable growth. Our risk management mechanism is based on the thorough understanding of various types of risks, disciplined risk assessment, and continuous monitoring based on comprehensive processes and internal control mechanism. The bank is fully aware that our objectives cannot be met without taking on risk. Management of these risks is the responsibly of all staff, mainly based on three lines of defense model.



During fiscal year 2022, we continued to strengthen our risk management framework and implemented steps to improve our policies, structures and processes. These measures include the enactment of Crisis Management Policy, the introduction of small business credit rating model, along with the amendment of policies namely Risk Management Policy, Risk Management Committee Policy, Credit Rating part of Loan Policy. Regular Risk Management Committee meeting are held periodically to set overall risk appetite, guarantee early detection of risks, and to oversee proper assessment and effective management of risks.

INTERNAL AUDIT

The Internal Audit (IA) has been established by the Board to provide independent and objective assurance on the adequacy and effectiveness of governance, risk management, and internal control processes implemented by the Bank. The Internal Audit of Shinhan Bank

(Cambodia) Plc carried out periodic control which independent from daily operational areas and permanent control functions and led by Head of Internal Audit. The Head of Internal Audit (HIA) reported directly to Chair of the Audit Committee (AC) by quarterly basis.



The primary of role and responsibilities of AC are:

- Review and Approve the annual internal audit plan and risk assessment
- Appointment/Termination of the HIA
- Appraisal of internal auditor's performance
- Review and Appoint the external independence audit firm
- Ensure that the financial and risk-related information is clear and assessing the relevance of accounting and valuation methods used for the establishment of the individual and, where applicable, consolidated accounts and financial statement
- Assess the effectiveness of internal control procedures, in particular whether the system for measuring, monitoring, and controlling risks are consistent, and recommend further action where appropriate
- Follow up on the implementation of effective corrective actions recommendations issued by internal audit



The principle responsibility of IA is to evaluate the adequacy and effectiveness of the system of risk management and internal control implemented by the Bank and to assess whether the risks, which may hinder the Bank from achieving its objectives, are adequately evaluated, managed and controlled.



Internal audit uses risk-based approach to determine the priorities for internal audit activities consistent with bank's goals. Internal audit department conduct audit engagements based on approved annual risk-based audit plan as below:

- ▶ Conduct audit on branches and head office departments
- ▶ Conduct IT General Control audit "ITGC audit" based on plan
- ▶ Conduct special audit and investigation

During FY2022, internal audit department conducts 49 audit engagements including audit of 14 branch offices, 18 head office departments, 12 surprise audits, 4 year-end cash count, and 1 special audit. The results of audit engagement are quarterly reported to AC and

communicated in the form of written report to management.

All audit findings and recommendations arising from the audit are continuously updated and follow up with management on 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.

4

Our Accomplishments

MOBILE BANKING ENHANCEMENT

(As the end of Dec, 2022)

Mobile Banking Enhancement

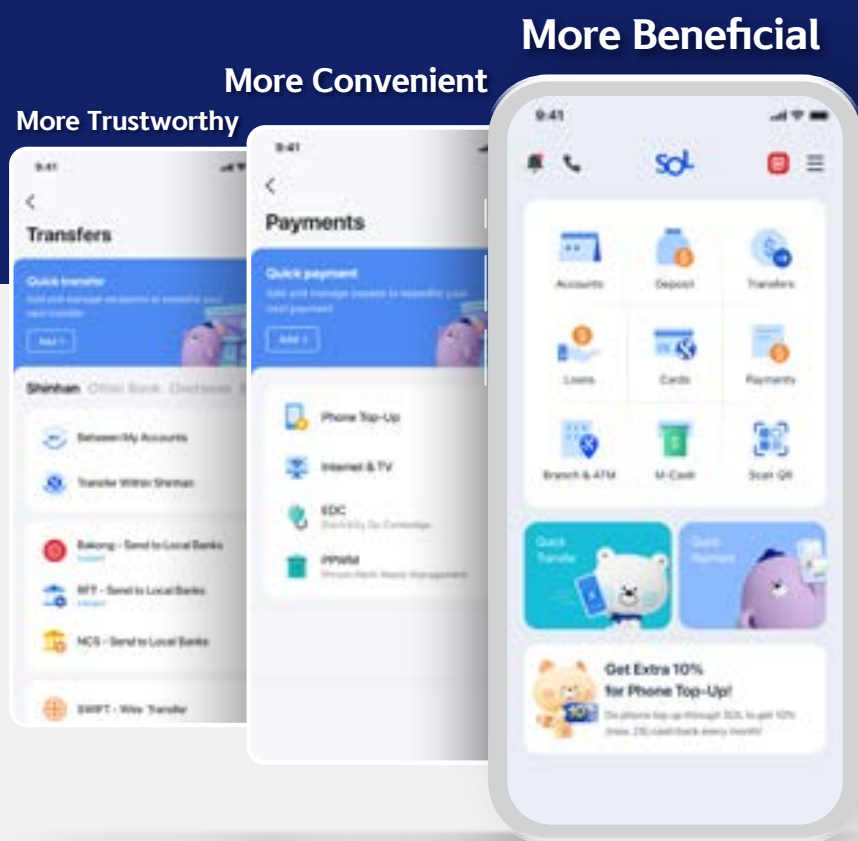
To provide customer with the 24/7 access to their banking service, Shinhan Bank (Cambodia) Plc. has utilized the digital platform name "SOL" to provide differentiated solutions and pursues a convenience online banking service to our customer. Shinhan Bank has launching mobile banking App (SOL) since 2019 in the aim to support our customer to conduct financial transaction safety, quickly and conveniently right on their mobile app.

To unlock the banking service to all Cambodian people, Shinhan Bank also made its service even more available via an innovation feature of SOL Mobile called Digital Saving Account. With digital saving account, all Cambodians can now open their first Shinhan bank account with just their smartphone and National ID without visiting the bank branch.

As of 2022, 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 unsecured loan through app with instant approval, utility payment such as EDC, phone top up, internet & TV with various benefit promotion.

In the return of our development on Mobile Banking App, during 2022 we have increase our Digital Monthly Active Users by 93.6% comparing to 2021.

**Most Innovative
Digital Bank
in Cambodia**



CUSTOMER SERVICE MANAGEMENT



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

To meet our customer satisfaction, we have launched “Shinhan Payroll Service”, New Product “My Salary Saving Account”, and improved our digital platforms include payment services to make self-banking services become the most Innovative Digital Bank in Cambodia.

In 2022, new customer has increased 25%, while Digital Active User has also double the number compare to 2021, which customers can access and use our banking services through Mobile Banking. The growth contributed a huge success that won Shinhan Bank “Most Innovative Digital Bank Award in 2022” which provide safe, reliable and convenient banking services to all customers.

We also keep continue expand our branch network by opening our first province branch in Siem Reap province. We have also expand our self-banking service by establishing Cash-In Deposit Machine to all 15 branches in Phnom Penh, Takhmao and Siem Reap, with this self-services launching, it will be make more convenience for our customers to use Cash-In service 24/7.

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

PAYMENT PLATFORM EXPANSION

After the Covid-19 outbreak abated, people all across the world, including Cambodians, focus on usage cashless transactions like card, fund transfer and QR Code scanning, to pay for goods, services and businesses. Card payments and QR Code scanning, a type of Digital payment that fill the gap between domestic and international markets, can offer customers and merchants, instantaneous payment for delivery or receipt of goods and services

The availability of Digital Payments has increased competition among many businesses, particularly a sizable number of local businesses including food delivery, restaurants, supermarkets, hotels, movie theaters, and others that have the changing in term of cashless payment.

Midway through 2022, Shinhan Bank started to roll out QR Code scanning feature via SBCKHQR on the SOL App with a completely new experience, including increased adoption from both customers and merchants. With the

advent of SBCKHQR payments, Shinhan Bank VISA cards continue to be a common way for customers to make convenient domestic and international payments, including discounts on goods or services. We provide additional enhancement to the SOL App capabilities, allowing our customers to rapidly monitor transaction usage, transaction history, report card lost, and more, as well as download E-Statement report through the SOL App.

For the launch of SBCKHQR on the SOL App, customers can simply pay for goods or service with SBC merchants or other local bank merchant, or they can scan customer to customer via MYQR on the SOL App as well. With this launch, more merchants will be able to accept quick cashless payments in both KHR and USD via smartphones. The Bank has also added a Telegram Notification option to assist merchants in receiving notifications when customers scan their QR Code. They can also directly manage their business's transaction history.



NEW BRANCH LAUNCH

As part of the Bank's channel network strategy, in 2022, Shinhan Bank Cambodia has officially launched two more new branches in the provincial area located in Ta Khmau city of Kandal province and another one in Siem Reap city of Siem Reap province. Throughout this new channel establishments, we are able to expand and bring our excellent and reliable first class financial services and product to our customer and local community in these two provinces.



STRATEGIC HUMAN RESOURCE MANAGEMENT

“Developing human resources and creating a great workplace culture”

Improving the satisfaction of employees in the work environment through establishing a great workplace culture is a key aspect for successful business as it maximizes the capacity of individuals.

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 core mottos.

Despite the current financial situation after the pandemic, we proactively executed talent acquisition strategies with a total of more than 200 vacancies mainly via virtual interview to attract people with potential skills, leadership traits with additional 193 of new staff in 2022. Continuously, 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 student to allow them to gain banking life experiences.

On another hand, we still believe that learning will never be end and enough. Since our employee is our most valuable asset, upgrading their knowledge and capability are one of our main direction plan. By 2022, we provided more than 200 various internal and external training programs such as IBF training course included short courses and certification courses, technical skill courses, soft skill courses, and task-related trainings with tuition fee fully supported by the Bank. Despite the fact that SBC staff number is still considered limited compared to other commercial banks, Shinhan bank Cambodia has been ranked in the number 9th among other FI in IBF training session. Last but not least, our direction is to establish a great work place by providing competitive remuneration and welfare systems to all SBC employees by 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 employees’ happiness equals to the happiness of the company and that this ultimately forms a result in the customer satisfaction and social contribution to “A better world through Finance”.



CORPORATE SOCIAL RESPONSIBILITY

Hope Scholarship

Shinhan Bank (Cambodia) Plc has provided scholarship to the Department of Korean, Institute of Foreign Language at the Royal University of Phnom Penh.

11.Jan.2022



Angkor Hospital for Children

Shinhan Bank (Cambodia) Plc has donated and Food distribution to " Angkor Hospital for Children"

16.Oct.2022



Association of Banks in Cambodia

Shinhan Bank (Cambodia) Plc has donated USD2,000.00 to contribute with the Royal Government of Cambodia and National Bank of Cambodia in supporting families effected by floods.

15.Dec.2022



RUPP Scholarship

Scholarship Donation Ceremony to 15 students from RUPP majoring in Korean languages and Computer Science dated

10.Jan.2023



5

Audited Financial Statements

CONTENTS	Pages
Director's report	1 – 3
Independent auditor's report	4 – 6
Financial statements	
Statement of financial position	7
Statement of profit or loss and other comprehensive income	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 – 78

DIRECTOR'S REPORT

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 2022.

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 8.

SHARE CAPITAL

There were no changes in the share capital of the Bank during the year.

BAD AND DOUBTFUL LOANS TO CUSTOMERS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans to customers or making of allowance for impairment losses, and satisfied themselves that all known bad loans to customers had been written off and that adequate loss allowance has been made for bad and doubtful loans to customers.

At the date of this report and based on the best of knowledge, the Directors is not aware of any circumstances which would render the amount written off for bad loans to customers or the amount of the allowance for impairment losses in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were drawn up, 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 that might be expected to be realised.

At the date of this report and to the best of their knowledge, 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.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no 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, and
- (b) no 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 a period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors is 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 in any material respect.

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, materially 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.

THE BOARD OF DIRECTORS

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

Mr. Park Heejin	Chairman (appointed on 2 June 2022)
Mr. Kim Nam Soo	Director
Mr. Lee Sanghoon	Director
Mr. Park WooGyun	Independent Director
Mr. Jeon Youngkyo	Independent Director (appointed on 7 April 2022)
Mr. Seo Seung Hyeon	Chairman (resigned on 2 June 2022)
Mr. Lee Dae Kun	Director (resigned on 8 December 2022)
Mr. Kim Choon Ho	Director (resigned on 8 December 2022)
Mr. Kim Yuk Dong	Independent Director (resigned on 8 December 2022)

THE DIRECTORS' RESPONSIBILITIES 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 2022 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards (CIFRS).

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 the disclosure requirements of CIFRS or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v) effectively control and direct the Bank in all material decisions affecting its operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Bank as at 31 December 2022 and the financial performance and cash flows of the Bank for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Board of Directors.

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


Mr. Kim Nam Soo
Director/Chief Executive Officer




Mr. Lee Jung Hoon
Director

Phnom Penh, Kingdom of Cambodia
31 March 2023



Independent auditor's report

To the Shareholders of Shinhan Bank (Cambodia) Plc.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shinhan Bank (Cambodia) Plc. (the Bank) as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (CIFRS).

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code) that are relevant to our audit of the financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KICPAA Code.

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report are the Directors' report and the supplementary financial information and other disclosures required by the National Bank of Cambodia, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 auditor's 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 CIFRS, 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.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 PricewaterhouseCoopers (Cambodia) Ltd.



By Touch Sovannara
Partner

Phnom Penh, Kingdom of Cambodia
31 March 2023

SHINHAN BANK (CAMBODIA) PLC.
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

		2022		2021	
	Notes	US\$	KHR'000	US\$	KHR'000
Assets					
Cash on hand	4	9,145,476	37,651,925	10,670,960	43,473,491
Deposits and placements with the central bank	5	9,481,393	39,034,895	31,456,605	128,154,209
Deposits and placements with other banks	6	70,450,137	290,043,214	36,428,609	148,410,153
Statutory deposits with the central bank	7	45,481,798	187,248,562	39,767,480	162,012,714
Loans to customers at amortised cost	8	687,789,085	2,831,627,663	559,195,431	2,278,162,186
Investment securities	9	5,383,473	22,163,758	25,495,692	103,869,449
Property and equipment	10	6,909,709	28,447,272	6,720,181	27,378,017
Right-of-use assets	11	5,354,659	22,045,131	5,769,484	23,504,878
Intangible assets	12	1,141,332	4,698,864	1,068,112	4,351,488
Other assets	13	3,109,223	12,800,671	2,322,731	9,462,806
Total assets		844,246,285	3,475,761,955	718,895,285	2,928,779,391
Liabilities and equity					
Liabilities					
Deposits from banks and financial institutions	14	104,289,198	429,358,628	91,845,204	374,177,361
Deposits from customers	15	77,670,670	319,770,148	83,291,941	339,331,368
Current income tax liabilities	16	3,338,097	13,742,945	3,480,953	14,181,403
Deferred tax liabilities	17	559,409	2,303,087	202,547	825,176
Borrowings	18	491,589,894	2,023,875,594	391,700,740	1,595,788,815
Lease liabilities	11	5,910,675	24,334,249	6,206,488	25,285,232
Employee benefit obligations		94,084	387,344	102,940	419,377
Other liabilities	19	2,747,214	11,310,280	2,172,008	8,848,761
Total liabilities		686,199,241	2,825,082,275	579,002,821	2,358,857,493
Equity					
Share capital	20	75,000,000	303,375,000	75,000,000	303,375,000
Retained earnings		60,875,853	248,687,338	52,918,073	216,163,892
Regulatory reserves		10,009,916	40,683,238	6,353,116	25,737,896
Non distributable reserves		12,161,275	49,422,067	5,621,275	22,693,087
Other reserves		-	8,512,037	-	1,952,023
Total equity		158,047,044	650,679,680	139,892,464	569,921,898
Total liabilities and equity		844,246,285	3,475,761,955	718,895,285	2,928,779,391

The accompanying notes on pages 11 to 78 form an integral part of these financial statements.

	Notes	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Interest income	21	50,679,477	207,127,022	41,368,101	168,285,435
Interest expense	22	(14,494,284)	(59,238,139)	(6,426,635)	(26,143,551)
Net interest income		<u>36,185,193</u>	<u>147,888,883</u>	<u>34,941,466</u>	<u>142,141,884</u>
Fee and commission income	23	645,280	2,637,259	1,450,469	5,900,508
Total fee and commission income		<u>645,280</u>	<u>2,637,259</u>	<u>1,450,469</u>	<u>5,900,508</u>
Credit impairment losses	24	(387,199)	(1,582,482)	(1,103,213)	(4,487,871)
Other losses – net	25	(304,527)	(1,244,602)	(302,923)	(1,232,291)
Other operating income	26	39,169	160,084	21,297	86,637
Net other operating losses		<u>(652,557)</u>	<u>(2,667,000)</u>	<u>(1,384,839)</u>	<u>(5,633,525)</u>
Personnel expenses	27	(6,518,900)	(26,642,744)	(5,710,876)	(23,231,844)
Depreciation and amortisation charges	28	(2,412,842)	(9,861,285)	(1,940,170)	(7,892,612)
Other operating expenses	29	(4,157,505)	(16,991,723)	(4,328,303)	(17,607,536)
Profit before income tax		<u>23,088,669</u>	<u>94,363,390</u>	<u>23,027,747</u>	<u>93,676,875</u>
Income tax expenses	30	(4,934,089)	(20,165,622)	(4,631,090)	(18,839,274)
Profit for the year		<u>18,154,580</u>	<u>74,197,768</u>	<u>18,396,657</u>	<u>74,837,601</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	6,560,014	-	3,253,758
Total comprehensive income for the year		<u>18,154,580</u>	<u>80,757,782</u>	<u>18,396,657</u>	<u>78,091,359</u>
Profit attributable to:					
Owners of the Bank		<u>18,154,580</u>	<u>74,197,768</u>	<u>18,396,657</u>	<u>74,837,601</u>
Total comprehensive income attributable to:					
Owners of the Bank		<u>18,154,580</u>	<u>80,757,782</u>	<u>18,396,657</u>	<u>78,091,359</u>

The accompanying notes on pages 11 to 78 form an integral part of these financial statements.

	Attributable to owners of the Bank									
	Share capital		Retained earnings		Regulatory reserves		Non distributable reserves		Other reserves	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at 1 January 2021	75,000,000	303,375,000	36,448,053	149,163,850	4,426,479	17,900,337	5,621,275	22,693,087	-	(1,301,735)
Profit for the year	-	-	18,396,657	74,837,601	-	-	-	-	-	-
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	18,396,657	74,837,601	-	-	-	-	3,253,758	3,253,758
Transactions with owners in their capacity as owners:										
Transfer to regulatory reserves	-	-	(1,926,637)	(7,837,559)	1,926,637	7,837,559	-	-	-	-
Total transactions with owners	-	-	(1,926,637)	(7,837,559)	1,926,637	7,837,559	-	-	-	-
Balance at 31 December 2021	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
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
Profit for the year	-	-	18,154,580	74,197,768	-	-	-	-	-	-
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	18,154,580	74,197,768	-	-	-	-	6,560,014	6,560,014
Transactions with owners in their capacity as owners:										
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	-	-
Total transactions with owners	-	-	(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 on pages 11 to 78 form an integral part of these financial statements.

Notes	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities				
Profit before income tax	23,088,669	94,363,390	23,027,747	93,676,875
<i>Adjustments for:</i>				
Provision for employee benefit obligations	8,856	36,194	(1,694)	(6,891)
Depreciation and amortisation	28 2,412,842	9,861,285	1,940,170	7,892,612
Impairment losses on financial assets	24 387,199	1,582,482	1,103,213	4,487,871
Unrealised exchange (gains)/losses	(1,912)	(7,814)	186,588	759,040
Gain on disposal of investment securities	93,244	381,088	-	-
Loss on disposal of property and equipment	79,720	325,816	302,751	1,231,591
Interest income	21 (50,679,477)	(207,127,022)	(41,368,101)	(168,285,435)
Interest expense	22 14,494,284	59,238,139	6,426,635	26,143,551
<i>Changes in working capital</i>				
Reserve requirement with the central bank	(5,721,761)	(23,384,837)	(9,222,830)	(37,518,472)
Loans to customers	(128,525,061)	(525,281,924)	(125,896,798)	(512,148,174)
Other assets	(786,490)	(3,214,385)	(320,450)	(1,303,591)
Deposits from banks and financial institutions	(5,748,664)	(23,494,790)	27,183,262	110,581,510
Deposits from customers	11,819,465	48,306,153	(5,912,842)	(24,053,441)
Other liabilities	732,713	2,994,598	833,232	3,389,587
Cash used in operations	(138,346,373)	(565,421,627)	(121,719,117)	(495,153,367)
Interest received	50,397,592	205,974,959	42,356,253	172,305,237
Interest paid	(9,303,870)	(38,024,917)	(6,054,229)	(24,628,604)
Income tax paid	16 (4,720,083)	(19,290,979)	(3,242,283)	(13,189,607)
Net cash used in operating activities	(101,972,734)	(416,762,564)	(88,659,376)	(360,666,341)
Cash flows from investing activities				
Purchases of property and equipment	10 (1,667,490)	(6,815,032)	(3,839,392)	(15,618,647)
Purchases of intangible assets	12 (195,524)	(799,107)	(642,145)	(2,612,246)
Proceeds from disposals of property and equipment	-	-	1,117	4,544
Deposits and placements with the central bank - maturity later than three months	13,860,000	56,645,820	-	-
Deposits and placements with other banks - maturity more than three months	6,318,535	25,823,853	13,522,286	55,008,659
Proceeds from disposal of investment securities	19,581,986	80,031,577	-	-
Net cash generated from investing activities	37,897,507	154,887,111	9,041,866	36,782,310
Cash flows from financing activities				
Proceeds from borrowings	18 447,000,000	1,826,889,000	390,549,337	1,588,754,703
Repayments of borrowings	18 (351,549,337)	(1,436,782,140)	(318,893,716)	(1,297,259,637)
Principal element of lease payments	(750,013)	(3,065,303)	(703,612)	(2,862,294)
Net cash generated from financing activities	94,700,650	387,041,557	70,952,009	288,632,772
Net increase/(decrease) in cash and cash equivalents	30,625,423	125,166,104	(8,665,501)	(35,251,259)
Cash and cash equivalents at beginning of the year	31,148,573	126,899,287	39,814,074	161,047,929
Currency translation differences	-	2,258,150	-	1,102,617
Cash and cash equivalents at end of the year	31 61,773,996	254,323,541	31,148,573	126,899,287

Non-cash investing activities refer to Note 10.

Non-cash financing activities disclosed in other note are the right-of-use assets and lease liabilities (Note 11).

The accompanying notes on pages 11 to 78 form an integral part of these financial statements.

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 (NBC or the central bank).

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.

The financial statements were authorised for issue by the Board of Director on 31 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

The financial statements are prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by the International Accounting Standard Board including other interpretations and amendments that may occur in any circumstances to each standard.

The financial statements have been prepared under the historical cost convention, except for financial asset that is equity instrument measured at fair value.

The Bank discloses the amount for each asset and liability that is expected to be recovered or settled no more than 12-month after the reporting period as current, and more than 12-month after the reporting period as non-current.

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

An English version of the financial statements have been prepared from the financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language financial statements shall prevail.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. New standards and interpretation

i) *New and amended standards adopted by the Bank*

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16,
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37, and
- Annual Improvements to IFRS Standards 2018-2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

ii) *New standards and interpretations not yet adopted by the Bank*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3. Foreign currency translation

i) *Functional and presentation currency*

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The functional currency is United States dollars (US\$) because of the significant influence of the US\$ on its operations. The financial statements are presented in the US\$ which is the Bank's functional and presentation currency.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within interest expense. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses) – net.

iii) *Presentation in Khmer riel*

In compliance with the Law on Accounting and Auditing, the financial statements shall be expressed in Khmer Riel (KHR). The statement of profit or loss and other comprehensive income and the statement of cash flows are translated into KHR using the average exchange rates for the year. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date. Shareholders' capital and reserves are translated at the rate at the date of transaction. All resulting exchange differences are recognised in the other comprehensive income.

The Bank has used the official rate of exchange published by the National Bank of Cambodia. As at the reporting date, the yearly average rate was US\$ 1 to Riel 4,087 (2021: US\$1 to Riel 4,068) and the closing rate was US\$1 to Riel 4,117 (2021: US\$ 1 to Riel 4,074).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, unrestricted deposits and placements with the central bank and other banks, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and subject to an insignificant risk of changes in value.

Deposits and placements with the central bank and other banks are carried at amortised cost in the statement of financial position. Bank overdrafts are presented as liabilities in the statement of financial position.

2.5. Financial assets

a) Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost are cash on hand, deposits and placements with the central bank and other banks, loans to customers at amortised cost, other assets; and
- those to be measured subsequently at fair value through other comprehensive income (OCI).

The classification depends on the Bank's model for managing financial assets and the contractual terms of the financial assets cash flows.

For assets measured at fair value, gains or losses will either be recorded in profit or loss or OCI. For investment in equity instruments that are held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

- (i) The Bank classifies its financial assets at amortised cost only if both of the following criteria are met:
 - The asset is held within a business model with the objective of collecting the contractual cash flows, and
 - The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
- (ii) Financial assets at fair value through OCI comprise of:
 - Equity securities which are not held for trading, and for which the Bank has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

b) Recognition and derecognition

Financial assets are recognised when the Bank becomes a party to the contractual provision of the instruments. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Bank commits to purchase or sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership. A gain or loss on derecognition of a financial asset measured at amortised cost is recognised in profit or loss when the financial asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

c) Measurement

At initial recognition, the Bank measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the assets and the cash flow characteristics of the assets. The Bank classifies its debt instruments as financial assets measured at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest (SPPI), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in finance income using the effective interest rate method.

For loans to employees with interest rate below market rate, such loans are initially recognised at the present value of the future cash payments discounted at a market rate of interest for similar loans. Differences between the amount of cash paid and the present value of the future cash received are accounted as employee remuneration. Those amounts are recognised as advanced employee benefits and amortised to employee benefit expense to profit or loss over loan period.

Equity instruments

The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss allowing the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d) Reclassification of financial assets

The Bank reclassifies financial assets when and only when their business model for managing those assets changes.

e) Impairment

The Bank assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortised cost and with the exposure arising from credit commitments (including overdraft and revolving facilities) and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

e) Impairment (continued)

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories:

- Debt instruments measured at amortised cost; and
- Credit commitments (including undrawn overdraft and revolving facilities) and financial guarantee contract

The three-stage approach is based on the change in credit risk since initial recognition:

(a) Stage 1: 12-month ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

2.6. Financial liabilities

Financial liabilities are recognised when the Bank becomes a party to the contractual provision of the instruments. Financial liabilities of the Bank include deposits from banks and financial institutions, deposits from customers, borrowings, lease liabilities and other financial liabilities.

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities that are not classified as fair value through profit or loss are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from banks and financial institutions, deposits from customers, borrowings, lease liabilities and other liabilities.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Credit commitments and financial guarantee contracts

Credit commitments (including undrawn overdraft and revolving facilities) provided by the Bank are measured at the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under CIFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of CIFRS 15 'Revenue from Contracts with Customers', where appropriate.

These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in profit or loss within operating expenses.

For credit commitments (including undrawn overdraft and revolving facilities), the expected credit losses are recognised as provisions (presented with other liabilities). However, for contracts that include both a loan and an undrawn commitment and that the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.8. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss in the financial year in which they are incurred.

Capital work-in-progress is not depreciated. Depreciation on other property and equipment are depreciated using the following methods to allocate their cost to their residual value over their estimated useful lives:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property and equipment (continued)

	Years	Depreciation method
Leasehold improvements	Shorter of its contractual lease term and its economic lives of 10 years	Straight-line
Computer and office equipment	4 years	Declining balance
Furniture and fitting	2 - 4 years	Declining balance
Motor vehicles	4 years	Declining balance

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.10. Intangible assets

Intangible assets, which comprise acquired computer software license for the core banking system and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of costs incurred to acquire the specific software license and bring them into use. These costs are amortised over their estimated useful lives of 10 years using the declining method.

Costs associated with maintaining computer software are recognised as expenses when incurred.

2.11. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Any impairment loss is charged to profit or loss in the period in which it arises. Reversal of impairment losses is recognised in profit or loss 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, had no impairment loss been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12. Leases

The Bank as a lessee

At inception of contract, the Bank assesses whether the 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 a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i) Lease liabilities

Lease liabilities include the net present value of the lease payments from fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct cost, and
- restoration cost, if any

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

ii) Right-of-use assets (continued)

Subsequently the right-of-use asset is measured at cost less depreciation and any accumulated impairment losses.

iii) Recognition exemptions

Payments associated with all short-term leases recognised on a straight-line basis as an expense in profit or loss. Short-term leases comprise car parking space and house rental for key management. There is no lease of low value asset.

2.13. Income tax

The income tax expense is the tax payables on the current's period taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income.

Deferred tax is provided in full, using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.14 Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Non-distributable reserves

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

2.16 Regulatory reserves

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017, Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment, and Circular No. B7-021-2314 dated 28 December 2021 (implemented from 1 January 2022) on classification and provisioning requirements on restructured loan. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, and is non-distributable, is not allowed to be included in the net worth calculation.

2.17 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Employee benefits(continued)

iii) Other employee benefits - seniority payments (continued)

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.

2.18 Interest income and expense

Interest income and expense from financial instruments at amortised cost are recognised within interest income and interest expense respectively in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the gross carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest income is calculated by applying effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets ('POCI'), for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial assets.
- Financial assets that are not POCI but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

2.19 Fee and commission income

The Bank earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Bank has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Bank generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to service charges, fees on loans to customers and financing. These fees constitute a single performance obligation.
- For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

i) Expected credit loss allowance on financial assets at amortised cost

The expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Applying assumptions and analysis on expected future cash flows and forward-looking information

ii) Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4. CASH ON HAND

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
US Dollars	8,095,593	33,329,556	9,817,091	39,994,829
Khmer Riel	1,049,883	4,322,369	853,869	3,478,662
	<u>9,145,476</u>	<u>37,651,925</u>	<u>10,670,960</u>	<u>43,473,491</u>

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Current accounts	3,602,250	14,830,463	5,248,949	21,384,218
Settlement accounts	4,377,682	18,022,917	3,108,886	12,665,602
Negotiable certificates of deposit (i)	1,501,461	6,181,515	23,098,770	94,104,389
	<u>9,481,393</u>	<u>39,034,895</u>	<u>31,456,605</u>	<u>128,154,209</u>

- (i) The Bank has pledged Negotiable Certificates of Deposit (NCD) amounting to US\$200,000 (2021: nil) with the central bank as collateral for settlement clearing facility. As at 31 December 2022, the Bank had yet utilised the overdraft on settlement clearing facility. There is no NCD pledged as collateral for Liquidity Providing Collateralised Operations (LPCO) (2021: pledged as collateral amounting to US\$14,230,000).

Annual interest rates of deposits and placements with the central bank are as follows:

	2022	2021
Current accounts	Nil	Nil
Settlement accounts	Nil	Nil
Negotiable certificates of deposit	3.40% - 3.42%	0.02% - 0.8%

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

a) By account types

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current:</i>				
<i>Deposits and placements with local banks</i>				
Current accounts	78,927	324,942	128,959	525,379
Fixed deposits	40,898,083	168,377,408	26,600,010	108,368,441
	<u>40,977,010</u>	<u>168,702,350</u>	<u>26,728,969</u>	<u>108,893,820</u>
<i>Deposits and placements with overseas banks</i>				
Current accounts	5,383,336	22,163,194	2,952,048	12,026,643
Fixed deposits	24,180,770	99,552,231	6,904,225	28,127,813
	<u>29,564,106</u>	<u>121,715,425</u>	<u>9,856,273</u>	<u>40,154,456</u>
	70,541,116	290,417,775	36,585,242	149,048,276
Less: Allowance for expected credit loss	<u>(90,979)</u>	<u>(374,561)</u>	<u>(156,633)</u>	<u>(638,123)</u>
	<u>70,450,137</u>	<u>290,043,214</u>	<u>36,428,609</u>	<u>148,410,153</u>

Annual interest rates of deposits and placements with other banks are as follows:

	2022	2021
Current accounts	Nil	Nil
Fixed deposits	4% - 7.75%	0.04% - 6.3%

7. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current:</i>				
Reserve requirement (i)	37,981,798	156,371,062	32,267,480	131,457,714
<i>Non-current</i>				
Capital guarantee deposits (ii)	7,500,000	30,877,500	7,500,000	30,555,000
	<u>45,481,798</u>	<u>187,248,562</u>	<u>39,767,480</u>	<u>162,012,714</u>

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 7% (2021: 7%) of customers' deposits and borrowings in Khmer Riel and other currencies. The reserve requirement on customers' deposits and borrowings bear no interest.

(ii) Capital guarantee deposit

Pursuant to Prakas No. B7-01-136 on bank capital guarantees, dated 15 October 2001, issued by the central bank, the Bank is required to maintain 10% of its registered capital as a statutory deposit with the central bank. The deposit, which is not available for use in the Bank's day-to-day operations, is refundable should the Bank voluntarily cease its operations in Cambodia.

Annual interest rates of statutory deposits with the central bank are as follow:

	2022	2021
Reserve requirement	Nil	Nil
Capital guarantee deposit	0.08%-1.19%	0.06%-0.04%

8. LOANS TO CUSTOMERS AT AMORTISED COST

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost:</i>				
Commercial loans:				
Long-term loans	16,435,823	67,666,283	14,426,719	58,774,453
Short-term loans	14,483,068	59,626,791	15,088,008	61,468,545
Overdrafts	68,731,591	282,967,960	58,515,280	238,391,251
Consumer loans	591,463,977	2,435,057,194	473,947,129	1,930,860,603
Total gross carrying amount	<u>691,114,459</u>	<u>2,845,318,228</u>	<u>561,977,136</u>	<u>2,289,494,852</u>
Less: Allowance for expected credit losses	<u>(3,325,374)</u>	<u>(13,690,565)</u>	<u>(2,781,705)</u>	<u>(11,332,666)</u>
	<u>687,789,085</u>	<u>2,831,627,663</u>	<u>559,195,431</u>	<u>2,278,162,186</u>

8. LOANS TO CUSTOMERS AT AMORTISED COST (continued)

a) Allowance for expected credit loss

Movements for provision for loan losses are as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	1,236,932	5,092,449	1,554,450	6,332,829
Lifetime ECL-not credit impaired (Stage 2)	503,991	2,074,931	290,279	1,182,597
Lifetime ECL-credit impaired (Stage 3)	1,584,451	6,523,185	936,976	3,817,240
	<u>3,325,374</u>	<u>13,690,565</u>	<u>2,781,705</u>	<u>11,332,666</u>

b) By industry

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Wholesale and retails	12,316,758	50,708,093	13,234,448	53,917,141
Construction	3,374,389	13,892,360	2,813,133	11,460,704
Real estate	7,033,899	28,958,562	5,045,903	20,557,009
Financial institutions	9,198,219	37,869,068	11,060,487	45,060,424
Staff loans	4,045,361	16,654,751	5,967,781	24,312,740
Manufacturing	2,487,941	10,242,853	-	-
Others	652,657,892	2,686,992,541	523,855,384	2,134,186,834
	<u>691,114,459</u>	<u>2,845,318,228</u>	<u>561,977,136</u>	<u>2,289,494,852</u>

c) By loan classification

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>				
Gross amount	664,555,157	2,735,973,582	542,596,123	2,210,536,605
Exposure at default	664,801,593	2,735,973,582	543,727,681	2,210,536,605
Allowance for expected credit loss	(1,236,932)	(5,092,449)	(1,554,450)	(6,332,829)
<i>Under-performing</i>				
Gross amount	18,980,175	78,141,380	14,682,699	59,817,316
Exposure at default	19,033,834	78,362,294	14,693,356	59,860,732
Allowance for expected credit loss	(503,991)	(2,074,931)	(290,279)	(1,182,597)
<i>Non-performing</i>				
Gross amount	7,579,127	31,203,266	4,698,314	19,140,931
Exposure at default	7,109,817	31,203,266	4,557,152	18,565,835
Allowance for expected credit loss	(1,584,451)	(6,523,185)	(936,976)	(3,817,240)
Total				
Gross amount	<u>691,114,459</u>	<u>2,845,318,228</u>	<u>561,977,136</u>	<u>2,289,494,852</u>
Exposure at default	<u>690,945,244</u>	<u>2,845,539,142</u>	<u>562,978,188</u>	<u>2,288,963,172</u>
Allowance for expected credit loss	<u>(3,325,374)</u>	<u>(13,690,565)</u>	<u>(2,781,705)</u>	<u>(11,332,666)</u>

10. PROPERTY AND EQUIPMENT

Non-current

For the year ended 31 December 2021

Opening net book value	
Additions	
Transfers	
Transfer to intangible assets	
Disposals	
Depreciation charge	
Closing net book value	

Leasehold improvements US\$	Furniture and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Work in progress US\$	Total US\$
1,495,531	367,162	741,715	151,252	1,509,215	4,264,875
1,399,777	777,337	480,871	36,502	1,144,905	3,839,392
958,046	302,869	252,234	-	(1,513,149)	-
-	-	-	-	(5,543)	(5,543)
(294,883)	(848)	(8,137)	-	-	(303,868)
(235,000)	(475,882)	(322,188)	(41,605)	-	(1,074,675)
3,323,471	970,638	1,144,495	146,149	1,135,428	6,720,181

As at 31 December 2021

Cost	
Accumulated depreciation	

1,888,549	368,920	1,135,428	-	10,080,818
(744,054)	(222,771)	-	-	(3,360,637)

Net book value

1,144,495	146,149	1,135,428	6,720,181
-----------	---------	-----------	-----------

In KHR'000 equivalent

4,662,673	595,411	4,625,733	27,378,017
-----------	---------	-----------	------------

For the year ended 31 December 2022

Opening net book value	
Additions	
Transfers	
Disposals	
Depreciation charge	
Closing net book value	

1,144,495	146,149	1,135,428	6,720,181
14,338	52,490	1,553,040	1,690,760
292,413	-	(2,598,186)	-
(2,085)	-	-	(79,720)
(325,801)	(37,686)	-	(1,421,512)
1,123,360	160,953	90,282	6,909,709

As at 31 December 2022

Cost	
Accumulated depreciation	

2,186,088	421,410	90,282	11,622,573
(1,062,728)	(260,457)	-	(4,712,864)

Net book value

1,123,360	160,953	90,282	6,909,709
-----------	---------	--------	-----------

In KHR'000 equivalent

4,624,873	662,644	371,690	28,447,272
-----------	---------	---------	------------

10. PROPERTY AND EQUIPMENT (continued)

The table shows the details of cash used for the purchases of property and equipment.

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Additions	1,690,760	6,910,136	3,839,392	15,618,647
Increase in payable for capital expenditure	(23,270)	(95,104)	-	-
	<u>1,667,490</u>	<u>6,815,032</u>	<u>3,839,392</u>	<u>15,618,647</u>

11. LEASES

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

The Bank has leased various buildings for its branch offices and ATM locations. The Bank applies the recognition exemption for short-term leases of car parking spaces and house rentals for key management. There is no lease of low value asset.

a) Amounts recognised in the statement of financial position

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>				
Buildings	5,354,659	22,045,131	5,769,484	23,504,878
	<u>5,354,659</u>	<u>22,045,131</u>	<u>5,769,484</u>	<u>23,504,878</u>
<i>Lease liabilities</i>				
Current	898,163	3,697,737	695,982	2,835,431
Non-current	5,012,512	20,636,512	5,510,506	22,449,801
	<u>5,910,675</u>	<u>24,334,249</u>	<u>6,206,488</u>	<u>25,285,232</u>

Additions to the right-of-use assets during the 2022 were US\$454,200 (2021: US\$220,034).

11. LEASES (continued)

b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Depreciation charge of right-of-use assets</i>				
Buildings (Note 28)	869,026	3,551,709	786,859	3,200,942
Interest expense on lease liabilities (Note 22)	452,022	1,847,414	416,739	1,695,294
Expense relating to leases of short-term (included in other operating expenses) (Note 29)	340,839	1,393,009	300,743	1,223,423
Total expenses related to leases	792,861	3,240,423	717,482	2,918,717

Total cash outflow for lease for the year ended 31 December 2022 was US\$1,542,874 (2021: US\$1,421,094).

12. INTANGIBLE ASSETS

	Computer software US\$	Total US\$
For the year ended 31 December 2021		
Opening net book value	499,060	499,060
Additions	642,145	642,145
Transfer from property and equipment	5,543	5,543
Amortisation charges	(78,636)	(78,636)
Closing net book value	1,068,112	1,068,112
As at 31 December 2021		
Cost	1,268,286	1,268,286
Accumulated amortization	(200,174)	(200,174)
Net book value	1,068,112	1,068,112
In KHR'000 equivalent	4,351,488	4,351,488
For the year ended 31 December 2022		
Opening net book value	1,068,112	1,068,112
Additions	195,524	195,524
Amortisation charges	(122,304)	(122,304)
Closing net book value	1,141,332	1,141,332
As at 31 December 2022		
Cost	1,463,810	1,463,810
Accumulated amortization	(322,478)	(322,478)
Net book value	1,141,332	1,141,332
In KHR'000 equivalent	4,698,864	4,698,864

13. OTHER ASSETS

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Advanced employee benefits	2,010,519	8,277,307	1,392,424	5,672,735
Refundable deposits	749,310	3,084,909	684,839	2,790,034
Prepayments	155,754	641,239	54,207	220,839
Others	193,640	797,216	191,261	779,198
	<u>3,109,223</u>	<u>12,800,671</u>	<u>2,322,731</u>	<u>9,462,806</u>

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current	410,712	1,690,901	334,748	1,363,763
Non-current	2,698,511	11,109,770	1,987,983	8,099,043
	<u>3,109,223</u>	<u>12,800,671</u>	<u>2,322,731</u>	<u>9,462,806</u>

14. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current:</i>				
Current accounts	1,815,158	7,473,005	604,961	2,464,612
Savings accounts	590,492	2,431,056	57,912	235,933
Fixed deposits	101,883,548	419,454,567	91,182,331	371,476,816
	<u>104,289,198</u>	<u>429,358,628</u>	<u>91,845,204</u>	<u>374,177,361</u>

a) By residency status

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Local	102,501,918	422,000,396	91,790,426	373,954,196
Overseas	1,787,280	7,358,232	54,778	223,165
	<u>104,289,198</u>	<u>429,358,628</u>	<u>91,845,204</u>	<u>374,177,361</u>

b) By relationship

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Related parties	1,787,280	7,358,232	54,778	223,165
Non-related parties	102,501,918	422,000,396	91,790,426	373,954,196
	<u>104,289,198</u>	<u>429,358,628</u>	<u>91,845,204</u>	<u>374,177,361</u>

14. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

c) By interest rate

	2022	2021
Savings accounts	0.1% - 1%	0.10% - 1%
Current accounts	Nil	Nil
Fixed deposits	2.5% - 6.25%	1% - 4.75%

15. DEPOSITS FROM CUSTOMERS

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Saving accounts	29,338,547	120,786,798	32,834,468	133,767,623
Current accounts	17,054,816	70,214,677	22,625,860	92,177,754
Fixed deposits	31,277,307	128,768,673	27,831,613	113,385,991
	77,670,670	319,770,148	83,291,941	339,331,368

a) By maturity

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current	77,159,535	317,665,805	81,832,418	333,385,271
Non-current	511,135	2,104,343	1,459,523	5,946,097
	77,670,670	319,770,148	83,291,941	339,331,368

b) By residency status

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Local	73,573,141	302,900,621	77,989,934	317,730,991
Overseas	4,097,529	16,869,527	5,302,007	21,600,377
	77,670,670	319,770,148	83,291,941	339,331,368

c) By relationship

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Related parties	-	-	-	-
Non-related parties	77,670,670	319,770,148	83,291,941	339,331,368
	77,670,670	319,770,148	83,291,941	339,331,368

15. DEPOSITS FROM CUSTOMERS (continued)

d) By interest rate

	2022	2021
Fixed deposits	1.25% - 7.10%	1.25% - 6.4%
Savings accounts	0.10% - 2.70%	0.10% - 2.70%
Current accounts	2.00%	Nil

16. CURRENT INCOME TAX LIABILITIES

The movements of the current income tax liabilities are as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	3,480,953	14,181,403	2,446,486	9,896,036
Income tax expense	4,226,028	17,271,776	4,276,750	17,397,819
Income tax paid	(4,720,083)	(19,290,979)	(3,242,283)	(13,189,607)
Under estimate amount for current tax of prior year	351,199	1,435,351	-	-
Currency translation differences	-	145,394	-	77,155
As at 31 December	3,338,097	13,742,945	3,480,953	14,181,403

17. DEFERRED TAX LIABILITIES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Non-current</i>				
Deferred tax assets	1,222,959	5,034,922	1,305,876	5,320,139
Deferred tax liabilities	(1,782,368)	(7,338,009)	(1,508,423)	(6,145,315)
Deferred tax liabilities - net	(559,409)	(2,303,087)	(202,547)	(825,176)

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

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	(202,547)	(825,176)	151,793	618,405
Charged to profit or loss (Note 30)	(356,862)	(1,458,495)	(354,340)	(1,441,455)
Currency translation differences	-	(19,416)	-	(2,126)
As at 31 December	(559,409)	(2,303,087)	(202,547)	(825,176)

17. DEFERRED TAX LIABILITIES (continued)

a) Deferred tax assets

	Deferred interest income US\$	Leases liabilities US\$	Employee benefits US\$	Impairment losses US\$	Others US\$	Total US\$
At 1 January 2021	274,248	1,399,331	20,927	172,330	-	1,866,836
Credited/(charged) to profit or loss	(274,248)	(158,033)	3,777	(132,456)	-	(560,960)
At 31 December 2021	-	1,241,298	24,704	39,874	-	1,305,876
In KHR'000 equivalent	-	5,057,048	100,644	162,447	-	5,320,139
At 1 January 2022	-	1,241,298	24,704	39,874	-	1,305,876
Credited/(charged) to profit or loss	-	(59,163)	(5,887)	(39,874)	22,007	(82,917)
At 31 December 2022	-	1,182,135	18,817	-	22,007	1,222,959
In KHR'000 equivalent	-	4,866,850	77,469	-	90,603	5,034,922

b) Deferred tax liabilities

	Deferred interest income US\$	Right-of-use assets US\$	Impairment losses US\$	Accelerated depreciation US\$	Total US\$
At 1 January 2021	-	(1,328,580)	-	(386,463)	(1,715,043)
(Charged)/credited to profit or loss	(14,212)	174,683	-	46,149	206,620
At 31 December 2021	(14,212)	(1,153,897)	-	(340,314)	(1,508,423)
In KHR'000 equivalent	(57,900)	(4,700,976)	-	(1,386,439)	(6,145,315)
At 1 January 2022	(14,212)	(1,153,897)	-	(340,314)	(1,508,423)
(Charged)/credited to profit or loss	(301,634)	82,965	(354,036)	298,760	(273,945)
At 31 December 2022	(315,846)	(1,070,932)	(354,036)	(41,554)	(1,782,368)
In KHR'000 equivalent	(1,300,338)	(4,409,027)	(1,457,566)	(171,078)	(7,338,009)

18. BORROWINGS

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Borrowings at amortised cost</i>				
Shinhan Bank Co., Ltd. (Note 34(d)) (i)	336,781,644	1,386,530,028	276,816,654	1,127,751,048
Shinhan Bank, Hongkong Branch (Note 34(d)) (i)	154,808,250	637,345,566	101,121,835	411,970,356
National Bank of Cambodia (ii)	-	-	13,762,251	56,067,411
	<u>491,589,894</u>	<u>2,023,875,594</u>	<u>391,700,740</u>	<u>1,595,788,815</u>
Current	417,629,284	1,719,379,762	275,401,026	1,121,983,780
Non-current	73,960,610	304,495,832	116,299,714	473,805,035
	<u>491,589,894</u>	<u>2,023,875,594</u>	<u>391,700,740</u>	<u>1,595,788,815</u>

- (i) These are borrowings from the Bank's related parties which are unsecured and bear annual interest rate ranging from 0.88% - 5.75% (2021: 0.26% - 5.5%).
- (ii) There are no borrowings from the National Bank of Cambodia in the form of Liquidity-Providing Collateralised Operation (LPCO) as at 31 December 2022 (2021: borrowing terms were from 3 to 12 months with an annual interest rate ranging from 2.3% to 5.5%) .

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Principal amount	486,000,000	2,000,862,000	390,549,337	1,591,097,999
Interest payables	5,589,894	23,013,594	1,151,403	4,690,816
	<u>491,589,894</u>	<u>2,023,875,594</u>	<u>391,700,740</u>	<u>1,595,788,815</u>

Changes in liabilities arising from financing activities – borrowings

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	390,549,337	1,591,097,999	318,893,716	1,289,925,081
Additions	447,000,000	1,826,889,000	390,549,337	1,588,754,703
Repayments	(351,549,337)	(1,436,782,140)	(318,893,716)	(1,297,259,637)
Currency translation differences	-	19,657,141	-	9,677,852
As at 31 December	<u>486,000,000</u>	<u>2,000,862,000</u>	<u>390,549,337</u>	<u>1,591,097,999</u>
<i>Interest payables</i>				
As at 1 January	1,151,403	4,690,816	627,907	2,539,884
Additions	10,048,614	41,068,685	3,606,925	14,672,971
Repayments	(5,610,123)	(22,928,573)	(3,083,429)	(12,543,389)
Currency translation differences	-	182,666	-	21,350
As at 31 December	<u>5,589,894</u>	<u>23,013,594</u>	<u>1,151,403</u>	<u>4,690,816</u>

19. OTHER LIABILITIES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Payables to related party (Note 34(e))	1,174,009	4,833,395	1,390,760	5,665,956
Accrued expense and payables	706,265	2,907,693	115,967	472,450
Tax payables	480,220	1,977,066	359,473	1,464,493
Contract liabilities	168,560	693,962	35,593	145,006
Impairment loss for ECL on credit commitment and financial guarantee contracts	218,160	898,164	270,215	1,100,856
	<u>2,747,214</u>	<u>11,310,280</u>	<u>2,172,008</u>	<u>8,848,761</u>
	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current	2,747,214	11,310,280	2,172,008	8,848,761
Non-current	-	-	-	-
	<u>2,747,214</u>	<u>11,310,280</u>	<u>2,172,008</u>	<u>8,848,761</u>

20. SHARE CAPITAL

The total number of authorised share of the Bank as at 31 December 2022 was 75,000,000 shares (2021: 75,000,000 shares) with a par value of US\$1 per share (2021: US\$1). All authorised shares are issued and fully paid up.

	2022			2021		
	Number of shares	%	US\$	Number of shares	%	US\$
Shareholders:						
Shinhan Bank Co., Ltd.	73,125,000	97.50%	73,125,000	73,125,000	97.50%	73,125,000
Insung Co., Ltd.	1,875,000	3%	1,875,000	1,875,000	2.50%	1,875,000
	<u>75,000,000</u>	<u>100%</u>	<u>75,000,000</u>	<u>75,000,000</u>	<u>100%</u>	<u>75,000,000</u>
In KHR'000 equivalent			<u>303,375,000</u>			<u>303,375,000</u>

21. INTEREST INCOME

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Interest income from financial assets at amortised cost:</i>				
Loans to customers	48,239,351	197,154,228	39,076,094	158,961,550
Deposits and placements with the central bank	1,290,652	5,274,894	317,943	1,293,392
Deposits and placements with other banks	1,082,015	4,422,195	1,923,560	7,825,043
Investment securities	67,459	275,705	50,504	205,450
	<u>50,679,477</u>	<u>207,127,022</u>	<u>41,368,101</u>	<u>168,285,435</u>

22. INTEREST EXPENSES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Interest expense on financial liabilities at amortised cost:</i>				
Borrowings	10,048,614	41,068,685	3,490,124	14,197,824
Deposits from banks and financial institutions	2,697,973	11,026,616	1,628,188	6,623,469
Deposits from customers	1,295,675	5,295,424	891,584	3,626,964
Lease liabilities	452,022	1,847,414	416,739	1,695,294
	<u>14,494,284</u>	<u>59,238,139</u>	<u>6,426,635</u>	<u>26,143,551</u>

23. FEE AND COMMISSION INCOME

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>				
Inward and outward remittance	597,536	2,442,130	521,376	2,120,958
Bank guarantee fees	5,452	22,282	121,111	492,680
Other fees	42,292	172,847	807,982	3,286,870
	<u>645,280</u>	<u>2,637,259</u>	<u>1,450,469</u>	<u>5,900,508</u>

24. CREDIT IMPAIRMENT LOSSES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Impairment loss charge/(written-back)</i>				
Loans to customers	583,780	2,385,909	1,284,933	5,227,107
Investment securities	(17,220)	(70,378)	(20,104)	(81,783)
Deposits and placements with other banks	1,416	5,787	(139,365)	(566,936)
Credit commitment and financial guarantee contracts	(180,777)	(738,836)	(22,251)	(90,517)
	<u>387,199</u>	<u>1,582,482</u>	<u>1,103,213</u>	<u>4,487,871</u>

25. OTHER LOSSES – NET

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Net foreign exchange loss	224,807	918,786	172	700
Losses on disposal of property and equipment	79,720	325,816	302,751	1,231,591
	<u>304,527</u>	<u>1,244,602</u>	<u>302,923</u>	<u>1,232,291</u>

26. OTHER OPERATING INCOME

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Dividend income from equity investment	39,169	160,084	19,421	79,005
Others	-	-	1,876	7,632
	<u>39,169</u>	<u>160,084</u>	<u>21,297</u>	<u>86,637</u>

27. PERSONNEL EXPENSES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	4,398,924	17,978,402	3,904,533	15,883,640
Bonuses and incentives	1,295,713	5,295,579	1,161,132	4,723,485
Seniority payments	218,124	891,473	195,567	795,567
Staff loans benefits	32,561	133,077	63,650	258,928
Employee training expenses	9,014	36,840	16,554	67,342
Others	564,564	2,307,373	369,440	1,502,882
	<u>6,518,900</u>	<u>26,642,744</u>	<u>5,710,876</u>	<u>23,231,844</u>

28. DEPRECIATION AND AMORTISATION CHARGES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation of property and equipment	1,421,512	5,809,720	1,074,675	4,371,778
Depreciation charge of right-of-use assets	869,026	3,551,709	786,859	3,200,942
Amortisation of intangible assets	122,304	499,856	78,636	319,892
	<u>2,412,842</u>	<u>9,861,285</u>	<u>1,940,170</u>	<u>7,892,612</u>

29. OTHER OPERATING EXPENSES

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Public relations, marketing and advertising	1,540,027	6,294,090	1,928,657	7,845,777
License fee expenses	411,702	1,682,626	412,405	1,677,664
Office supplies	355,200	1,451,702	331,720	1,349,437
Expense relating to leases of short-term	340,839	1,393,009	300,743	1,223,423
Other tax expenses	297,646	1,216,479	1,074	4,369
Utilities	289,051	1,181,351	221,466	900,924
Communication expenses	197,239	806,116	157,241	639,656
Legal and professional fees	118,581	484,641	303,111	1,233,056
Insurance expenses	96,525	394,498	87,613	356,410
Repairs and maintenance	87,571	357,903	96,004	390,544
Travelling and accommodation	56,185	229,628	54,998	223,732
Others	366,939	1,499,680	433,271	1,762,544
	<u>4,157,505</u>	<u>16,991,723</u>	<u>4,328,303</u>	<u>17,607,536</u>

30. INCOME TAX EXPENSE

a) Income tax expense

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current income tax	4,226,028	17,271,776	4,276,750	17,397,819
Under estimate for current tax of prior year	351,199	1,435,351	-	-
	<u>4,577,227</u>	<u>18,707,127</u>	<u>4,276,750</u>	<u>17,397,819</u>
Deferred income tax	356,862	1,458,495	354,340	1,441,455
	<u>4,934,089</u>	<u>20,165,622</u>	<u>4,631,090</u>	<u>18,839,274</u>

b) Reconciliation of income tax expense and accounting profit:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	23,088,669	94,363,390	23,027,747	93,676,874
Tax at rate of 20%	4,617,734	18,872,679	4,605,549	18,735,373
<i>Tax effects in respect of:</i>				
Expenses not deductible for tax purposes	186,756	763,272	96,241	391,508
Income not subject to tax	(39,169)	(160,084)	-	-
Under estimate for current tax of prior year	351,199	1,435,351	-	-
Previously unrecognised deferred tax recognised in the current year	(182,431)	(745,596)	-	-
Utilisation of deferred tax asset	-	-	(70,700)	(287,607)
Income tax expense	<u>4,934,089</u>	<u>20,165,622</u>	<u>4,631,090</u>	<u>18,839,274</u>

30. INCOME TAX EXPENSE (continued)

Under the Cambodian tax regulations, the Bank is subject to 20% Income Tax.

c) Other matter

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates positions 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.

31. CASH AND CASH EQUIVALENTS

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cash on hand (Note 4)	9,145,476	37,651,925	10,670,960	43,473,491
Deposits and placements with the central bank:				
Current accounts (Note 5)	3,602,250	14,830,463	5,248,949	21,384,218
Settlement accounts (Note 5)	4,377,682	18,022,917	3,108,886	12,665,602
Negotiable certificates of deposit with maturity three months or less	1,300,000	5,352,100	9,038,769	36,823,945
Deposits and placements with other banks:				
Current accounts	5,462,263	22,488,136	3,081,009	12,552,031
Fixed deposits with maturity three months or less	37,886,325	155,978,000	-	-
	<u>61,773,996</u>	<u>254,323,541</u>	<u>31,148,573</u>	<u>126,899,287</u>

32. NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cash and cash equivalents	61,773,994	254,323,533	31,148,573	126,899,287
Borrowings	(491,589,894)	(2,023,875,594)	(391,700,740)	(1,595,788,815)
Lease liabilities	(5,910,675)	(24,334,249)	(6,206,488)	(25,285,232)
Net debt	<u>(435,726,575)</u>	<u>(1,793,886,310)</u>	<u>(366,758,655)</u>	<u>(1,494,174,760)</u>

32. NET DEBT RECONCILIATION (continued)

	Liabilities from financing activities			Other assets	
	Borrowings	Lease	Sub-total	Cash and cash	Total
	US\$	liabilities	US\$	equivalents	US\$
		US\$		US\$	
Net debt as at 1 January 2021	(319,521,623)	(6,690,066)	(326,211,689)	39,814,074	(286,397,615)
Cash flows	(71,655,621)	703,612	(70,952,009)	(8,665,501)	(79,617,510)
New leases	-	(220,034)	(220,034)	-	(220,034)
Other changes (i)					
Interest expense	(3,490,124)	416,739	(3,073,385)	-	(3,073,385)
Interest payments (presented as operating cash flows)	2,966,628	(416,739)	2,549,889	-	2,549,889
Net debt as at 31 December 2021	(391,700,740)	(6,206,488)	(397,907,228)	31,148,573	(366,758,655)
In KHR'000 equivalent	(1,595,788,815)	(25,285,232)	(1,621,074,047)	126,899,287	(1,494,174,760)
Net debt as at 1 January 2022	(391,700,740)	(6,206,488)	(397,907,228)	31,148,573	(366,758,655)
Cash flows	(95,450,663)	750,013	(94,700,650)	30,625,423	(64,075,227)
New leases	-	(454,200)	(454,200)	-	(454,200)
Other changes (i)					
Interest expense	10,048,614	452,022	10,500,636	-	10,500,636
Interest payments (presented as operating cash flows)	(14,487,105)	(452,022)	(14,939,127)	-	(14,939,127)
Net debt as at 31 December 2022	(491,589,894)	(5,910,675)	(497,500,569)	61,773,996	(435,726,573)
In KHR'000 equivalent	(2,023,875,594)	(24,334,249)	(2,048,209,843)	254,323,542	(1,793,886,301)

(i) Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

33. 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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Unused portion of credit facilities	7,465,998	30,737,516	9,359,326	38,129,894
Bank guarantees	15,986,628	65,816,947	5,500	22,407
Loan commitments	1,934,841	7,965,741	10,042,093	40,911,487
Total exposure	25,387,467	104,520,204	19,406,919	79,063,788
Less: Allowance for expected credit losses	(218,160)	(898,165)	(270,215)	(1,100,856)
Net exposure	25,169,307	103,622,039	19,136,704	77,962,932

33. COMMITMENTS AND CONTINGENCIES (continued)

b) Capital commitment

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Buildings	-	-	741,449	3,020,663

c) 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 (see Note 2.12 (iii)) and Note 11 for further information. The lease commitments of short-term leases are within one year only and the balance is immaterial.

34. 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 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

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Affiliate</i>				
Shinhan Bank, Hong Kong Branch				
Fixed deposits	24,000,000	98,808,000	6,500,000	26,481,000
Interest income	114,796	469,170	3,412	13,880

Annual interest rates during the year are as follows:

	2022	2021
Fixed deposits	4%	0.05%

34. RELATED PARTY TRANSACTIONS (continued)

c) Deposits and placements with related parties

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Immediate parent company</i> Shinhan Bank Co., Ltd. Current accounts	1,787,280	7,358,233	54,778	223,166

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

d) Borrowings

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Immediate parent</i> Shinhan Bank Co., Ltd. (Note 18)	336,781,644	1,386,530,028	276,816,654	1,127,751,048
<i>Affiliate</i> Shinhan Bank, Hong Kong Branch (Note 18)	154,808,250	637,345,566	101,121,835	411,970,356
	491,589,894	2,023,875,594	377,938,489	1,539,721,404
Interest expense	9,802,735	40,063,778	2,565,714	10,437,325

e) Payables to related party

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Immediate parent:</i> Shinhan Bank Co., Ltd.:				
Payables on withholding tax on interest expenses (i)	744,009	3,063,085	427,294	1,740,796
Payables on management service fees	370,000	1,523,290	855,466	3,485,168
Payables on advisory service fees	60,000	247,020	108,000	439,992
	1,174,009	4,833,395	1,390,760	5,665,956

- (i) These represent the withholding tax amount in which the Bank over withhold tax on interest expenses from borrowings from the immediate parent company which will be refunded back when the borrowings are expired.

34. RELATED PARTY TRANSACTIONS (continued)

f) Other operating expenses

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Immediate parent</i>				
Shinhan Bank Co., Ltd.:				
Management service fees	60,000	245,220	855,466	3,480,036
Advisory service fees	370,000	1,512,190	108,000	439,344
	<u>430,000</u>	<u>1757410</u>	<u>963,466</u>	<u>3,919,380</u>

g) Key management compensation

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and short-term employee benefits	<u>1,054,832</u>	<u>4,311,099</u>	<u>1,082,823</u>	<u>4,404,924</u>

h) Terms and conditions

The purchase transactions with the related parties were made on normal commercial terms and conditions.

35. PRIOR YEAR RECLASSIFICATION

The statement of financial position of prior year have been reclassified to provide information that is reliable and more relevant to its nature. This reclassification does not have a material affect on the information in the statement of financial position. Therefore, the statement of financial position at the beginning of the comparative period is not presented.

Statement of financial position (extract)

Assets

	2021		Reclassification		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash on hand	31,147,202	126,893,701	(20,476,242)	(83,420,210)	10,670,960	43,473,491
Deposits and placements with the central bank	-	-	31,456,605	128,154,209	31,456,605	128,154,209
Deposits and placements with other banks	47,408,972	193,144,152	(10,980,363)	(44,733,999)	36,428,609	148,410,153
	78,556,174	320,037,853	-	-	78,556,174	320,037,853

Liabilities

Other liabilities	1,901,793	7,747,905	270,215	1,100,856	2,172,008	8,848,761
Provision for impairment off balance sheet items	270,215	1,100,856	(270,215)	(1,100,856)	-	-
	2,172,008	8,848,761	-	-	2,172,008	8,848,761

The statement of profit or loss of prior year have been reclassified to provide information that is reliable and more relevant to its nature.

	2021		Reclassification		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Other losses - net	-	-	(302,923)	(1,232,291)	(302,923)	(1,232,291)
Depreciation and amortisation charges	-	-	(1,940,170)	(7,892,612)	(1,940,170)	(7,892,612)
Other operating expenses	(6,571,396)	(26,732,439)	2,243,093	9,124,903	(4,328,303)	(17,607,536)
	(6,571,396)	(26,732,439)	-	-	(6,571,396)	(26,732,439)

Statement of profit or loss (extract)

Other losses - net	-	-	(302,923)	(1,232,291)	(302,923)	(1,232,291)
Depreciation and amortisation charges	-	-	(1,940,170)	(7,892,612)	(1,940,170)	(7,892,612)
Other operating expenses	(6,571,396)	(26,732,439)	2,243,093	9,124,903	(4,328,303)	(17,607,536)
	(6,571,396)	(26,732,439)	-	-	(6,571,396)	(26,732,439)

36. 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.

The Bank holds the following financial assets and financial liabilities:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Financial assets at amortised costs				
Cash on hand	9,145,476	37,651,925	10,670,960	43,473,491
Deposits and placements with the central bank	9,481,393	39,034,895	31,456,605	128,154,209
Deposits and placements with other banks	70,450,137	290,043,214	36,428,609	148,410,153
Loans to customers at amortised cost	687,789,085	2,831,627,663	559,195,431	2,278,162,186
Investment securities	5,358,473	22,060,833	25,470,692	103,767,599
Other financial assets	1,108,450	4,563,489	182,520	743,586
Total financial assets measured at amortised cost	783,333,014	3,224,982,019	663,404,817	2,702,711,224
Financial assets at fair value through other comprehensive income	25,000	102,925	25,000	101,850
Total financial assets	783,358,014	3,225,084,944	663,429,817	2,702,813,074
Financial liabilities				
Financial liabilities at amortised cost				
Deposits from banks and financial institutions	104,289,198	429,358,628	91,845,204	374,177,361
Deposits from customers	77,670,670	319,770,148	83,291,941	339,331,368
Borrowings	491,589,894	2,023,875,594	391,700,740	1,595,788,815
Lease liabilities	5,910,675	24,334,249	6,206,488	25,285,232
Other financial liabilities	715,310	2,944,931	1,115,026	4,542,615
Total financial liabilities	680,175,747	2,800,283,550	574,159,399	2,339,125,391
Total net financial assets	103,182,267	424,801,394	89,270,418	363,687,683

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. 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 deposits and placements with the central bank and other banks, loans to customers, other financial assets, and credit commitments and financial guarantee contracts. Credit exposure arises principally in lending activities.

(a) 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. Deposits and placements 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 36.1(c).

(b) 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 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 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

(c) 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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(c) Expected credit loss (ECL) policies (continued)

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:

(i) 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

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

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(c) Expected credit loss (ECL) policies (continued)

(ii) 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.

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

(iii) 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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

- (c) Impairment (expected credit loss) policies (continued)
- (iii) Measuring (ECL - inputs, assumptions and estimation techniques) (continued)

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.

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.

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

The estimation of ECL incorporates forward-looking information.

The Bank assesses and conclude that there is no correlation between macroeconomics variable and PD and LGD. The current data reflect the current economic condition and is therefore the reasonable and supportable information, so forward-looking information is not incorporated.

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

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

Sensitivity analysis

The Bank has performed ECL sensitivity assessment on loans to customers and financing based on the changes in in ECL rate.

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

ECL rate	Changes +/-1%			
	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes	(36,457)	(150,093)	(32,370)	(131,875)
Total increase in ECL on the negative changes	36,457	150,093	32,370	131,875

(v) 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.

(vi) Write off policy

Loans to customers 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.

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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(vii) 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.

(viii) 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

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

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

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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with other banks	70,541,116	290,417,775	36,585,242	149,048,276
Loans to customers at amortised cost	691,114,459	2,845,318,228	561,977,136	2,289,494,852
Investment securities	5,369,703	22,107,067	25,499,142	103,883,504
Other financial assets	1,108,450	4,563,489	182,520	743,586
	<u>768,133,728</u>	<u>3,162,406,559</u>	<u>624,244,040</u>	<u>2,543,170,218</u>
Credit risk exposure relating to off-balance sheet items:				
Unused portion of credit facilities	7,465,998	30,737,516	9,359,326	38,129,894
Bank guarantees	15,986,628	65,816,947	5,500	22,407
Loan commitments	1,934,841	7,965,741	10,042,093	40,911,487
	<u>25,387,467</u>	<u>104,520,204</u>	<u>19,406,919</u>	<u>79,063,788</u>
Total maximum credit risk exposure that are subject to impairment	793,521,195	3,266,926,763	643,650,959	2,622,234,006
Less: Allowance for expected credit loss	<u>(3,645,743)</u>	<u>(15,009,525)</u>	<u>(3,237,003)</u>	<u>(13,187,550)</u>
Total net credit exposure	<u>789,875,452</u>	<u>3,251,917,238</u>	<u>640,413,956</u>	<u>2,609,046,456</u>

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% (2021: 90%) of total maximum exposure is derived from loans 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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

- (e) Credit quality of financial assets

Loans to customers and credit commitments

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 ≤ DPD < 30	Performing
2	Credit risk increased significantly	Special Mention	30 ≤ DPD < 90	Under-performing
3	Credit impaired assets	Substandard	90 ≤ DPD < 180	Non-performing
		Doubtful	180 ≤ DPD < 360	
		Loss	DPD ≥ 360	

Financial assets other than loans and credit commitments

The credit quality of financial instruments other than loans to customers and financing are determined based on the ratings of counterparties as defined equivalent ratings of other international rating agencies as defined below:

Credit quality	Description
Sovereign	Refer to financial assets issued by the central bank/government or guarantee by the central bank/government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly exposed to default risk.
Un-graded	Refers to financial assets which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

36.1. Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2022			2021				
	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\$
Deposits and placements with other banks								
Investment grade	70,541,116	-	-	70,541,116	36,585,242	-	-	36,585,242
Gross carrying amount	70,541,116	-	-	70,541,116	36,585,242	-	-	36,585,242
Less: Allowance for expected credit losses	(90,979)	-	-	(90,979)	(156,633)	-	-	(156,633)
Net carrying amount	70,450,137	-	-	70,450,137	36,428,609	-	-	36,428,609
In KHR'000 equivalent	290,043,214	-	-	290,043,214	148,410,153	-	-	148,410,153

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2022			2021		
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$
Loans to customers at amortised cost						
Normal	664,555,157	1,644,785	-	542,596,123	1,780,694	-
Special mention	-	16,863,146	-	-	10,683,916	-
Substandard	-	472,244	724,333	-	1,752,964	2,173,215
Doubtful	-	-	2,426,232	-	465,125	863,800
Loss	-	-	4,428,562	-	-	1,661,299
Gross carrying amount	664,555,157	18,980,175	7,579,127	542,596,123	14,682,699	4,698,314
Less: Allowance for expected credit losses	(1,236,932)	(503,991)	(1,584,451)	(1,554,450)	(290,279)	(936,976)
Net carrying amount	663,318,225	18,476,184	5,994,676	541,041,673	14,392,420	3,761,338
In KHR'000 equivalent	2,730,881,132	76,066,450	24,680,081	2,204,203,776	58,634,719	15,323,691
						2,278,162,186

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2022			2021			
	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 at amortised cost							
Investment grade	5,369,703	-	5,369,703	25,499,142	-	-	25,499,142
Gross carrying amount	5,369,703	-	5,369,703	25,499,142	-	-	25,499,142
Less: Allowance for expected credit losses	(11,230)	-	(11,230)	(28,450)	-	-	(28,450)
Net carrying amount	5,358,473	-	5,358,473	25,470,692	-	-	25,470,692
In KHR'000 equivalent	22,060,833	-	22,060,833	103,767,599	-	-	103,767,599

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2022				2021			
	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	24,464,247	620,223	-	25,084,470	19,106,606	300,000	-	19,406,606
Special mention	-	302,997	-	302,997	-	-	-	-
Substandard	-	-	-	-	-	313	-	313
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Gross carrying amount	24,464,247	923,220	-	25,387,467	19,106,606	300,313	-	19,406,919
Less: Allowance for expected credit losses	(199,443)	(18,717)	-	(218,160)	(256,141)	(14,074)	-	(270,215)
Net carrying amount	24,264,804	904,503	-	25,169,307	18,850,465	286,239	-	19,136,704
In KHR'000 equivalent	99,898,200	3,723,839	-	103,622,039	76,796,794	1,166,138	-	77,962,932

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(f) Loss allowance

(i) Expected credit loss reconciliation – loans to customers at amortised cost

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Expected credit losses				
Loss allowance as at 1 January 2022	1,554,450	290,279	936,976	2,781,705
<i>Changes due to exposure:</i>				
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)
Loss allowance as at 31 December 2022	1,236,932	503,991	1,584,451	3,325,374
In KHR'000 equivalent	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.

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 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
<i>Changes due to exposure:</i>				
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	664,555,157	18,980,175	7,579,127	691,114,459
In KHR'000 equivalent	2,735,973,582	78,141,380	31,203,266	2,845,318,228

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(f) Loss allowance (continued)

(i) Expected credit loss reconciliation – loans to customers at amortised cost (continued)

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Expected Credit Losses				
Loss allowance as at 1 January 2021	1,261,676	90,052	300,305	1,652,033
<i>Changes due to exposure:</i>				
Transfer to stage 1	67,445	(67,445)	-	-
Transfer to stage 2	(93,592)	105,360	(11,768)	-
Transfer to stage 3	(4,607)	(947)	5,554	-
Net remeasurement of loss allowance(*)	(397,695)	102,079	585,107	289,491
New financial assets originated or purchased	528,148	58,086	25,830	612,064
Financial assets derecognised during the period other than write off	193,075	3,094	31,948	228,117
Loss allowance as at 31 December 2021	1,554,450	290,279	936,976	2,781,705
In KHR'000 equivalent	6,332,829	1,182,597	3,817,240	11,332,666

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

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2021	431,378,567	3,876,882	1,479,384	436,734,833
<i>Changes due to exposure:</i>				
Transfer to stage 1	2,982,783	(2,982,783)	-	-
Transfer to stage 2	(20,289,150)	20,427,744	(138,594)	-
Transfer to stage 3	(4,030,652)	-	4,030,652	-
New financial assets originated or purchased	207,428,770	1,619,228	122,090	209,170,088
Financial assets derecognised during the period other than write off	(74,874,195)	(8,258,372)	(795,218)	(83,927,785)
Gross carrying amount as at 31 December 2021	542,596,123	14,682,699	4,698,314	561,977,136
In KHR'000 equivalent	2,210,536,605	59,817,316	19,140,931	2,289,494,852

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – credit commitment and other financial guarantee contracts

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Expected Credit Losses				
Loss allowance as at 1 January 2022	256,141	14,074	-	270,215
<i>Changes due to exposure:</i>				
Transfer to stage 1	14,065	(14,065)	-	-
Transfer to stage 2	(6,773)	6,773	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(40,868)	6,947	-	(33,921)
New financial assets originated or purchased	145,002	4,988	-	149,990
Exposure derecognised or expired	(168,124)	-	-	(168,124)
Loss allowance as at 31 December 2022	199,443	18,717	-	218,160
In KHR'000 equivalent	821,107	77,058	-	898,165
	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Exposure amount				
Exposure amount as at 1 January 2022	24,464,247	923,220	-	25,387,467
<i>Changes due to exposure:</i>				
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
In KHR'000 equivalent	100,719,306	3,800,898	-	104,520,204

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – credit commitment and other financial guarantee contracts (continued)

	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Expected Credit Losses				
Loss allowance as at 1 January 2021	261,626	30,517	-	292,143
<i>Changes due to exposure:</i>				
Transfer to stage 1	8,633	(8,633)	-	-
Transfer to stage 2	9	(9)	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement	155,617	14,065	-	169,682
New financial assets originated or purchased	141,552	-	-	141,552
Financial assets derecognised during the period other than write off	(311,296)	(21,866)	-	(333,162)
Loss allowance as at 31 December 2021	256,141	14,074	-	270,215
In KHR'000 equivalent	1,043,519	57,337	-	1,100,856
	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Exposure amount				
Exposure amount as at 1 January 2021	17,670,698	845,289	-	18,515,987
<i>Changes due to exposure:</i>				
Transfer to stage 1	669,320	(669,320)	-	-
Transfer to stage 2	(313)	313	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	7,362,331	124,031	-	7,486,362
Financial assets derecognised during the period other than write off	(6,595,430)	-	-	(6,595,430)
Gross carrying amount as at 31 December 2021	19,106,606	300,313	-	19,406,919
In KHR'000 equivalent	77,840,313	1,223,475	-	79,063,788

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

(g) Concentration of financial assets with credit risk exposure

(i) *Geographical sector*

The following table breaks down the Bank's main credit exposure at their carrying amount, as categorised by geographical region as at 31 December 2022. 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 2022				
Deposits and placements with other banks	41,829,930	24,005,333	4,705,853	70,541,116
Loans to customers at amortised cost	691,114,459	-	-	691,114,459
Investment securities	5,369,703	-	-	5,369,703
Other financial 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: Allowance for expected credit losses	(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
In KHR'000 equivalents	3,133,763,906	98,790,426	19,362,906	3,251,917,238
	Cambodia US\$	Hong Kong US\$	USA US\$	Total US\$
At 31 December 2021				
Deposits and placements with other banks	27,127,860	6,505,333	2,952,049	36,585,242
Loans to customers at amortised cost	561,977,136	-	-	561,977,136
Investment securities	25,499,142	-	-	25,499,142
Other financial assets	182,520	-	-	182,520
Unused portion of credit facilities	9,359,326	-	-	9,359,326
Bank guarantees	5,500	-	-	5,500
Loan commitments	10,042,093	-	-	10,042,093
Gross carrying amount	634,193,577	6,505,333	2,952,049	643,650,959
Less: Allowance for expected credit losses	(3,228,862)	(6,906)	(1,235)	(3,237,003)
Net carrying amount	630,964,715	6,498,427	2,950,814	640,413,956
In KHR'000 equivalents	2,570,550,249	26,474,593	12,021,614	2,609,046,456

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

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

(ii) *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 sectors of its counterparties.

	2022				
	Deposits and placements with other banks US\$	Loans to customers at amortised cost US\$	Investment securities US\$	Other financial assets US\$	Off-balance-sheet items US\$
Wholesale and retails	-	12,316,758	-	-	1,094,258
Construction	-	3,374,389	-	-	786,051
Real estate	-	7,033,899	-	-	-
Financial institutions	70,541,116	9,198,219	5,369,703	-	-
Staff loans	-	4,045,361	-	-	-
Manufacturing	-	2,487,941	-	-	-
Others	-	652,657,892	-	1,108,450	23,507,158
Gross carrying amount	70,541,116	691,114,459	5,369,703	1,108,450	25,387,467
Less: Expected credit loss	(90,979)	(3,325,374)	(11,230)	-	(218,160)
Net carrying amount	70,450,137	687,789,085	5,358,473	1,108,450	25,169,307
In KHR'000 equivalents	290,043,214	2,831,627,665	22,060,833	4,563,489	103,622,037
					3,251,917,238

36. FINANCIAL RISK MANAGEMENT (continued)

36.1. Credit risk (continued)

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

(ii) Industry sectors (continued)

	2021					
	Deposits and placements with other banks US\$	Loans to customers at amortised cost US\$	Investment securities US\$	Other financial assets US\$	Off-balance-sheet items US\$	Total US\$
Wholesale and retails	-	13,234,448	-	-	-	13,234,448
Construction	-	2,813,133	-	-	-	2,813,133
Real estate	-	5,045,903	-	-	-	5,045,903
Financial institutions	36,585,242	11,060,487	25,499,142	-	-	73,144,871
Staff loans	-	5,967,781	-	-	-	5,967,781
Others	-	523,855,384	-	182,520	19,406,919	543,444,823
Gross carrying amount	36,585,242	561,977,136	25,499,142	182,520	19,406,919	643,650,959
Less: Expected credit loss	(156,633)	(2,781,705)	(28,450)	-	(270,215)	(3,237,003)
Net carrying amount	36,428,609	559,195,431	25,470,692	182,520	19,136,704	640,413,956
In KHR'000 equivalents	148,410,153	2,278,162,186	103,767,599	743,586	77,962,932	2,609,046,456

(h) Repossessed collateral

Reposessed collaterals are sold as soon as practicable. The Bank does not utilise the reposessed collaterals for its business use. The Bank did not obtain assets by taking possession of collateral held as security as at 31 December 2022 and 31 December 2021.

36. FINANCIAL RISK MANAGEMENT (continued)

36.2. 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 Branch's financial instruments at their carrying amounts by currency in US\$ equivalent.

36. FINANCIAL RISK MANAGEMENT (continued)

36.2. Market risk (continued)

(i) Foreign exchange risk (continued)

	In US\$ equivalent			Total
	US\$	KHR	KRW	
As at 31 December 2022				
Financial assets				
Cash on hand	8,095,593	1,049,883	-	9,145,476
Deposits and placements with the central bank	8,120,568	1,360,825	-	9,481,393
Deposits and placements with other banks	56,568,519	13,881,618	-	70,450,137
Loans 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 financial 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 financial 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	57,962,627	-	103,182,267
KHR'000 equivalent	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	40,272,091	260,566	63,089,382	103,622,039

36. FINANCIAL RISK MANAGEMENT (continued)

36.2. Market risk (continued)

(i) Foreign exchange risk (continued)

	In US\$ equivalent			
	US\$	KHR	KRW	Total
As at 31 December 2021				
Financial assets				
Cash on hand	9,621,077	1,049,883	-	10,670,960
Deposits and placements with the central bank	30,095,779	1,360,826	-	31,456,605
Deposits and placements with other banks	22,534,653	13,893,956	-	36,428,609
Loans to customers at amortised cost	495,119,689	64,075,742	-	559,195,431
Investment securities	25,000	25,470,692	-	25,495,692
Other financial assets	182,520	-	-	182,520
Total financial assets	557,578,718	105,851,099	-	663,429,817
Financial liabilities				
Deposits from banks and financial institutions	68,113,474	23,731,730	-	91,845,204
Deposits from customers	80,439,064	2,852,877	-	83,291,941
Borrowings	377,938,489	13,762,251	-	391,700,740
Lease liabilities	6,206,488	-	-	6,206,488
Other financial liabilities	1,114,515	511	-	1,115,026
Total financial liabilities	533,812,030	40,347,369	-	574,159,399
Net on-balance sheet position	23,766,688	65,503,730	-	89,270,418
KHR'000 equivalent	96,825,487	266,862,196	-	363,687,683
Off-balance-sheet items				
Unused portion of credit facilities	9,220,418	-	-	9,220,418
Bank guarantees	5,500	-	-	5,500
Loan commitments	9,826,800	83,986	-	9,910,786
	19,052,718	83,986	-	19,136,704
KHR'000 equivalent	77,620,773	342,159	-	77,962,932

36. FINANCIAL RISK MANAGEMENT (continued)

36.2. 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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Asset/(Liability)				
Khmer Riel (KHR)	58,306,237	240,046,777	65,802,483	268,079,314
	58,306,237	240,046,777	65,802,483	268,079,314

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 2019 to 2021.

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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Increase/(Decrease)				
-1%				
Khmer Riel (KHR)	471,162	1,939,774	531,737	2,166,297
	471,162	1,939,774	531,737	2,166,297
Increase/(Decrease)				
+1%				
Khmer Riel (KHR)	(461,832)	(1,901,362)	(521,208)	(2,123,400)
	(461,832)	(1,901,362)	(521,208)	(2,123,400)

(ii) Price risk

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

36. FINANCIAL RISK MANAGEMENT (continued)

36.2. Market risk (continued)

(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.

FINANCIAL RISK MANAGEMENT

Market risk (continued)

(iii) Interest rate risk (continued)

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

In KHR'000 equivalent

36. FINANCIAL RISK MANAGEMENT (continued)

36.3. 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.

(a) 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.

(b) Funding approach

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

(c) 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 flow.

36. FINANCIAL RISK MANAGEMENT (continued)

36.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

As at 31 December 2022

Financial liabilities

Deposits from banks and financial institutions
Deposits from customers
Borrowings
Lease liabilities
Other financial liabilities
Total financial liabilities

In KHR'000 equivalents

Off-balance sheet items

Unused portion of credit facilities
Bank guarantees
Loan commitments

In KHR'000 equivalents

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
Deposits from banks and financial institutions	12,534,075	30,060,328	64,195,895	-	-	106,790,298
Deposits from customers	48,563,947	11,101,443	18,009,476	692,418	-	78,367,284
Borrowings	42,547,242	55,933,706	291,031,392	114,832,919	-	504,345,259
Lease liabilities	108,597	217,915	970,535	4,907,816	1,828,957	8,033,820
Other financial liabilities	715,310	-	-	-	-	715,310
Total financial liabilities	104,469,171	97,313,392	374,207,298	120,433,153	1,828,957	698,251,971
In KHR'000 equivalents	430,099,577	400,639,235	1,540,611,446	495,823,291	7,529,816	2,874,703,365
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
	762,638	863,740	5,728,051	17,530,164	284,714	25,169,307
In KHR'000 equivalents	3,139,781	3,556,018	23,582,386	72,171,686	1,172,168	103,622,039

36. FINANCIAL RISK MANAGEMENT (continued)

36.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

As at 31 December 2021

Financial liabilities

Deposits from banks and financial institutions									
Deposits from customers	14,602,630	29,869,340	48,174,930	-	-	-	-	92,646,900	
Borrowings	68,090,697	2,286,025	12,638,307	740,389	-	-	-	83,755,418	
Lease liabilities	37,440,394	61,536,009	177,067,579	116,521,342	-	-	-	392,565,324	
Other financial liabilities	93,041	186,804	1,112,035	5,350,062	1,622,557	-	-	8,364,499	
Total financial liabilities	1,115,026	-	-	-	-	-	-	1,115,026	
	121,341,788	93,878,178	238,992,851	122,611,793	1,622,557			578,447,167	
In KHR'000 equivalents	494,346,444	382,459,697	973,656,875	499,520,445	6,610,297			2,356,593,758	

Off-balance sheet items

Unused portion of credit facilities	419,523	764,795	7,861,407	174,693	-	-	-	9,220,418	
Bank guarantees	-	-	5,500	-	-	-	-	5,500	
Loan commitments	-	3,205,521	5,408,796	553,314	743,155			9,910,786	

In KHR'000 equivalents

	419,523	3,970,316	13,275,703	728,007	743,155			19,136,704	
	1,709,137	16,175,067	54,085,214	2,965,901	3,027,613			77,962,932	

36. FINANCIAL RISK MANAGEMENT (continued)

36.4. 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.

a) Financial instruments measured at fair value

i) Determination of fair value and fair value hierarchy

The following table presents the Bank's financial assets measured and recognised at fair value at 31 December 2022 and 31 December 2021 on a recurring basis:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
As at 31 December 2022				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	25,000	25,000
Total financial assets	-	-	25,000	25,000
<i>In KHR'000 equivalent</i>	-	-	102,925	102,925
As at 31 December 2021				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	25,000	25,000
Total financial assets	-	-	25,000	25,000
<i>In KHR'000 equivalent</i>	-	-	101,850	101,850

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group and the Bank are the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

36. FINANCIAL RISK MANAGEMENT (continued)

36.4. Fair value of financial assets and liabilities (continued)

a) Financial instruments measured at fair value (continued)

ii) Valuation techniques

The Bank's financial asset at FVOCI is investment in unlisted equity securities where the fair values have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

b) Financial instruments not measured at fair value

As at the balance sheet date, the fair values of financial instruments of the Bank approximate their carrying amounts.

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

i. Deposits and placements with the central bank and other banks

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

ii. Loans 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 to customers might approximate to their carrying value as reporting date.

iii. 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 investments are approximate their carrying values based on estimated future cash flows using prevailing market rates.

iv. Deposits from banks, financial institutions and 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 due to the Bank offers similar interest rate of the instrument with similar maturities and terms.

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.

v. 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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.4. Fair value of financial assets and liabilities (continued)

c) Financial instruments not measured at fair value (continued)

iv. Borrowings

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

36.5. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' shown on the balance sheet, are:

- to comply with the capital requirement set by the central bank;
- 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 central bank 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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Tier 1 capital				
Share capital	75,000,000	303,375,000	75,000,000	303,375,000
Reserve	12,161,275	49,422,067	5,621,275	22,693,087
Retained earnings	31,735,853	130,656,507	52,918,073	216,163,892
Less: Intangible assets	(1,141,332)	(4,698,864)	(1,068,112)	(4,351,488)
	<u>117,755,796</u>	<u>478,754,710</u>	<u>132,471,236</u>	<u>537,880,491</u>
Tier 2 complementary capital				
General provision	7,637,252	31,442,566	6,234,779	25,400,488
	<u>7,637,252</u>	<u>31,442,566</u>	<u>6,234,779</u>	<u>25,400,488</u>
	<u>125,393,048</u>	<u>510,197,276</u>	<u>138,706,015</u>	<u>563,280,979</u>

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Issuance of new share capital

On 17 September 2022, the Bank has approved to inject the additional share capital amounting to US\$100 million. The increase in share capital was approved by the central bank and the Ministry of Commerce on 17 February 2023 and 17 March 2023. The Bank considers this injection of share capital to be a non-adjusting post balance sheet event.



No.79, Kampuchea Krom,
Sangkat Monorom, Khan 7 Makara, Phnom Penh



Tel: 023 955 001 / 095 777 665 / 098 222 595



<http://www.shinhan.com.kh/>