

# Shinhan Bank (Cambodia) PLC.

## Annual Report 2021

Bring happiness and  
help your dream come true



# 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.

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Shinhan will be the "Future of Finance," becoming the standard in the digital age through 24-hour connectivity with the lives of our customers and providing differentiated solutions beyond finance. We are going forward as the dominant leader in the market as we shape the future of business.





## Breaking the barriers for breakthrough in finance

We are constantly developing ourselves further in order to seize new opportunities – and yet always remaining true to our principles. In 2021, despite the challenges posed by the prolonged COVID-19 pandemic, we achieved a record-breaking performance, while also continuing our journey driven by our mission of “Building a Better World through Finance.” And now we are well positioned to take new challenges with “Breakthrough” as our strategic keyword for the years ahead.



# 1

## Message from the CEO



## MESSAGE FROM THE CEO

Dear Valued Customer,

It gives me immense pleasure to present you the overview of SBC Bank's performance, substantial achievements and initiatives taken during the year of 2021. The prolonged COVID-19 pandemic in 2021 was a challenging year for the world and Cambodia without exception, especially the community outbreak event in February 20. The success of government's vaccination program has brought us more hopes and opportunities as more than 80 percent of Cambodian people received at least two doses of covid-19 vaccines allowing the relaxation of travel restriction and making the country to reopen for its economic recovery.

In 2021, we were able to deliver outstanding performance results with a significant increase of net profit by 51%, which is about US\$ 6.2 Million higher than the prior year balance. The main reason of this high record of profit was due to the consistent growth of the net interest income amounting to US\$ 34.94 Million, which is about 44% increase compared to 2020. From the balance sheet side, our total asset recorded US\$ 719 Million, an increase of 19% compared to previous year at US\$ 606 Million, mainly driven from the grow of deposit together with the loan and advance to customers. With a well-managed and robust credit portfolio, our loans and advances grew by 28% to US\$ 561 Million versus prior year at US\$ 437 Million, contributed mainly by sustained growth of retail loan segment. Customer deposit also continued to increase, with significant growth of approximately US\$ 21 Million bringing the balance as of 2021 to US\$175 Million, an increase of 14% compared to 2020. In addition, as the end of March 2022, we expanded branch channels to 12 branches to enable our customers experiencing the bank's services at their own convenience location.

Our loyalty customers and employees are behind of these achievements and result. Therefore, it's all thank to valued customers who always support and care about Shinhan Bank Cambodia, and also our employees who dedicated their effort and cooperation both hearts and souls to provide our customers with excellent value by upholding our bank's core values "customer-oriented" in mind.

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

Thank you

*Kim Nam Soo*

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

# 2

## About Shinhan Bank (Cambodia) PLC.



## WE CREATE THE FUTURE OF FINANCE THROUGH INNOVATION

Shinhan Bank has been pioneering the future of finance in Cambodia as the “First Mover” leading the market, rather than being one of “Fast Followers” that struggle to catch up with new products and technologies.

We will never be satisfied with the current financial business in which FinTech is tearing down conventional boundaries. Instead, we will continue to realize innovations as we rise up to challenge to offer new and futuristic services.

# PROFILE (As the end of Mar, 2022)

<b>2007.10</b>	Shinhan Khmer Bank was established in Phnom Penh, Kingdom of Cambodia (Subsidiary of Shinhan Bank, Korea)	<b>2020.02</b>	Sen Sok Branch was opened as 7 <sup>th</sup> branch
<b>2011.11</b>	Olympic branch opened as 1 <sup>st</sup> branch in Phnom Penh	<b>2020.02</b>	Chbar Ampov Branch was opened as 8 <sup>th</sup> branch
<b>2012.12</b>	Teuk Thlar branch opened as 2 <sup>nd</sup> branch	<b>2021.01</b>	Beung Keng kang Branch was opened as 9 <sup>th</sup> branch
<b>2013.12</b>	New Olympic branch was relocated for its business expansion	<b>2021.01</b>	Mao Tse Toung Branch was opened as 10 <sup>th</sup> branch
<b>2015.03</b>	Doun Penh branch was opened as 3 <sup>rd</sup> branch	<b>2021.02</b>	Chroay Chongvar Branch was opened as 11 <sup>th</sup> branch
<b>2015.12</b>	Stueng Mean Chey branch was opened as 4 <sup>th</sup> branches	<b>2021.02</b>	Steung Mean Chey Branch was relocated for its business expansion
<b>2016.04</b>	Debit Card service launched	<b>2021.03</b>	Relocation of Daun Penh Branch and renaming Branch to Monivong Branch
<b>2018.04</b>	New Head Office was relocated for its business expansion	<b>2022.03</b>	Teuk Thlar Branch was relocated for its business expansion
<b>2018.05</b>	Norodom Branch was opened as 5 <sup>th</sup> branch	<b>2022.03</b>	Ta Khmau Branch was opened as 12 <sup>th</sup> branch
<b>2020.02</b>	Tuol Kouk Branch was opened as 6 <sup>th</sup> branch		

## Shareholders

### • Major Shareholders

- Shinhan Bank (97.50%)
- Insung Co., Ltd. (2.50%)

\* ( ) Ownership %



# SHAREHOLDER: SHINHAN BANK IN KOREA

Shinhan Bank Cambodia is a subsidiary of Shinhan Bank in Korea



# SHINHAN BANK

## Credit Rating & Key Financials



Shinhan Bank is the flagship company of Shinhan Financial Group. In 2021, Shinhan Bank recorded a net profit of USD 2.1 billion

### Credit Rating

Moody's  
**Aa3**

S&P  
**A+**

Fitch  
**A**

Source: Company Factbooks, Bloomberg as of December 2021

### Key Financials (As of Dec 31th 2021)

Total Assets  
**USD 466 bn**

ROE  
**8.90%**

Net Income  
**USD 2.1 bn**

ROA  
**0.56%**

Source: KRX exchange rate as the end of December 2021 (1185.5 KRW/USD) is applied to all USD figures

## Awards & Recognition



#### The Banker

#### Top 500 Banking Brand [#65 globally]

The Banker "Top 500 Banking Brand 2020"

**Top 500  
Banking Brand** **The Banker**

#### Euromoney

#### South Korea's Best Bank

Euromoney "Award for Excellence Asia 2019"

**EUROMONEY**

#### Global Finance

#### Best Bank -South Korea

Global Finance "World's Best Bank Award 2018"

**GLOBAL  
FINANCE**

#### Asiamoney

#### Best Domestic Bank, South Korea Best Cash Management Bank, South Korea

Asiamoney "Best Bank Awards" – 2018

"Best Bank Awards" – 2019

"Best Corporate Social Responsibility Awards - 2020"

**ASIAMONEY**



# SHINHAN BUSINESS ORGANIZATION



Shinhan Financial Group consists of 17 direct subsidiaries that include Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital and Shinhan Asset Management, and 32 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
- 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 546 bn**

Net Income

**USD 3.39 bn**

Return on Asset

**0.66%**

Return on Equity

**9.17%**

(As of Dec 31st 2021)

## BUSINESS REPORT



# STOCK INFORMATION

## MAJOR SHAREHOLDERS<sup>1)</sup>

Name of Shareholder	Number of Shares Owned	Ownership
National Pension Service	45,340,437	8.78%
BlackRock Fund Advisors <sup>2)</sup>	29,063,012	5.63%
SFG Employee Stock Ownership Association	25,464,625	4.93%
Centennial Investment Limited	20,440,000	3.96%
BNP Paribas SA	18,690,310	3.62%
Supreme, L.P.	18,690,000	3.62%
Citibank, N.A. (ADR Dept.)	15,728,396	3.04%
Norges Bank	10,436,161	2.02%
The Government of Singapore	9,477,462	1.83%
Vanguard Total International Stock Index	6,398,267	1.24%
Peoples Bank of China	5,522,909	1.07%
Others	340,410,987	65.89%
Total	516,599,554	100.00%

## STOCK PERFORMANCE

(Unit: KRW)

	2021	2020	2019
Market Capitalization (Year End)	19.0 trillion	16.6 trillion	20.6 trillion
Year End	36,800	32,050	43,350
Share Price	43,000	42,750	48,000
High	30,650	22,200	38,350
Low	0.9%	0.8%	1.4%
Weighting in the KOSPI (% , Year End)	1.8 million	2.4 million	1.0 million
Average Daily Trading Volume (Shares)	1,960	1,500	1,850
Dividend Per Share (Common Stock)	1,047 billion	804 billion	884 billion
Total Dividend Paid (Common Stock)	25.2%	22.7%	25.0%
Dividend Payout Ratio (Common Stock)			

<sup>1)</sup> Holding ownership of more than 1% in common stocks as of December 31, 2021

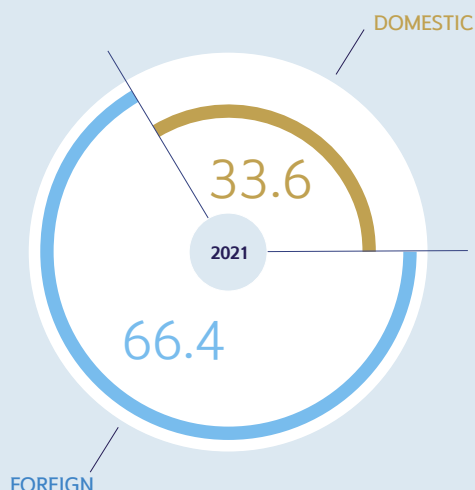
<sup>2)</sup> Based on the large equity ownership disclosure by BlackRock Fund Advisors with the Financial Supervisor Service on Sep. 27, 2018

<sup>3)</sup> The Number of treasury shares held by Shinhan Financial Group as of December 31, 2021 is 6,352 common shares

<sup>4)</sup> All of the 17,482,000 convertible preferred shares other than the above common shares are held by Mercury 1st LLC.

### SHARE OWNERSHIP

(%)



### TYPE OF STOCK

Type of Stock	No. of Shares
Common Stock	516,599,554
Convertible Preferred Stock <sup>4)</sup>	17,482,000

# Shinhan Way 2.0

The "Shinhan Way", which consists of our corporate mission, core values, and vision, is the standard that guides the thoughts and actions of all of us at Shinhan Financial Group.

## 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*



## DIGITAL SHINHAN

By utilizing the digital platform named "SOL" and the offline platform community, Shinhan provides differentiated solutions and pursues a creative online-offline convergence based on big data analysis. Through these efforts, we are able to enhance work efficiency in all of our segments.

### Mobile Banking **Shinhan**

**SOL**



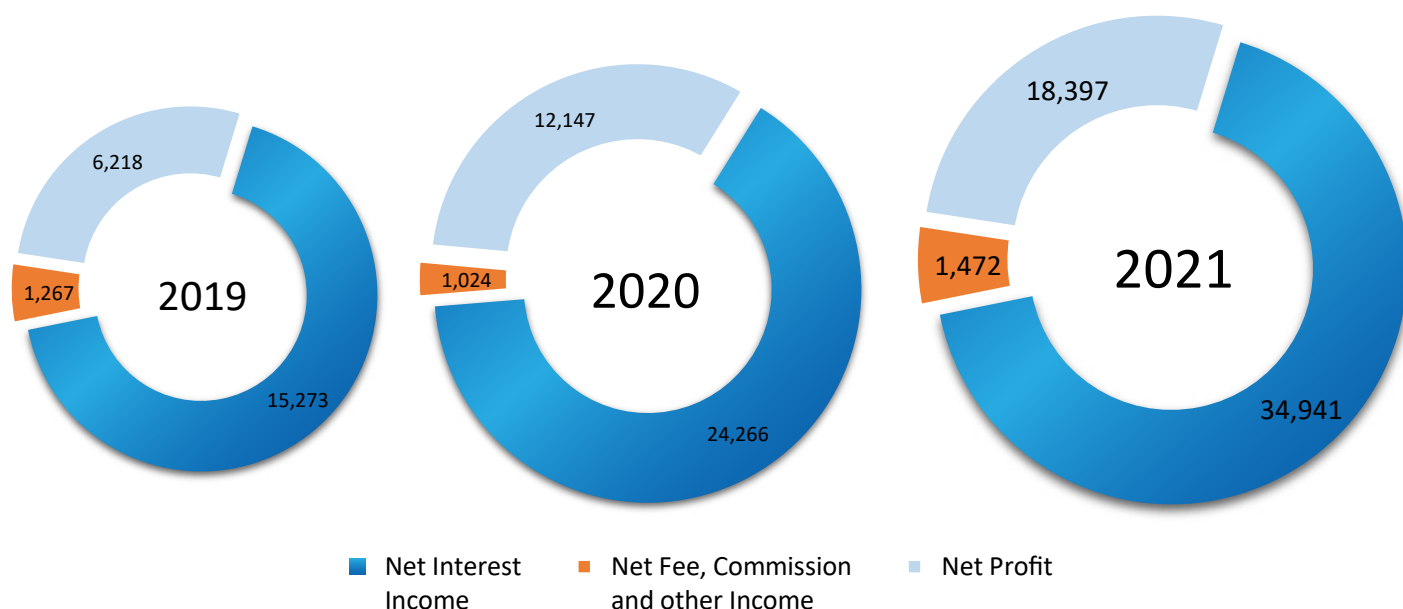
# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2021 (Audited)	2020 (Audited)	2019 (Restated)*
<b>Balance Sheet (US\$ million)</b>			
Total Assets	<b>718.90</b>	605.94	442.84
Total Gross Loans and advance	<b>560.76</b>	436.73	312.52
Total Deposits	<b>175.14</b>	154.02	156.37
Equity	<b>139.89</b>	121.50	109.35
<b>P&amp;L Account (US\$ thousand)</b>			
Net Interest Income	<b>34,941.47</b>	24,265.89	15,273.45
Net Fee, Commission and other Income	<b>1,471.77</b>	1,023.95	1,267.34
Net Profit	<b>18,396.66</b>	12,146.93	6,217.81
<b>Key Performance Indicators (%)</b>			
ROAE	<b>13.2%</b>	10.5%	5.9%
ROAA	<b>2.6%</b>	2.3%	1.8%
Cost/Income	<b>32.4%</b>	31.1%	38.4%
Liquidity Ratio	<b>136.3%</b>	113.5%	147.74%
Credit Deposit Ratio	<b>319.3</b>	282.64	198.66%
Solvency Ratio	<b>21.4%</b>	22.90%	31.82%
<b>General Information</b>			
Operating Branches	<b>12</b>	9	6
Staff	<b>402</b>	345	237
ATMs	<b>25</b>	18	13
Depositors	<b>23,268</b>	17,252	15,246
Borrowers	<b>8,195</b>	5,900	3,407
Mobile Banking Users	<b>17,269</b>	12,268	6,436

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

## SIMPLIFIED FINANCIAL RESULTS

### PROFIT & LOSS (US\$ thousand)



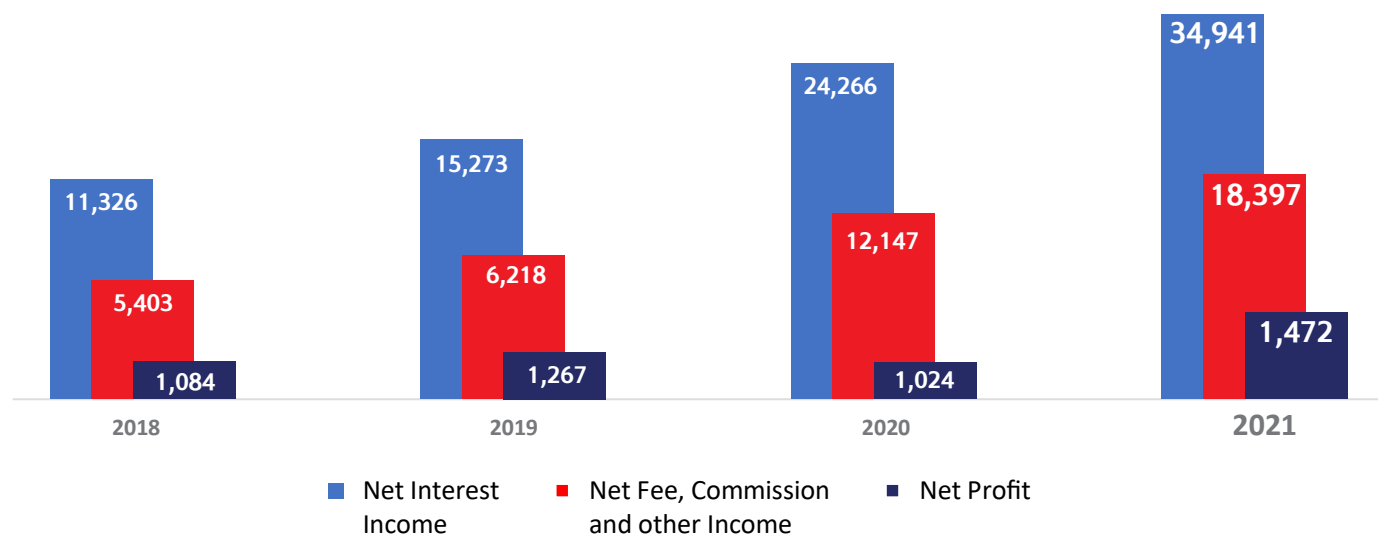
### STATEMENT OF COMPARISON 2021 TO 2020

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

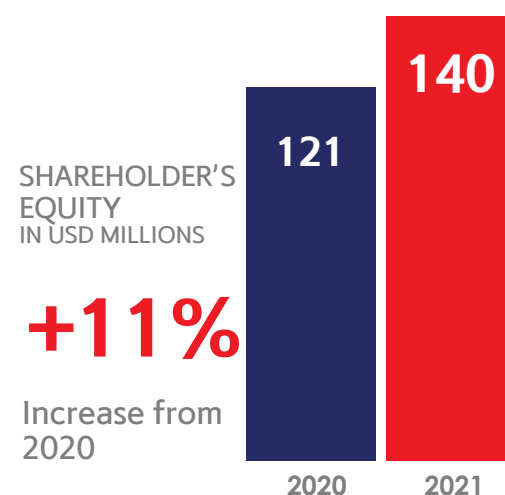
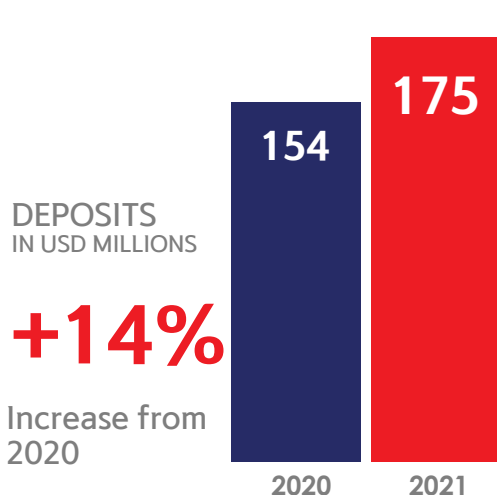
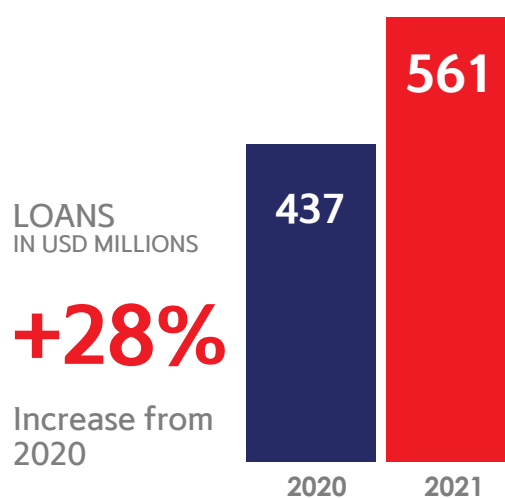
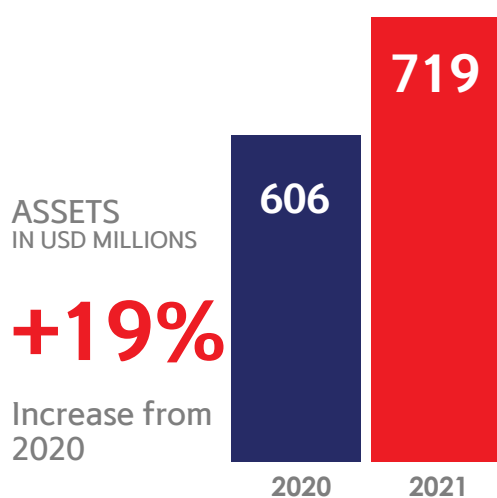
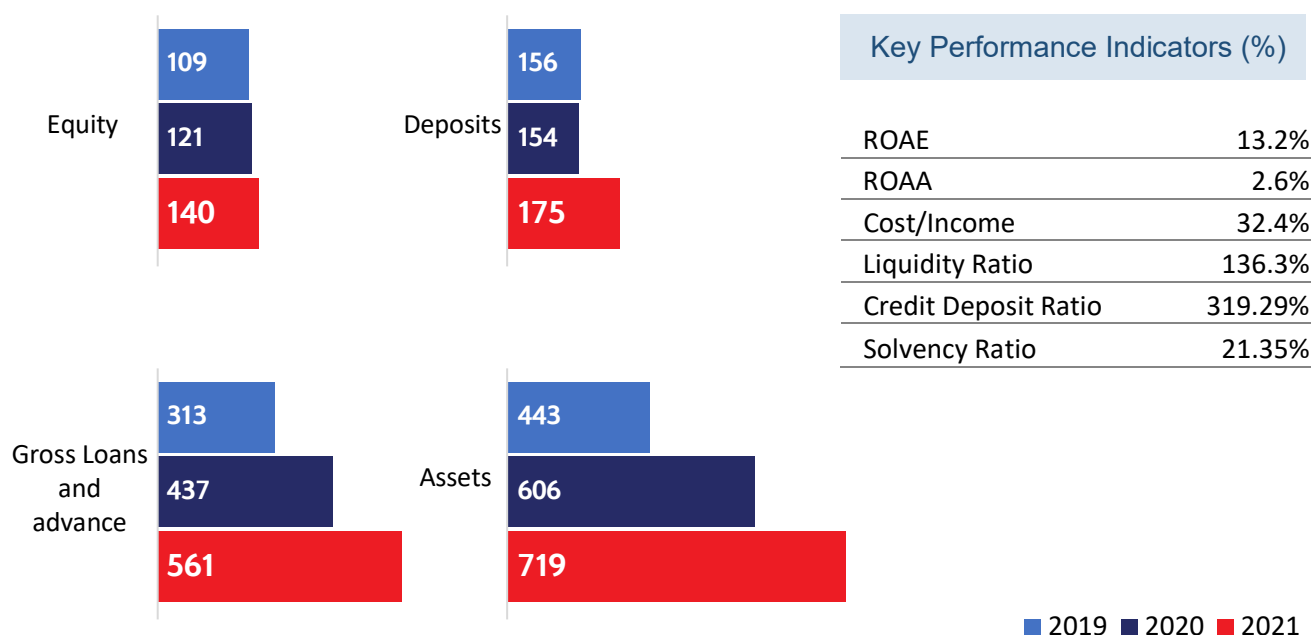
During the year 2021, The Covid-19 severely impact on many industries. However, our bank still keep striving to sustainably serve its best financial service to our customers and able to continue growing together.

As of 2021, the bank's net interest income increased 44% compared to 2020 which is about US\$10.6 million. As a result, the bank's net profit also increased by 51% which is about US\$6.2 million compared to the prior year.

### P&L Account (US\$ Million)

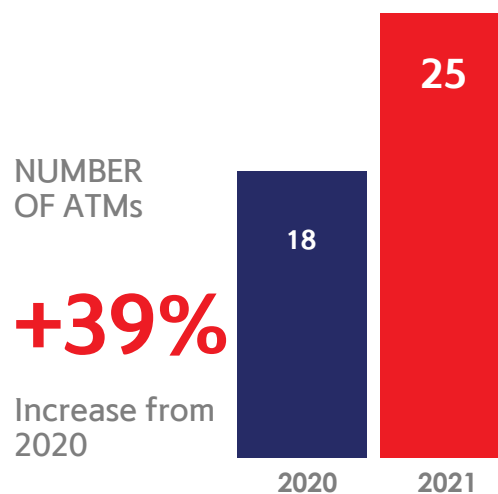
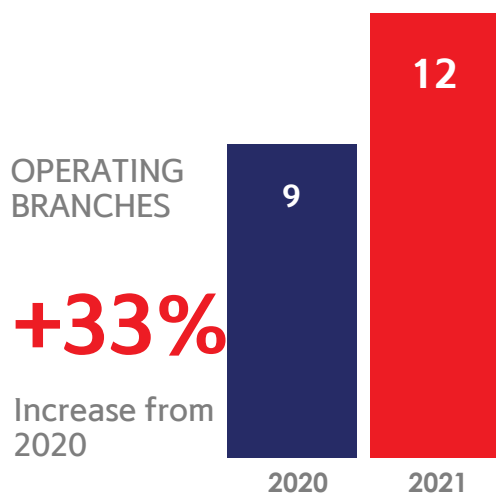
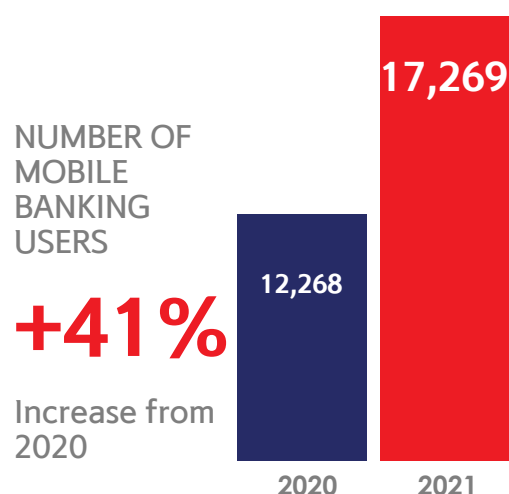
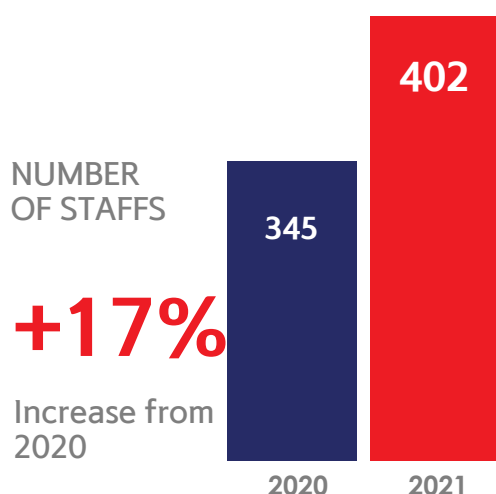
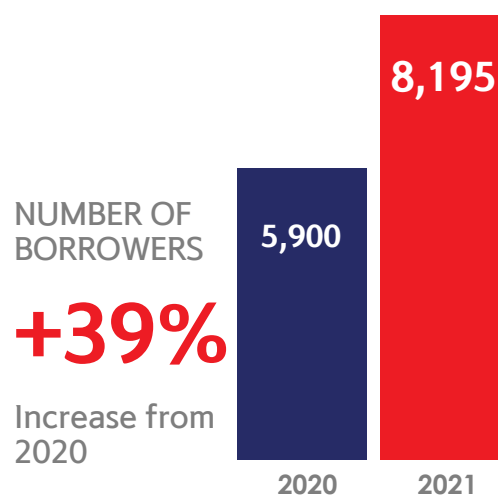
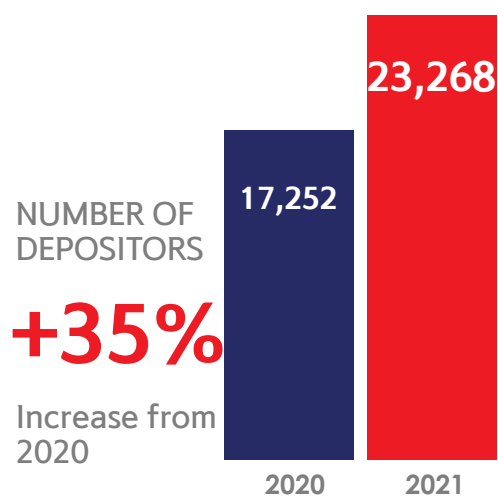


## BALANCE SHEET (US\$ million)





## GENERAL INFORMATION



# EVENT HIGHLIGHTS

## CSR (Corporate Social Responsibility)

Shinhan Bank Cambodia staffs participated in a CSR activity periodically



### Thmorda Galilee

Shinhan Bank (Cambodia) Plc has donated school uniform for 300 students to International School of Thmorda Galilee.

20.Dec.2021



### Kantha Bopha Foundation

Shinhan Bank is honored to contribute donation to Cambodia Kantha Bopha Foundation in purpose of helping Cambodian children and to ensure the sustainable of all five Kantha Bopha hospitals to continue in its mission to provide medical care for children, free of charge, of high quality, and non-discriminatory

06.Aug.2021



### Association of Banks in Cambodia

Shinhan Bank is honored to contribute donation through the Association of Banks in Cambodia in order to prevent and fight against the spread of Covid-19 particularly during this lockdown period. We wish all Cambodians with good health and avoid this Covid-19 pandemic.

11.May.2021



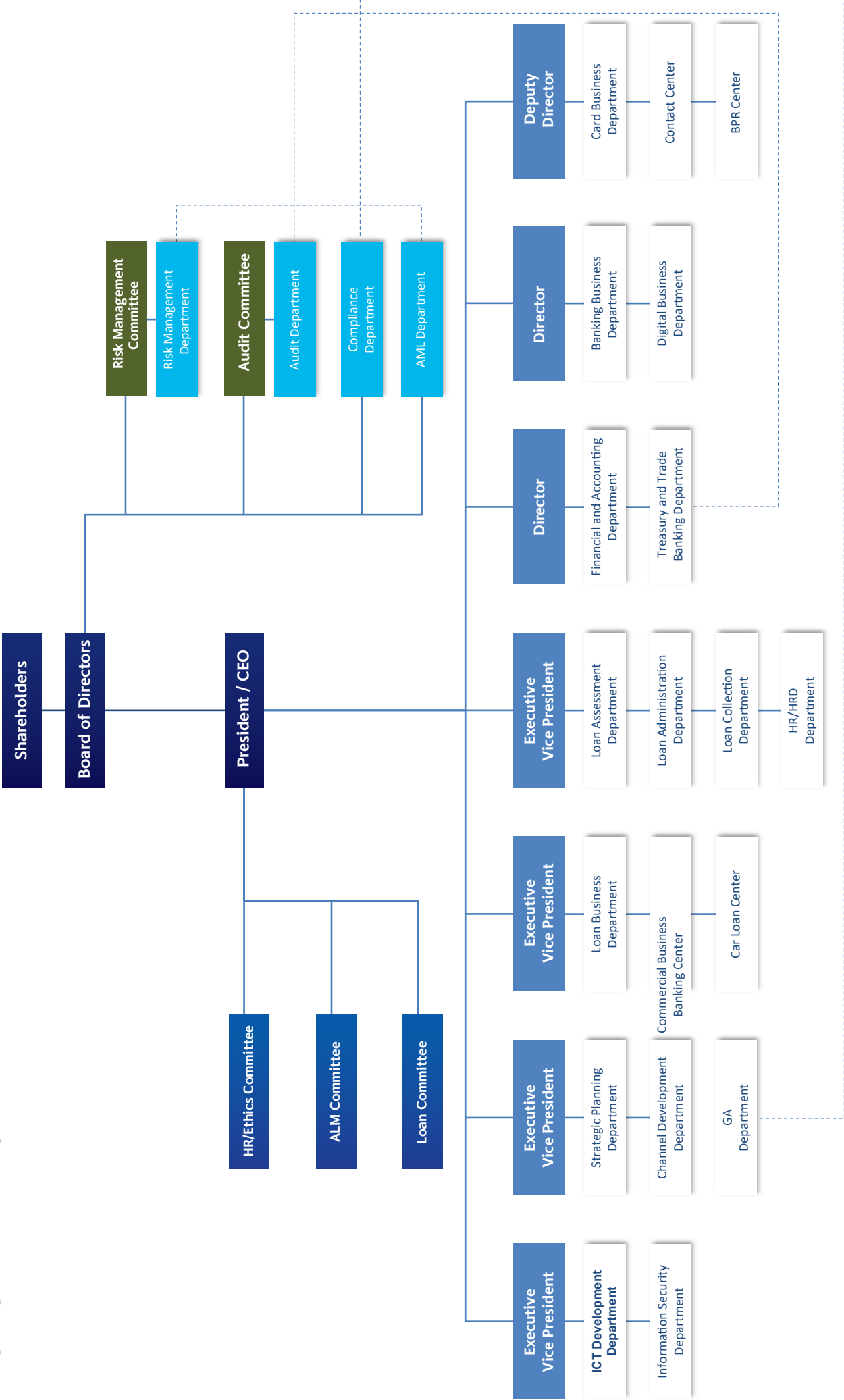
### Hope Scholarship

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

ORGANIZATION

(As of December 2021)



# MAIN MANAGEMENT & BOARD OF DIRECTORS' PROFILE

[As the end of Mar, 2022]

## Board of Directors' Profile



**Mr. Seo Seung Hyeon**  
Current Independent Member  
of Board of Director

Mr. Seo was appointed Chairman of Board of Directors for Shinhan Bank Cambodia in March 2020. He has almost 30 years of extensive experiences in banking business management. Since joining Shinhan Bank Korea in 1994, he has held various key senior management positions in charge of many banking businesses including Global Business and Strategy, International Trade Business, Branch Business Management in Asia and Europe countries, and Corporate Social Responsibility.



**Mr. Lee Sang Hoon**  
Current Vice President & Member  
of Board of Directors

Mr. Lee is the executive vice president. He was appointed member of the board of director for Shinhan Bank Cambodia in March 2021. With almost 20 years of exceptional experiences in banking and finance, Mr. Lee held many senior management roles in Shinhan Bank Korea, Vietnam and Cambodia. His professional includes Business Development, Strategic Planning, HR Task Force Team, and Shinhan Culture Team.



**Mr. Kim Nam Soo**  
Current CEO & Member  
of Board of Director

Mr. Kim joined Shinhan Bank Korea in 1995 and was appointed Chief Executive Officer and member of Board of Directors for Shinhan Bank Cambodia in March 2021. With more than 25 years of significant experiences and in-depth knowledge of business management, Mr. Kim has held a series of management roles with many fields of business in Shinhan Bank and Shinhan Financial Group, including Business Planning and Management, Corporate Business Banking, General Branch Management, and HR Management.



**Mr. Lee Dae Kun**  
Current Member of Board  
of Directors

Mr. Lee was appointed member of the Board of Directors in September 2021. He has served with many managerial positions at Shinhan Bank Korea and Vietnam with very strong expertise in finance and banking business including Future Strategy, Institution Business, and Branch Business Management for more than 20 years.



**Mr. Kim Yuk Dong**  
Current Independent Member  
of Board of Director

Mr. Kim joined Shinhan Bank in 1986 and was appointed independent member of Board of directors for Shinhan Bank Cambodia in July 2020. He has profound experiences in finance and banking business more than 30 years. Mr. Kim has served many executive positions in Shinhan Bank Korea and Shinhan Bank India.



**Mr. Kim Choon Ho**  
Current Vice President & Member  
of Board of Directors

Mr. Kim is the executive vice president. He was appointed member of the board of directors for Shinhan Bank Cambodia in January 2020. He has more than 10 years substantial experiences in leading development of digital, IT and innovation transformation. In Shinhan Bank Korea, he served many managerial positions in the area of Global & Digital Development.



**Mr. Park Woo Gyun**  
Current Independent Member  
of Board of Director

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.

# MAIN MANAGEMENT & BOARD OF DIRECTORS' PROFILE

(As the end of Mar, 2022)

## Main Managements' Profile



**Mr. Jung In Chang**  
Current Vice President

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. Kim Min Su**  
Current Director

Mr. Kim was appointed director for Shinhan Bank Cambodia in 2020. He has substantial knowledge and experience in banking business for more than 10 years. Previously he has served many years as management roles in Retail Banking Business at Shinhan Bank Korea.



**Mr. Song Kyo Min**  
Current Vice President

Mr. Song was Appointed vice president of Shinhan Bank Cambodia in 2021, previously he has served various senior management roles in Credit Planning and Corporate Banking Center at Shinhan Bank Korea. With almost 20 years of deep understanding and significant experience in the field of credit, currently he is responsible for many credit tasks such as planning, assessment, administration, collection, and Human Resources.



**Mr. Lee Hyun Duk**  
Current Director

Mr. Lee was appointed Director of Shinhan Bank Cambodia in January 2022. He has served as managerial position with extensive experiences in Information Technology at Shinhan Bank Korea for more than 25 years.



**Mr. Lee Jung Hoon**  
Current Director

Mr. Lee joined Shinhan Bank Cambodia in 2019. As a director position, he has extensive expertise in Risk Management and Finance & Accounting. He has served with a number of managerial positions at Shinhan Bank Korea for more than 15 years.



**Mr. Kim Young Wook**  
Current Director

Mr. Kim was appointed Director of Shinhan Bank Cambodia in January 2021. He has served with many managerial positions with significant experiences in Retail Banking & Card Business at Shinhan Bank Korea for more than 10 years.



# BRANCH NETWORK (As the end of Mar, 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: 023-900-820  
SWIFT: SHBKHHPP

## SEN SOK BRANCH

#127, St 1003, Bayab, Phnom Penh Thmey,  
Sen Sok, Phnom Penh  
Cambodia  
Tel: 023-900-850  
SWIFT: SHBKHHPP

## TUOL KOUK BRANCH

#57, St.289, Boeung Kak II,  
Tuol Kouk, Phnom Penh  
Cambodia  
Tel: 023-900-830  
SWIFT: SHBKHHPP

## BOENG KENG KONG BRANCH

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

## MAO TSE TUNG BRANCH

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

## CHRAOY CHANGVAR BRANCH

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

## TA KHMAU BRANCH

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

# 3

## **Business Analysis & Planning**



# BUSINESS ANALYSIS & PLANNING

## I. Banking environment & SWOT analysis

### ❖ Strength

- Strong branding name & reliable banking service (among Korean community & corporate)
- Highly secured & trusted internet & ATMs service (using latest banking technology developed in Korea)
- Efficient management
- Lower labor cost
- Getting full support from Head office (Financial and technical support)

### ❖ Weakness

- Image is not much known to Local Cambodian
- Not aggressive participate in local market
- Focusing only on Korean community/corporate

### ❖ Opportunities

- Opportunities to grow and gain market shares
- Direct and easily penetrate to niche market
- Diversifies providing loan/new products to other sectors
- Potential to be the leading banks

### ❖ Threats

- There are many price leaders in the banking market industry
- Possible adverse effect of economic and social effect,
- Competitor adopts flexible, and innovative products
- Competitor gradually attracts our main clients
- Insufficient branch to get closer to its major corporate clients

## II. Marketing plan

- Good quality asset growth
- Localization of manpower and system
- Strengthen of network and non-faced channel

## III. Risk mitigation and planning

The bank defines what type of risk the bank might face.

### - Credit Risk

Credit risk is arising from the failure of the counterparty / obligor to meet the terms of any contract with the bank or fail to perform as agreed

### - Market Risk

Market risk is the risk arising from adverse movements in market rates or changes in the value of portfolios of financial instruments

**- Interest Rates risk**

Interest rate risk is the risk arising from the movements in interest rates

**- Foreign Exchange Risk**

Foreign Exchange risk is the risk arising from movements of foreign exchange rates

**- Liquidity Risk**

Liquidity risk is the risk arising from a bank's inability to meet its obligations when they become due, without incurring unacceptable losses.

**- Legal Risk**

Legal risk is risk arising out of violations of or non-conformity with laws, rules, regulations, prescribed and accepted practices or ethical standards.

**- Operational Risk**

Operational risk is the risk arising from problems with service or product delivery, the risk that deficiency in information systems or internal controls leads to unexpected losses. Operational risk is associated with human error, system failure and inadequate procedures and controls.

**- Reputation Risk**

Reputation risk is the risk that the bank suffers from deterioration of its recognition and negative public opinion.

**- Other risks**

Strategic Risk the risk arising from adverse business decisions or improper/inappropriate implementation of those decisions.

The bank well prepare itself by stated its risk control & management in its risk management policy. The policy includes risk assessment & control, reporting system process, risk control approaches which clearly divides level of authorities, detail document requirements, control measures, segregation of duties, internal audit review, established reporting system, proper management policy, and contingency policy and testing.

**IV. Training & employee skill development**

- Offer customized training program for each occupational group
  - Offer customized training program like Deposit, Loan, Foreign Exchange, Accounting etc
  - Pre-computing education, getting ready to the new system, 'AITHER'
- Fair personnel evaluation and compensation
  - Compensate after thoroughgoing evaluation depends on outcomes and use it for re-evaluation

# 4

## Audited Financial Statement

## Corporate information

Bank	Shinhan Bank (Cambodia) Plc.	
Registration No.	00006043	
Registered office	Vanda Tower No. 79, Kampuchea Krom Blvd. Sangkat Monorom, Khan 7 Makara Phnom Penh, Kingdom of Cambodia	
Shareholders	Shinhan Bank Co., Ltd. Insung Co., Ltd.	
Board of Directors	Mr. Seo Seung Hyeon Mr. Kim Nam Soo Mr. Kim Choon Ho Mr. Lee Sanghoon Mr. Lee Dae Kun Mr. Choi Du Yeon Mr. Kim Yuk Dong Mr. Park WooGyun	Chairman Director (appointed on 13 January 2021) Director Director Director (appointed on 1 September 2021) Independent director (resigned on 27 May 2021) Independent director Independent director (appointed on 1 September 2021)
Management team	Mr. Kim Nam Soo Mr. Kim Choon Ho Mr. Lee Sanghoon Mr. Lim Joon Hyung Mr. Jung In Chang Mr. Song Kyo Min Mr. Lee Jung Hoon Mr. Kim Min Su Mr. Kim Young Wook Mr. Lee Hyun Duk	Chief Executive Officer (appointed on 13 January 2021) Vice President Vice President Vice President Vice President (appointed on 5 July 2021) Vice President (appointed on 1 July 2021) Director Director Director (appoint on 3 January 2022) Director
Auditors	KPMG Cambodia Ltd	

# Shinhan Bank (Cambodia) Plc.

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Shinhan Bank (Cambodia) Plc.  
 #79, Kampuchea Krom, Monivong, 7 Makara, Phnom Penh  
 Tel : (855)23 931 100 | SWIFT : SHHKKPP

## Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of Shinhan Bank (Cambodia) Plc. ("the Bank") for the year ended 31 December 2021.

### Principal activities

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

There were no significant changes to these principal activities during the financial year.

### Financial results

The financial results of the Bank for the year ended 31 December 2021 were as follows:

	2021 US\$	2020 US\$	2021 KQ-ET000 (Note 5)	2020 KQ-ET000 (Note 5)
Profit before income tax	23,027,747	15,127,567	93,676,875	61,675,213
Income tax expense	(4,631,090)	(2,980,665)	(18,839,274)	(12,152,171)
Net profit for the year	<u>18,396,657</u>	<u>12,146,902</u>	<u>74,837,601</u>	<u>49,523,042</u>

### Dividends

No dividend was declared or paid, and the Directors does not recommend any dividend to be paid for the financial year (2020: Nil).

### Share capital

There was no changes in the share capital during the financial year.

### Reserves and provisions

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

## Shinhan Bank (Cambodia) Plc.

### Written off and allowance for financial assets

Before the financial statements were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to write off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of allowance for expected credit losses ("ECL") on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for ECL on financial assets have been made.

At the date of this report, the Directors are not aware of any circumstances which would render the amount of the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

### Assets

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

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

### Valuation methods

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

### Contingent and other liabilities

At the date of this report, there does not exist

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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



## Shinhan Bank (Cambodia) Plc.

### Change of circumstances

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

### Items of unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Management, substantially affected by any item, transaction or event of a material and unusual nature, except for:

#### *Covid-19 and its impact on ECL*

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across the world including Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators has been considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL, in which the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Bank, however, this estimate may move materially as events unfold.

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

### Board of Directors

The Directors who served during the year and at the date of this report are:

Mr. Seo Seung Hyeon	Chairman
Mr. Kim Nam Soo	Director (appointed on 13 January 2021)
Mr. Kim Choon Ho	Director
Mr. Lee Sanghoon	Director
Mr. Lee Dae Kun	Director (appointed on 1 September 2021)
Mr. Choi Du Yeon	Independent director (resigned on 27 May 2021)
Mr. Kim Yuk Dong	Independent director
Mr. Park WooGyun	Independent director (appointed on 1 September 2021)

### Directors' interests

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

## Shinhan Bank (Cambodia) Plc.

### Directors' benefits

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

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

### Directors' responsibility in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors is required to:

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

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

## Shinhan Bank (Cambodia) Plc.

### Approval of the financial statements

We, hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 100 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

*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 2022



KPMG Cambodia Ltd  
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 Sangkat Tonle Bassac, Khan Chamkar Mon  
 Phnom Penh, Cambodia  
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## Report of the Independent Auditors To the shareholders of Shinhan Bank (Cambodia) Plc.

### Opinion

We have audited the financial statements of Shinhan Bank (Cambodia) Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as "the financial statements") as set out on pages 9 to 100.

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

### Basis for Opinion

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

### Other Information

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.





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

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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



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

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

For KPMG Cambodia Ltd

  
  
 Guek Teav  
 Partner

Phnom Penh, Kingdom of Cambodia

31 March 2022

## Shinhan Bank (Cambodia) Plc.

### Statement of financial position as at 31 December 2021

		31 December		31 December	
	Note	2021	2020	2021	2020
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
<b>ASSETS</b>					
Cash and cash equivalents - net	6	31,147,202	39,807,294	126,893,701	161,020,504
Placements with other banks - net	7	47,408,972	61,214,795	193,144,152	247,613,846
Statutory deposits	8	39,767,480	30,389,057	162,012,714	122,923,736
Loans and advances to customers - net	9	559,195,431	435,313,594	2,278,162,186	1,760,843,488
Other assets	10	2,347,731	2,027,281	9,564,656	8,200,352
Debt investments	11	25,470,692	25,633,400	103,767,599	103,687,103
Property and equipment	12	6,720,181	4,264,875	27,378,017	17,251,419
Right-of-use assets	13	5,769,484	6,642,901	23,504,878	26,870,535
Intangible assets	14	1,068,112	499,060	4,351,488	2,018,698
Deferred tax assets - net	21A	-	151,793	-	614,004
<b>Total assets</b>		<b>718,895,285</b>	<b>605,944,050</b>	<b>2,928,779,391</b>	<b>2,451,043,685</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
<b>Liabilities</b>					
Deposits from customers	15	83,291,941	56,165,278	339,331,368	227,188,550
Deposits from other banks	16	91,845,204	97,852,537	374,177,361	395,813,512
Borrowings	17	391,700,740	319,521,623	1,595,788,815	1,292,464,965
Lease liabilities	18	6,206,488	6,996,658	25,285,232	28,301,482
Other liabilities	19	1,901,793	1,068,561	7,747,905	4,322,331
Provision for off balance sheet items	30A	270,215	292,466	1,100,856	1,183,025
Provision for employee benefits	20	102,940	104,634	419,377	423,245
Deferred tax liabilities - net	21A	202,547	-	825,176	-
Current income tax liability	21B	3,480,953	2,446,486	14,181,403	9,896,036
<b>Total liabilities</b>		<b>579,002,821</b>	<b>484,448,243</b>	<b>2,358,857,493</b>	<b>1,959,593,146</b>
<b>Shareholder's equity</b>					
Share capital	22	75,000,000	75,000,000	302,995,000	302,995,000
Reserves	23	5,621,275	5,621,275	22,693,087	22,693,087
Regulatory reserves	24	6,353,116	4,426,479	25,737,896	17,900,337
Retained earnings		52,918,073	36,448,053	216,163,892	149,163,850
Currency translation reserves		-	-	2,332,023	(1,301,735)
<b>Total shareholder's equity</b>		<b>139,892,464</b>	<b>121,495,807</b>	<b>569,921,898</b>	<b>491,450,539</b>
<b>Total liabilities and shareholder's equity</b>		<b>718,895,285</b>	<b>605,944,050</b>	<b>2,928,779,391</b>	<b>2,451,043,685</b>

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



## Shinhan Bank (Cambodia) Plc.

### Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Interest income	25	41,368,101	32,654,034	168,285,435	133,130,497
Interest expense	26	(6,426,635)	(8,388,143)	(26,143,551)	(34,198,459)
<b>Net interest income</b>		<b>34,941,466</b>	<b>24,265,891</b>	<b>142,141,884</b>	<b>98,932,038</b>
Net fee and commission income	27	1,450,469	1,003,745	5,900,508	4,092,268
Other operating income		21,297	403,858	86,636	1,646,530
<b>Total operating income</b>		<b>36,413,232</b>	<b>25,673,494</b>	<b>148,129,028</b>	<b>104,670,836</b>
Personnel expenses	28	(5,710,876)	(4,503,708)	(23,231,844)	(18,361,618)
Other operating expenses	29	(6,571,396)	(4,839,660)	(26,732,438)	(19,731,294)
Impairment losses on financial instruments	32B(vi)	(1,103,213)	(1,202,529)	(4,487,871)	(4,902,711)
<b>Profit before income tax</b>		<b>23,027,747</b>	<b>15,127,597</b>	<b>93,676,875</b>	<b>61,675,213</b>
Income tax expense	21C	(4,631,090)	(2,980,665)	(18,839,274)	(12,152,171)
<b>Net profit for the year</b>		<b>18,396,657</b>	<b>12,146,932</b>	<b>74,837,601</b>	<b>49,523,042</b>
<b>Other comprehensive income/(loss)</b>					
Currency translation difference		-	-	3,633,758	(3,669,169)
<b>Total comprehensive income</b>		<b>18,396,657</b>	<b>12,146,932</b>	<b>78,471,359</b>	<b>45,853,873</b>

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

## Shinhan Bank (Cambodia) Plc.

### Statement of changes in equity for the year ended 31 December 2021

	Share capital	Reserves	Regulatory reserves	Retained earnings	Currency translation reserves	Total
	US\$	US\$	US\$	US\$	US\$	US\$
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
	(Note 5)	(Note 5)	(Note 5)	(Note 5)	(Note 5)	(Note 5)
At 1 January 2021	75,000,000	5,621,275	4,426,479	36,448,053	-	121,495,807
At 1 January 2021	302,995,000	22,693,087	17,900,337	149,163,850	(1,301,735)	491,450,539
<b>Transactions recognised directly in equity</b>						
Transfer from retained earnings to regulatory reserves	-	-	1,926,637	(1,926,637)	-	-
<b>Total comprehensive income</b>						
Net profit for the year	-	-	-	18,396,657	-	18,396,657
Other comprehensive income - Currency translation difference	-	-	-	-	3,633,758	3,633,758
<b>At 31 December 2021</b>	<b>75,000,000</b>	<b>5,621,275</b>	<b>6,353,116</b>	<b>52,918,073</b>	<b>2,332,023</b>	<b>139,892,464</b>
At 31 December 2021	302,995,000	22,693,087	25,737,896	216,163,892	-	569,921,898
At 1 January 2020	75,000,000	5,621,275	3,740,615	24,986,985	-	109,348,875
At 1 January 2020	302,995,000	22,693,087	15,104,069	102,437,076	2,367,434	445,596,666
<b>Transactions recognised directly in equity</b>						
Transfer from retained earnings to regulatory reserves	-	-	685,864	(685,864)	-	-
<b>Total comprehensive income</b>						
Net profit for the year	-	-	-	12,146,932	-	12,146,932
Other comprehensive loss - Currency translation difference	-	-	-	-	(3,669,169)	(3,669,169)
<b>At 31 December 2020</b>	<b>75,000,000</b>	<b>5,621,275</b>	<b>4,426,479</b>	<b>36,448,053</b>	<b>-</b>	<b>121,495,807</b>
At 31 December 2020	302,995,000	22,693,087	17,900,337	149,163,850	(1,301,735)	491,450,539

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

## Shinhan Bank (Cambodia) Plc.

### Statement of cash flows for the year ended 31 December 2021

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
<b>Cash flows from operating activities</b>				
Net profit for the year	18,396,657	12,146,932	74,837,601	49,523,042
<i>Adjustments for:</i>				
Depreciation and amortisation	1,940,170	1,794,447	7,892,611	7,315,960
Loss on disposals of property and equipment	223	2,171	907	8,851
Property and equipment written offs	302,528	707	1,230,684	2,882
Reversal of provision for employee benefits	(1,694)	-	(6,891)	-
Net interest income	(34,941,466)	(24,265,891)	(142,141,884)	(98,932,038)
Income tax expense	4,631,090	2,980,665	18,839,274	12,152,171
Net impairment loss on financial instruments	1,103,213	1,202,529	4,487,871	4,902,711
Loss on exchange rate	186,588	-	759,040	-
	(8,382,691)	(6,138,440)	(34,100,787)	(25,026,421)
<i>Changes in:</i>				
Statutory deposits	(9,357,990)	12,125,165	(38,068,303)	49,434,298
Loans and advances to customers	(125,896,798)	(125,915,492)	(512,148,174)	(513,357,461)
Other assets	(320,450)	(1,005,243)	(1,303,591)	(4,098,376)
Deposits from customers	27,183,262	1,371,328	110,581,510	5,590,904
Deposits from other banks	(5,912,842)	(3,733,723)	(24,053,441)	(15,222,389)
Other liabilities	833,232	395,501	3,389,588	1,612,458
Cash used in operations	(121,854,277)	(122,900,904)	(495,703,198)	(501,066,987)
Interest received	42,491,413	32,645,693	172,855,068	133,096,490
Interest paid	(6,054,229)	(8,113,007)	(24,628,604)	(33,076,730)
Income tax paid	(3,242,283)	(2,755,595)	(13,189,607)	(11,234,561)
<b>Net cash used in operating activities</b>	<b>(88,659,376)</b>	<b>(101,123,813)</b>	<b>(360,666,341)</b>	<b>(412,281,788)</b>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets	(642,145)	(144,648)	(2,612,246)	(589,730)
Purchase of property and equipment	(3,839,392)	(2,108,991)	(15,618,647)	(8,598,356)
Proceed from disposal of property and equipment	1,117	-	4,544	-
Investment in debt investments	-	(5,519,569)	-	(22,503,283)
Term deposit with banks (term more than 3 months)	13,522,286	(51,348,752)	55,008,659	(209,348,862)
<b>Net cash generated from/(used in) investing activities</b>	<b>9,041,866</b>	<b>(59,121,960)</b>	<b>36,782,310</b>	<b>(241,040,231)</b>

## Shinhan Bank (Cambodia) Plc.

### Statement of cash flows (continued) for the year ended 31 December 2021

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	390,549,337	317,846,724	1,588,754,703	1,295,861,094
Repayments of borrowings	(318,893,716)	(169,000,000)	(1,297,259,637)	(689,013,000)
Payment of lease liabilities	(703,612)	(466,957)	(2,862,294)	(1,903,784)
<b>Net cash generated from financing activities</b>	<u>70,952,009</u>	<u>148,379,767</u>	<u>288,632,772</u>	<u>604,944,310</u>
<b>Net decrease in cash and cash equivalents</b>	(8,665,501)	(11,866,006)	(35,251,259)	(48,377,709)
<b>Cash and cash equivalents at beginning of the year</b>	39,814,074	51,680,080	161,047,929	210,596,326
Currency translation difference	-	-	1,102,617	(1,170,688)
<b>Cash and cash equivalents at end of the year (Note 6)</b>	<u><u>31,148,573</u></u>	<u><u>39,814,074</u></u>	<u><u>126,899,287</u></u>	<u><u>161,047,929</u></u>

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements for the year ended 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. Reporting entity

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”).

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 Korea.

The Bank is principally engaged in the operation of core banking business and the provision of related financial services.

As at 31 December 2021, the Bank had 402 employees (31 December 2020: 345 employees).

### 2. Basis of accounting

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

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise (Note 35).

Details of the Bank’s significant accounting policies are included in Note 34.

These financial statements of the Bank were authorised for issue by the Board of Directors on 31 March 2022.

### 3. Functional and presentation currency

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 4. Use of judgments and estimates

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

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

#### A. Judgements

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

- Note 34C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 34C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

#### B. Assumptions and estimation uncertainties

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

- Note 34C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 34C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- Note 34C(vi): determination of the fair value of financial instruments with significant unobservable inputs.

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars (“US\$”) which is the Bank’s functional currency. The translations of US\$ amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS21 – The Effects of Changes in Foreign Exchange Rates.

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

The Bank uses the following exchange rates:

			<b>Closing rate</b>	<b>Average</b>
31 December 2021	US\$1	=	KHR 4,074	KHR 4,068
31 December 2020	US\$1	=	<u>KHR 4,045</u>	<u>KHR 4,077</u>

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

### 6. Cash and cash equivalents - net

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Cash on hand	10,670,960	6,232,811	43,473,491	25,211,720
Cash equivalents with other banks	3,081,009	18,082,198	12,552,031	73,142,491
Cash equivalents with NBC	<u>17,396,604</u>	<u>15,499,065</u>	<u>70,873,765</u>	<u>62,693,718</u>
	31,148,573	39,814,074	126,899,287	161,047,929
Less: Impairment loss allowance	<u>(1,371)</u>	<u>(6,780)</u>	<u>(5,586)</u>	<u>(27,425)</u>
<b>Cash and cash equivalents – net</b>	<u>31,147,202</u>	<u>39,807,294</u>	<u>126,893,701</u>	<u>161,020,504</u>



## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 6. Cash and cash equivalents - net (continued)

Including in the Cash equivalents with NBC, there is a Negotiable Certificate of Deposits ("NCD") amounting to US\$370,000 that the Bank has pledged as collateral for Liquidity Providing Collateralised Operation ("LPCO") (Note 17).

The movement of allowance for impairment loss is as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	6,780	-	27,425	-
(Reversal)/Allowance for the year	(5,409)	6,780	(22,004)	27,642
Currency translation difference	-	-	165	(217)
At 31 December	<u>1,371</u>	<u>6,780</u>	<u>5,586</u>	<u>27,425</u>

#### 7. Placements with other banks - net

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Term deposits:				
- Negotiable Certificate of Deposits ("NCD")	14,060,000	31,460,000	57,280,440	127,255,700
- Other banks	27,004,234	29,888,752	110,015,249	120,900,002
- Related parties (Note 31C)	<u>6,500,000</u>	<u>-</u>	<u>26,481,000</u>	<u>-</u>
	47,564,234	61,348,752	193,776,689	248,155,702
Less: Impairment loss allowance	<u>(155,262)</u>	<u>(133,957)</u>	<u>(632,537)</u>	<u>(541,856)</u>
	<u>47,408,972</u>	<u>61,214,795</u>	<u>193,144,152</u>	<u>247,613,846</u>

During 2021, the Bank has pledged the above NCD amounting to US\$13,860,000 with the NBC as collateral for Liquidity Providing Collateralised Operation ("LPCO") (Note 17).

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 7. Placements with other banks – net (continued)

(i) The movements of impairment loss allowance is as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	133,957	-	541,856	-
Allowance for the year	21,305	133,957	86,669	546,143
Currency translation difference	-	-	4,012	(4,287)
At 31 December	<u>155,262</u>	<u>133,957</u>	<u>632,537</u>	<u>541,856</u>

(ii) By interest rate (per annum):

	2021	2020
NBC	0.02% - 0.80%	0.07% - 0.46%
Other banks	<u>0.04% - 6.30%</u>	<u>1.25% - 4.90%</u>

#### 8. Statutory deposits

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Capital guarantee deposit	7,500,000	7,500,000	30,555,000	30,337,501
Reserve requirements on customers' deposits and other banks' deposits	<u>32,267,480</u>	<u>22,889,057</u>	<u>131,457,714</u>	<u>92,586,235</u>
	<u>39,767,480</u>	<u>30,389,057</u>	<u>162,012,714</u>	<u>122,923,736</u>

##### A. Capital guarantee deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. Capital guarantee deposit bear interest at a rate of 0.06% (2020: 0.06%) per annum.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 8. Statutory deposits (continued)

##### B. Reserve requirements on customers' deposits and other banks' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits and other banks' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-012-140 dated 27 September 2012 at the rates of 8.00% of daily average deposits from customers and other banks in KHR and 12.50% in currency other than KHR and bear no interest effective from 29 August 2018.

The National Bank of Cambodia ("NBC") issued a Prakas dated 18 March 2020 announcing the reduction of the Reserve Requirements Rate ("RRR") on KHR and foreign currencies to 7%.

#### 9. Loans and advances to customers – net

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Commercial loans:				
Overdrafts	17,780,056	18,971,081	72,435,948	76,738,023
Short term loans	11,333,273	11,304,388	46,171,754	45,726,249
Long term loans	439,372,278	309,683,151	1,790,002,661	1,252,668,346
Consumer loans	<u>93,491,529</u>	<u>97,007,007</u>	<u>380,884,489</u>	<u>392,393,343</u>
Gross loans and advances to customers	561,977,136	436,965,627	2,289,494,852	1,767,525,961
Less: Impairment loss allowance	<u>(2,781,705)</u>	<u>(1,652,033)</u>	<u>(11,332,666)</u>	<u>(6,682,473)</u>
Loans and advances to customers - net	<u>559,195,431</u>	<u>435,313,594</u>	<u>2,278,162,186</u>	<u>1,760,843,488</u>

The movements of impairment losses allowance is as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	1,652,033	399,075	6,682,473	1,626,230
Allowance for the year	1,129,672	1,252,958	4,595,506	5,108,310
Currency translation difference	<u>-</u>	<u>-</u>	<u>54,687</u>	<u>(52,067)</u>
At 31 December	<u>2,781,705</u>	<u>1,652,033</u>	<u>11,332,666</u>	<u>6,682,473</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 9. Loans and advances to customers – net (continued)

Gross amounts of loans and advances to customers by contractual maturity are as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Within 1 month	20,318,936	19,047,168	82,779,345	77,045,795
> 1 to 3 months	31,702	31,702	129,154	128,235
> 3 to 12 months	40,174,613	30,185,744	163,671,373	122,101,334
> 1 to 5 years	17,951,657	29,389,715	73,135,051	118,881,397
Over 5 years	483,500,228	358,311,298	1,969,779,929	1,449,369,200
	<u>561,977,136</u>	<u>436,965,627</u>	<u>2,289,494,852</u>	<u>1,767,525,961</u>

For additional analysis of gross amount of loans and advances to customers, refer to Note 32B.

#### 10. Other assets

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Other receivables	157,520	446,181	641,737	1,804,802
Prepayments of employee benefits	1,392,424	787,666	5,672,735	3,186,109
Prepayments and deposits	772,787	768,434	3,148,334	3,108,316
Equity investment (*)	25,000	25,000	101,850	101,125
	<u>2,347,731</u>	<u>2,027,281</u>	<u>9,564,656</u>	<u>8,200,352</u>

(\*) Equity investment represents the indirect investment in Credit Bureau Cambodia (credit information company) through the Association of Banks in Cambodia. During the year, the Bank received a dividend amounting to US\$19,421 (2020: US\$19,372).

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 11. Debt investments

		31 December		31 December	
		2021	2020	2021	2020
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
LOLC (Cambodia) Plc.	(i)	9,962,542	10,033,967	40,587,396	40,587,397
Advanced Bank of Asia Limited	(ii)	10,110,221	10,182,705	41,189,040	41,189,042
Prasac Microfinance Institution Plc.	(iii)	1,493,938	1,504,648	6,086,303	6,086,301
Phnom Penh Commercial Bank Plc.	(iv)	3,932,441	3,960,634	16,020,765	16,020,764
		<u>25,499,142</u>	<u>25,681,954</u>	<u>103,883,504</u>	<u>103,883,504</u>
Less: Impairment loss allowance		<u>(28,450)</u>	<u>(48,554)</u>	<u>(115,905)</u>	<u>(196,401)</u>
		<u>25,470,692</u>	<u>25,633,400</u>	<u>103,767,599</u>	<u>103,687,103</u>

Corporate Bonds classified at amortised costs are in Khmer Riels ("KHR") denomination and have a nominal value of KHR100,000 per bond.

- (i) On 26 April 2019, the Bank bought 400,000 of FX-Indexed Bonds, equivalent to KHR40,000,000,000, issued by LOLC (Cambodia) Plc. The Bonds have interest rate of 8% p.a. for three years (2019 - 2022) effective from 26 April 2019 and are payable semi-annually in arrears on 26 October and 26 April each year, with the first interest payment to be made on 26 October 2019. Interest on the bonds is computed on the basis of a 365-day/year.
- (ii) On 14 August 2019, the Bank bought 400,000 Bonds, equivalent to KHR40,000,000,000, issued by Advanced Bank of Asia Limited. The Bonds have interest rate of 7.75% p.a. for three years (2019 - 2022) effective from 14 August 2019 and are payable semi-annually in arrears on 14 February and 14 August each year, with the first interest payment to be made on 14 February 2020. Interest on the bonds is computed on the basis of a 365-day/year.
- (iii) On 23 April 2020, the Bank bought 60,000 Bonds, equivalent to KHR6,000,000,000, issued by Prasac Microfinance Institution Plc. The Bonds have interest rate of 7.50% p.a. for three years (2020 - 2023) effective from 23 April 2020 and are payable semi-annually in arrears on 23 October and 23 April each year, with the first interest payment to be made on 23 October 2020. Interest on the bonds is computed on the basis of a 365-day/year.
- (iv) On 23 September 2020, the Bank bought 157,377 of FX-Indexed Bonds, equivalent to KHR15,737,700,000, issued by Phnom Penh Commercial Bank Plc. The Bonds have interest rate of 6.50% p.a. for three years (2020 - 2023) effective from 23 October 2020 and are payable semi-annually in arrears on 22 March and 22 September each year, with the first interest payment to be made on 22 March 2021. Interest on the bonds is computed on the basis of a 365-day/year.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 11. Debt investments (continued)

The movements of impairment loss allowance is as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	48,554	532,186	196,401	2,168,658
Reversal for the year	(20,104)	(483,632)	(81,783)	(1,971,768)
Currency translation difference	-	-	1,287	(489)
At 31 December	<u>28,450</u>	<u>48,554</u>	<u>115,905</u>	<u>196,401</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 12. Property and equipment

2021	Leasehold improvements US\$	Computer equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
<b>Cost</b>							
At 1 January 2021	2,417,715	1,255,879	1,180,925	332,418	1,509,215	6,696,152	27,085,935
Additions	1,399,777	777,337	480,871	36,502	1,144,905	3,839,392	15,618,647
Transfers	958,046	302,869	252,234	-	(1,518,692)	(5,543)	(22,549)
Disposals	-	(1,096)	(9,303)	-	-	(10,399)	(42,303)
Write offs	(414,947)	(7,659)	(16,178)	-	-	(438,784)	(1,784,973)
Currency translation difference	-	-	-	-	-	-	214,495
At 31 December 2021	4,360,591	2,327,330	1,888,549	368,920	1,135,428	10,080,818	41,069,252
<b>Less: Accumulated depreciation</b>							
At 1 January 2021	922,184	888,717	439,210	181,166	-	2,431,277	9,834,516
Depreciation	235,000	475,882	322,188	41,605	-	1,074,675	4,371,778
Disposals	-	(774)	(8,285)	-	-	(9,059)	(36,852)
Write offs	(120,064)	(7,133)	(9,059)	-	-	(136,256)	(554,289)
Currency translation difference	-	-	-	-	-	-	76,082
At 31 December 2021	1,037,120	1,356,692	744,054	222,771	-	3,360,637	13,691,235
<b>Carrying amounts</b>							
At 31 December 2021	3,323,471	970,638	1,144,495	146,149	1,135,428	6,720,181	27,378,017



## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 12. Property and equipment (continued)

2020	Leasehold improvements US\$	Computer equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
<b>Cost</b>							
At 1 January 2020	1,516,793	971,228	578,860	300,430	1,269,339	4,636,650	18,894,348
Additions	121,582	212,202	186,004	79,988	1,509,215	2,108,991	8,598,356
Transfers	779,340	72,449	417,550	-	(1,269,339)	-	-
Disposal	-	-	-	(48,000)	-	(48,000)	(195,696)
Write off	-	-	(1,489)	-	-	(1,489)	(6,071)
Currency translation difference	-	-	-	-	-	-	(205,002)
At 31 December 2020	2,417,715	1,255,879	1,180,925	332,418	1,509,215	6,696,152	27,085,935
<b>Less: Accumulated depreciation</b>							
At 1 January 2020	263,588	599,929	253,976	184,433	-	1,301,926	5,305,348
Depreciation	658,596	288,788	186,016	42,562	-	1,175,962	4,794,397
Disposal	-	-	-	(45,829)	-	(45,829)	(186,845)
Write off	-	-	(782)	-	-	(782)	(3,189)
Currency translation difference	-	-	-	-	-	-	(75,195)
At 31 December 2020	922,184	888,717	439,210	181,166	-	2,431,277	9,834,516
<b>Carrying amounts</b>							
At 31 December 2020	1,495,531	367,162	741,715	151,252	1,509,215	4,264,875	17,251,419

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 13. Right-of-use assets

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
<b>Costs</b>				
At 1 January	7,926,159	4,323,215	32,061,313	17,617,101
Additions	220,034	3,602,944	895,098	14,689,203
Reversals	(529,239)	-	(2,152,944)	-
Currency translation difference	-	-	228,004	(244,991)
At 31 December	<u>7,616,954</u>	<u>7,926,159</u>	<u>31,031,471</u>	<u>32,061,313</u>
<b>Less: Accumulated depreciation</b>				
At 1 January	1,283,258	717,490	5,190,778	2,923,772
Depreciation for the year	786,859	565,768	3,200,942	2,306,636
Reversals	(222,647)	-	(905,728)	-
Currency translation difference	-	-	40,601	(39,630)
At 31 December	<u>1,847,470</u>	<u>1,283,258</u>	<u>7,526,593</u>	<u>5,190,778</u>
<b>Carrying amounts</b>				
At 31 December	<u>5,769,484</u>	<u>6,642,901</u>	<u>23,504,878</u>	<u>26,870,535</u>

#### 14. Intangible assets

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
<b>Computer Software</b>				
<b>Cost</b>				
At 1 January	620,598	475,950	2,510,319	1,939,496
Additions	642,145	144,648	2,612,246	589,730
Transfer from property and equipment	5,543	-	22,549	-
Currency translation difference	-	-	21,883	(18,907)
At 31 December	<u>1,268,286</u>	<u>620,598</u>	<u>5,166,997</u>	<u>2,510,319</u>
<b>Less: Accumulated amortisation</b>				
At 1 January	121,538	68,821	491,621	280,445
Amortisation	78,636	52,717	319,891	214,927
Currency translation difference	-	-	3,997	(3,751)
At 31 December	<u>200,174</u>	<u>121,538</u>	<u>815,509</u>	<u>491,621</u>
<b>Carrying amounts</b>				
At 31 December	<u>1,068,112</u>	<u>499,060</u>	<u>4,351,488</u>	<u>2,018,698</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 15. Deposits from customers

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Saving accounts	32,834,468	29,365,021	133,767,623	118,781,510
Fixed deposits	27,831,613	15,155,678	113,385,991	61,304,718
Demand deposits	22,625,860	11,644,579	92,177,754	47,102,322
	<u>83,291,941</u>	<u>56,165,278</u>	<u>339,331,368</u>	<u>227,188,550</u>

Deposits from customers are analysed as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
<b>A. By maturity:</b>				
Within 1 month	56,540,098	41,115,002	230,344,359	166,310,183
> 1 to 3 months	298,505	2,273,287	1,216,109	9,195,446
> 3 to 12 months	24,993,815	11,686,581	101,824,802	47,272,220
> 1 year	1,459,523	1,090,408	5,946,098	4,410,701
	<u>83,291,941</u>	<u>56,165,278</u>	<u>339,331,368</u>	<u>227,188,550</u>
<b>B. By customer type:</b>				
Individuals	31,819,836	33,715,691	129,634,012	136,379,970
Business enterprises	51,472,105	22,449,587	209,697,356	90,808,580
	<u>83,291,941</u>	<u>56,165,278</u>	<u>339,331,368</u>	<u>227,188,550</u>
<b>C. By residency status:</b>				
Residents	77,989,934	51,458,647	317,730,991	208,150,228
Non-residents	5,302,007	4,706,631	21,600,377	19,038,322
	<u>83,291,941</u>	<u>56,165,278</u>	<u>339,331,368</u>	<u>227,188,550</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 15. Deposits from customers (continued)

##### D. By interest rate (per annum):

	2021	2020
Saving accounts	0.10% - 2.70%	0.10% - 2.70%
Fixed deposits	<u>1.25% - 6.40%</u>	<u>1.25% - 7.00%</u>

The demand deposits are interest free and are encumbered for trade line and guarantee granted to customers.

#### 16. Deposits from other banks

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Saving deposits	57,912	153,415	235,934	620,564
Demand deposits	604,961	521,198	2,464,611	2,108,245
Fixed deposits	<u>91,182,331</u>	<u>97,177,924</u>	<u>371,476,816</u>	<u>393,084,703</u>
	<u>91,845,204</u>	<u>97,852,537</u>	<u>374,177,361</u>	<u>395,813,512</u>

Deposits from other banks are analysed as follows:

	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>A. By maturity:</b>				
Within 1 month	947,249	674,612	3,859,092	2,728,806
> 1 to 3 months	13,745,704	14,658,319	55,999,998	59,292,900
> 3 to 12 months	<u>77,152,251</u>	<u>82,519,606</u>	<u>314,318,271</u>	<u>333,791,806</u>
	<u>91,845,204</u>	<u>97,852,537</u>	<u>374,177,361</u>	<u>395,813,512</u>
<b>B. By relationship:</b>				
Related parties (Note 31C)	54,778	349,727	223,166	1,414,646
Non-related parties	<u>91,790,426</u>	<u>97,502,810</u>	<u>373,954,195</u>	<u>394,398,866</u>
	<u>91,845,204</u>	<u>97,852,537</u>	<u>374,177,361</u>	<u>395,813,512</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 16. Deposits from other banks (continued)

Deposits from other banks are analysed as follows: (continued)

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
<b>C. By residency status:</b>				
Residents	91,790,426	97,502,810	373,954,195	394,398,866
Non-residents	<u>54,778</u>	<u>349,727</u>	<u>223,166</u>	<u>1,414,646</u>
	<u>91,845,204</u>	<u>97,852,537</u>	<u>374,177,361</u>	<u>395,813,512</u>
<b>D. By interest rate (per annum):</b>				
	2021	2020		
Saving deposits	0.10% - 1.00%	0.10% - 1.00%		
Demand deposits	Nil	Nil		
Fixed deposits	<u>1.00% - 4.75%</u>	<u>2.15 % - 4.35%</u>		

#### 17. Borrowings

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Shinhan Bank Co., Ltd.	276,816,654	218,026,951	1,127,751,048	881,919,017
Shinhan Bank, Hongkong Branch	101,121,835	55,177,433	411,970,356	223,192,716
Shinhan Bank, London Branch	-	10,134,000	-	40,992,030
National Bank of Cambodia (*)	<u>13,762,251</u>	<u>36,183,239</u>	<u>56,067,411</u>	<u>146,361,202</u>
	<u>391,700,740</u>	<u>319,521,623</u>	<u>1,595,788,815</u>	<u>1,292,464,965</u>

The borrowings are unsecured and bear interest rates ranging from 0.26% to 5.50% (2020: 0.30% to 5.02%) per annum.

(\*) These refer to Liquidity Providing Collateralised Operation ("LPCO") from the National Bank of Cambodia in which the Negotiable Certificate of Deposits amounting to US\$14,230,000 were collateralised (Notes 6&7).

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 17. Borrowings (continued)

Further analysis by remaining contract maturity are as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Within 1 month	37,428,099	30,068,230	152,482,075	121,625,990
> 1 to 3 months	61,450,128	110,943,267	250,347,821	448,765,515
> 3 to 12 months	176,522,799	148,458,523	719,153,883	600,514,726
> 12 months	116,299,714	30,051,603	473,805,036	121,558,734
	<u>391,700,740</u>	<u>319,521,623</u>	<u>1,595,788,815</u>	<u>1,292,464,965</u>

The reconciliation of movements of borrowings to cash flows arising from financing activities is as follows:

	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	319,521,623	170,405,358	1,292,464,965	694,401,834
Proceeds from borrowings	390,549,337	317,846,724	1,588,754,703	1,295,861,094
Repayment of borrowings	(318,893,716)	(169,000,000)	(1,297,259,637)	(689,013,000)
Interest expense	3,606,925	4,665,953	14,672,971	19,023,090
Interest paid	(3,083,429)	(4,396,412)	(12,543,389)	(17,924,172)
Currency translation difference	-	-	9,699,202	(9,883,881)
At 31 December	<u>391,700,740</u>	<u>319,521,623</u>	<u>1,595,788,815</u>	<u>1,292,464,965</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 18. Lease liabilities

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>Maturity analysis – contractual undiscounted cash flows</b>				
Less than one year	1,112,035	1,146,679	4,530,431	4,638,317
One to five years	5,350,062	4,459,145	21,796,153	18,037,242
More than five years	<u>1,622,557</u>	<u>3,952,405</u>	<u>6,610,297</u>	<u>15,987,478</u>
<b>Total undiscounted lease liabilities</b>	<u>8,084,654</u>	<u>9,558,229</u>	<u>32,936,881</u>	<u>38,663,037</u>
<b>Present value of lease liabilities</b>				
Current	695,982	276,054	2,835,431	1,116,638
Non-current	<u>5,510,506</u>	<u>6,720,604</u>	<u>22,449,801</u>	<u>27,184,844</u>
	<u>6,206,488</u>	<u>6,996,658</u>	<u>25,285,232</u>	<u>28,301,482</u>
<b>Amounts recognised in profit and loss</b>				
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Interest expense on lease liabilities (Note 26)	<u>416,739</u>	<u>325,843</u>	<u>1,695,294</u>	<u>1,328,462</u>
Expense relating to short-term leases (Note 29)	<u>300,743</u>	<u>267,286</u>	<u>1,223,423</u>	<u>1,089,725</u>
<b>Amounts recognised in the statement of cash flows</b>				
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Total cash outflow for leases	<u>(1,120,351)</u>	<u>(792,800)</u>	<u>(4,557,588)</u>	<u>(3,232,246)</u>



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 19. Other liabilities

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Other tax payables	786,767	734,746	3,205,289	2,972,048
Amounts due to related parties (Note 31C)	638,000	-	2,599,212	-
Accruals and other payables	477,026	333,815	1,943,404	1,350,283
	<u>1,901,793</u>	<u>1,068,561</u>	<u>7,747,905</u>	<u>4,322,331</u>

### 20. Provision for employee benefits

	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	104,634	104,634	423,245	426,384
Reversal during the year	(1,694)	-	(6,891)	-
Currency translation difference	-	-	3,023	(3,139)
At 31 December	<u>102,940</u>	<u>104,634</u>	<u>419,377</u>	<u>423,245</u>

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from the end of 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 20. Provision for employee benefits (continued)

Payments will be made twice a year, in June and December respectively. Employee does not entitle to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the Bank.

On 2 June 2020, the MoLVT issued Prakas No. 018/20 for the postponement of seniority indemnity back-pay for periods before 2019 and postponement of seniority indemnity current pay in 2020. Under this new measure, both the issuance of seniority indemnity back-pay for periods before 2019, and the issuance of seniority indemnity current pay for 2020 are to be paid in 2022. The Bank chose to pay the current pay in each year and deferred the back pay to June 2022.

#### 21. Income tax

##### A. Deferred tax (liabilities)/assets – net

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Deferred tax assets	1,305,876	1,866,836	5,320,139	7,551,352
Deferred tax liabilities	(1,508,423)	(1,715,043)	(6,145,315)	(6,937,348)
Deferred tax (liabilities)/assets – net	(202,547)	151,793	(825,176)	614,004

Deferred tax (liabilities)/assets are attributable to the following:

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Allowance for loan losses	39,874	172,330	162,447	697,075
Lease liabilities	1,241,298	1,399,331	5,057,048	5,660,294
Employee benefits	24,704	20,927	100,644	84,650
Deferred income from loans	(14,212)	274,248	(57,900)	1,109,333
Depreciation and amortisation	(340,314)	(386,463)	(1,386,439)	(1,563,242)
Right-of-use assets	(1,153,897)	(1,328,580)	(4,700,976)	(5,374,106)
Tax (liabilities)/assets	(202,547)	151,793	(825,176)	614,004

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 21. Income tax (continued)

##### A. Deferred tax (liabilities)/assets – net

The movements of deferred tax are as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	151,793	-	614,004	-
Recognised in profit or loss	(354,340)	151,793	(1,441,455)	618,860
Currency translation differences	-	-	2,275	(4,856)
At 31 December	<u>(202,547)</u>	<u>151,793</u>	<u>(825,176)</u>	<u>614,004</u>

##### B. Current income tax liability

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	2,446,486	2,069,623	9,896,036	8,433,714
Charge to profit or loss	4,276,750	3,132,458	17,397,819	12,771,031
Income tax paid	(3,242,283)	(2,755,595)	(13,189,607)	(11,234,561)
Currency translation difference	-	-	77,155	(74,148)
At 31 December	<u>3,480,953</u>	<u>2,446,486</u>	<u>14,181,403</u>	<u>9,896,036</u>

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

##### C. Income tax expense

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Current income tax	4,276,750	3,132,458	17,397,819	12,771,031
Deferred tax	<u>354,340</u>	<u>(151,793)</u>	<u>1,441,455</u>	<u>(618,860)</u>
	<u>4,631,090</u>	<u>2,980,665</u>	<u>18,839,274</u>	<u>12,152,171</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 21. Income tax (continued)

##### C. Income tax expense (continued)

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

	2021			2020		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax	23,027,747	93,676,875	100	15,127,597	61,675,213	100
Income tax using statutory rate at 20%	4,605,549	18,735,375	20	3,025,519	12,335,042	20
Non-deductible expenses	96,241	391,507	-	115,140	469,425	1
Utilisation of deferred tax asset	(70,700)	(287,608)	-	(159,994)	(652,296)	(1)
Income tax expense	4,631,090	18,839,274	20	2,980,665	12,152,171	20

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

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 22. Share capital

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Registered, issued and fully paid up of 75 million shares at par value of US\$1 per share	<u>75,000,000</u>	<u>75,000,000</u>	<u>302,995,000</u>	<u>302,995,000</u>

The detail of the Bank's shareholders and their respective interests are as follows:

	31 December 2021/2020 Registered, issued and fully paid		
	Number of shares	Amount US\$	%
Shinhan Bank Co., Ltd.	73,125,000	73,125,000	97.50%
Insung Co., Ltd.	<u>1,875,000</u>	<u>1,875,000</u>	<u>2.50%</u>
	<u>75,000,000</u>	<u>75,000,000</u>	<u>100%</u>

#### 23. Reserves

According to shareholders' resolution dated 30 December 2014, the Bank has transferred part of its retained earnings amounting to US\$5,621,275 to a non-distributable reserves account.

#### 24. Regulatory reserves

Regulatory reserves represented the variance of between the allowance for impairment on financial instruments in accordance with CIFRSs and regulatory provision in accordance with the National Bank of Cambodia requirements. As at 31 December 2021, the Bank transferred from retained earnings to regulatory reserves of US\$1,926,637 (2020: US\$685,864).

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 24. Regulatory reserves (continued)

	Cash and cash equivalent and placements with other banks US\$	Loan and advances to customers US\$	Debt investments US\$	Off balance sheet items US\$	Total US\$
<b>31 December 2021</b>					
Allowance per NBC	356,963	8,789,301	249,724	194,131	9,590,119
Allowance per CIFRS 9	<u>(156,633)</u>	<u>(2,781,705)</u>	<u>(28,450)</u>	<u>(270,215)</u>	<u>(3,237,003)</u>
Regulatory reserves	<u>200,330</u>	<u>6,007,596</u>	<u>221,274</u>	<u>(76,084)</u>	<u>6,353,116</u>
(KHR'000 – Note 5)					<u>25,737,896</u>
<b>31 December 2020</b>					
Allowance per NBC	478,289	5,644,847	251,515	185,618	6,560,269
Allowance per CIFRS 9	<u>(140,737)</u>	<u>(1,652,033)</u>	<u>(48,554)</u>	<u>(292,466)</u>	<u>(2,133,790)</u>
Regulatory reserves	<u>337,552</u>	<u>3,992,814</u>	<u>202,961</u>	<u>(106,848)</u>	<u>4,426,479</u>
(KHR'000 – Note 5)					<u>17,900,337</u>
Transfer from regulatory reserves to retained earnings					<u>1,926,637</u>
(KHR'000 – Note 5)					<u>7,837,559</u>

#### 25. Interest income

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Loans and advances to customers	38,429,388	30,037,560	156,330,750	122,463,133
Debt investments	1,923,560	1,706,174	7,825,043	6,956,071
Placement with other banks	964,649	727,828	3,924,192	2,967,355
Placements with the NBC	<u>50,504</u>	<u>182,472</u>	<u>205,450</u>	<u>743,938</u>
	<u>41,368,101</u>	<u>32,654,034</u>	<u>168,285,435</u>	<u>133,130,497</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 26. Interest expense

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Saving accounts	142,584	91,570	580,032	373,331
Fixed deposit from third parties	2,260,387	3,304,777	9,195,254	13,473,576
Borrowings:				
– Related parties (Note 31B)	2,565,714	4,058,459	10,437,325	16,546,337
– NBC	1,041,211	607,494	4,235,646	2,476,753
Interest expense on lease liabilities (Note 18)	416,739	325,843	1,695,294	1,328,462
	<u>6,426,635</u>	<u>8,388,143</u>	<u>26,143,551</u>	<u>34,198,459</u>

#### 27. Net fee and commission income

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Service charge	713,034	441,193	2,900,622	1,798,744
Inward and outward remittance	521,376	514,216	2,120,958	2,096,459
Other fees	216,059	48,336	878,928	197,065
	<u>1,450,469</u>	<u>1,003,745</u>	<u>5,900,508</u>	<u>4,092,268</u>

#### 28. Personnel expenses

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Salaries and wages	5,261,232	4,041,816	21,402,692	16,478,484
Other benefits	449,644	461,892	1,829,152	1,883,134
	<u>5,710,876</u>	<u>4,503,708</u>	<u>23,231,844</u>	<u>18,361,618</u>



## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 29. Other operating expenses

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Depreciation and amortisation	1,940,170	1,794,447	7,892,611	7,315,960
Marketing expense	1,928,657	845,788	7,845,777	3,448,278
License fees	412,405	324,941	1,677,664	1,324,784
Professional fees	303,111	229,651	1,233,056	936,287
Staff accommodation (Note 18)	300,743	267,286	1,223,423	1,089,725
Office supplies	256,319	163,535	1,042,706	666,732
Utilities expenses	221,466	174,661	900,923	712,093
Communication	157,241	218,069	639,656	889,067
Travelling and entertainment	133,260	74,091	542,102	302,069
Repairs and maintenance	96,004	137,775	390,544	561,709
Insurance expense	87,613	84,767	356,409	345,595
Other tax expenses	1,074	79,465	4,369	323,979
Other expenses	733,333	445,184	2,983,198	1,815,016
	<u>6,571,396</u>	<u>4,839,660</u>	<u>26,732,438</u>	<u>19,731,294</u>

#### 30. Commitments and contingencies

##### A. Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	31 December		31 December	
	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Unused portion of credit facilities	9,359,326	12,252,932	38,129,894	49,563,110
Foreign exchange commitments	13,681,321	13,779,407	55,737,702	55,737,701
Loan commitments	10,042,093	6,263,324	40,911,487	25,335,146
Bankers' guarantees	5,500	45,500	22,407	184,048
	<u>33,088,240</u>	<u>32,341,163</u>	<u>134,801,490</u>	<u>130,820,005</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 30. Commitments and contingencies (continued)

##### A. Operations (continued)

The movements of allowance for impairment loss is as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	292,466	-	1,183,025	-
(Reversal)/Allowance for the year	(22,251)	292,466	(90,517)	1,192,384
Currency translation difference	-	-	8,348	(9,359)
At 31 December	<u>270,215</u>	<u>292,466</u>	<u>1,100,856</u>	<u>1,183,025</u>

##### B. Capital commitments

	31 December 2021 US\$	31 December 2020 US\$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Construction contract	<u>741,449</u>	<u>619,938</u>	<u>3,020,663</u>	<u>2,507,649</u>

##### C. Tax contingencies

The General Department of Taxation ("GDT") issued a notice of tax reassessment to the Bank to pay reassessed taxes as summarised below:

	Tax reassessment by GDT (KHR'000)	Balance accepted by the Bank (KHR'000)	Tax contingencies (KHR'000)
13 March 2017			
- For fiscal year 2015 (limited)	<u>614,544</u>	<u>-</u>	<u>614,544</u>
3 May 2021			
- For the period from 1 January 2019 to 30 April 2020 (limited)	<u>69,451</u>	<u>-</u>	<u>69,451</u>
Total (KHR'000)	<u>683,995</u>	<u>-</u>	<u>683,995</u>
In US\$ equivalent	<u>167,893</u>	<u>-</u>	<u>167,893</u>

## **Shinhan Bank (Cambodia) Plc.**

### **Notes to the financial statements (continued) for the year ended 31 December 2021**

#### **30. Commitments and contingencies (continued)**

##### **C. Tax contingencies (continued)**

###### **Fiscal year 2010 – 2012 (comprehensive tax audit)**

On 4 July 2017, the Bank received tax reassessment letter from comprehensive tax auditor imposing underpayment of taxes amounting to KHR2,246,240 thousand (approximate to US\$561,560). On 14 August 2017, the Bank filed the tax administrative protest letter to the GDT protesting to the reassessed taxes. On 11 November 2020, the Bank received a response letter from the GDT on the imposed of revised tax reassessment for the fiscal years 2010, 2011 and 2012 amounting to KHR311,530 thousand (approximate to US\$77,883). Subsequently, the Bank filed second administrative protest letter to the GDT to protest to the 2nd reassessment letter on 18 December 2020.

On 5 January 2022, the Bank has fully paid its tax liabilities, mentioned above to the GDT amounting to KHR283,360,579 (approximate to US\$70,000).

###### **Fiscal year 2015 (limited tax audit)**

On 13 March 2017, the Bank received tax reassessment letter from limited tax auditor imposing underpayment of taxes amounting to KHR614,544 thousand (approximate to US\$150,845). On 21 April 2017, the Bank filed the tax administrative protest letter to the GDT protesting to the reassessed taxes.

The tax reassessment balance has not been recorded in the financial statements as the Bank believes that there are reasonable grounds to challenge the assessment as stated in the tax law and regulations as well as industry practices, as indicated in its objection letter.

###### **Fiscal year 2019 – 2020 (limited tax audit)**

On 3 May 2021, the Bank received tax reassessment letter from limited tax audit period from 1 January 2019 to 30 April 2020 imposing underpayment of taxes amounting to KHR69,450,852 (approximately US\$17,047). On 21 June 2021, the Bank filed the tax administrative protest letter to the GDT protesting to the reassessed taxes.

The tax reassessment balance has not been recorded in the financial statements as the Bank believes that there are reasonable grounds to challenge the assessment as stated in the tax law and regulations as well as industry practices, as indicated in its objection letter.

# **Shinhan Bank (Cambodia) Plc.**

## **Notes to the financial statements (continued) for the year ended 31 December 2021**

### **30. Commitments and contingencies (continued)**

#### **C. Tax contingencies (continued)**

##### **Fiscal year 2019 – 2020 (comprehensive tax audit)**

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

The tax returns of the Bank are subject to periodic examination by the tax authorities. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements of the Bank could be changed at a later date, upon final determination by the tax authorities.

### **31. Related parties**

#### **A. Identity of related party**

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank have related party relationships with its substantial shareholders, companies in common control and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key management have banking relationships with Bank entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 31. Related parties (continued)

##### B. Transactions with related parties

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
<b>Interest expense - Borrowings</b>				
Shinhan Bank Co., Ltd.	2,170,533	3,643,913	8,829,728	14,856,233
Shinhan Bank, Hong Kong Branch	326,506	279,988	1,328,226	1,141,511
Shinhan Bank, London Branch	68,675	134,558	279,371	548,593
	<u>2,565,714</u>	<u>4,058,459</u>	<u>10,437,325</u>	<u>16,546,337</u>
<b>Proceeds - Borrowings</b>				
Shinhan Bank Co., Ltd.	246,000,000	217,000,000	1,000,728,000	884,709,000
Shinhan Bank, Hong Kong Branch	101,000,000	55,000,000	410,868,000	224,235,000
Shinhan Bank, London Branch	-	10,000,000	-	40,770,000
	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>40,770,000</u>
<b>Repayments - Borrowings</b>				
Shinhan Bank Co., Ltd.	(187,000,000)	(169,000,000)	(760,716,000)	(689,013,000)
Shinhan Bank, Hong Kong Branch	(55,000,000)	-	(223,740,000)	-
Shinhan Bank, London Branch	(10,000,000)	-	(40,680,000)	-
	<u>(187,000,000)</u>	<u>(169,000,000)</u>	<u>(760,716,000)</u>	<u>(689,013,000)</u>
<b>Interest income</b>				
Shinhan Bank, Hong Kong Branch	3,412	-	13,880	-
	<u>3,412</u>	<u>-</u>	<u>13,880</u>	<u>-</u>
<b>Management service</b>				
Shinhan Bank Co., Ltd.	855,466	-	3,480,036	-
	<u>855,466</u>	<u>-</u>	<u>3,480,036</u>	<u>-</u>
<b>Advisory service</b>				
Shinhan Bank Co., Ltd.	108,000	-	439,344	-
	<u>108,000</u>	<u>-</u>	<u>439,344</u>	<u>-</u>
<b>Compensation of directors</b>				
Directors' fees and remuneration	1,831,724	1,306,377	7,451,453	5,326,099
	<u>1,831,724</u>	<u>1,306,377</u>	<u>7,451,453</u>	<u>5,326,099</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 31. Related party (continued)

##### C. Balances with related parties

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b><i>Shinhan Bank, Hong Kong Branch</i></b>				
Placements with other banks (Note 7)	<u>6,500,000</u>	<u>-</u>	<u>26,481,000</u>	<u>-</u>
<b><i>Shinhan Bank Co., Ltd.</i></b>				
Deposits from related party (Note 16)	<u>54,778</u>	<u>349,727</u>	<u>223,166</u>	<u>1,414,646</u>
Amounts due to related parties (Note 19)	<u>558,000</u>	<u>-</u>	<u>2,273,292</u>	<u>-</u>
<b>Amounts due to directors (Note 19)</b>	<u>80,000</u>	<u>-</u>	<u>325,920</u>	<u>-</u>

The amounts due from/to related parties are unsecured and repayable on demand.

##### **Borrowings from related parties**

The balance of borrowings from related parties are disclosed in Note 17.

#### 32. Financial risk management

##### A. Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- credit risk;
- market risk;
- liquidity risk; and
- operational risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### A. Introduction and overview (continued)

For the purpose of preserving the financial stability and reduce the burden of the borrowers who are losing their primary incomes and facing difficulties in repayment during the impact of the COVID-19 pandemic, the Bank works constructively with affected borrowers and allows for loan restructuring. Loan restructuring is proposed by the relationship team and approved by the Bank's Risk Department, which shall regularly conduct a portfolio review of affected borrowers to measure the impact on their financial conditions during the pandemic.

#### ***Risk management functional and governance structure***

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposures.

The Board of Directors have overall responsibility for the establishment and oversight of the Bank's risk management. The Board of Directors have established the Audit Committee and Risk Management Committee which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Risk Management Committee was established to assist the Board of Directors in its role and responsibilities over risk management and compliance of the Bank relating to risks in business operations and risk monitoring process. These include risk identification, risk management, risk monitoring and effective compliance with laws and regulations in accordance with the Bank's risk management policies approved by the Board of Directors. The Risk Management Committee also assist the Board of Directors to ensure that policies, charters and guidelines are in place in order to assess, evaluate and mitigate the risks pertaining to new products/new activities to be introduced. The Risk Management and Compliance Department plays an important role on a day-to-day basis in assisting the Risk Management and Compliance Committee to monitor the potential risks associated with the operations of the Bank and its branches and compliance controls of the Bank to meet the requirements of laws and regulations including laws and Prakas on Anti-Money Laundering and Combating the Financing of Terrorism set out by the NBC.

The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. In addition, the Audit Committee monitors and evaluates the efficiency of the management structure, policies and procedures, activities and operations of the Bank as well as compliance with laws and regulations.



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

##### (i). *Management of credit risk*

The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy, and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal credit risk rating system, and procedures implemented to ensure compliance with NBC Guidelines.

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

Credit risk ratings are reviewed and updated on an annual basis, and in events of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

##### (ii). *Risk limit control and mitigation policies*

The Bank operates and provides loans to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls concentration of credit risk whenever they are identified. Large exposure is defined by the NBC as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, unless prior approval from the NBC is obtained, under the conditions of Prakas No. B7-06-226 of the NBC to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any individual beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

## **Shinhan Bank (Cambodia) Plc.**

### **Notes to the financial statements (continued) for the year ended 31 December 2021**

#### **32. Financial risk management (continued)**

##### **B. Credit risk (continued)**

##### **(ii). Risk limit control and mitigation policies (continued)**

To manage the exposure risk, the Bank has closely monitored on large credits, impaired credits and the overall level of provisioning on a regular basis and upon requested by the Risk Management Committee. To protect the Bank from the non-compliance on the large exposure, the Board of Directors adopted the alert limits of 15% for single borrower and 250% for the aggregation of the large credit exposure.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral. The principal collateral types to secure for loans to customers are:

- Hypothec/mortgages over residential and business properties (land, buildings and other properties); and
- Cash in the form of fixed and margin deposits.

##### **(iii). Concentration of risk**

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. 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.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iii). Concentration of risk (continued)

##### Type of credit exposure

	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
<b>31 December 2021</b>					
<b>On-balance sheet items</b>					
Cash equivalents	20,477,613	83,425,796	-	-	100%
Placements with other banks	47,564,234	193,776,689	-	-	100%
Loans and advances to customers	561,977,136	2,289,494,852	94%	-	6%
Other assets	182,520	743,587	-	-	100%
Debt investments	25,499,142	103,883,504	-	-	100%
<b>Total</b>	<b>655,700,645</b>	<b>2,671,324,428</b>			
<b>Off-balance sheet items</b>					
Contingencies	9,359,326	38,129,894	-	-	100%
Commitments	23,728,914	96,671,596	10%	-	90%
<b>Total</b>	<b>33,088,240</b>	<b>134,801,490</b>			

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iii). Concentration of risk (continued)

##### Type of credit exposure (continued)

##### 31 December 2020

##### On-balance sheet items

Cash equivalents	33,581,263	Maximum credit exposure US\$	135,836,209	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
Placements with other banks	61,348,752		248,155,702	-	-	100%
Loans and advances to customers	436,965,627		1,767,525,961	93%	-	100%
Other assets	471,181		1,905,927	-	-	100%
Debt investments	25,681,954		103,883,504	-	-	100%
<b>Total</b>	<b>558,048,777</b>		<b>2,257,307,303</b>			
<b>Off-balance sheet items</b>						
Contingencies	12,252,932		49,563,110	-	-	100%
Commitments	20,088,231		81,256,895	13%	-	87%
<b>Total</b>	<b>32,341,163</b>		<b>130,820,005</b>			

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

## 32. Financial risk management (continued)

### B. Credit risk (continued)

#### (iii). Concentration of risk (continued)

##### Concentration risk by industrial sectors

31 December 2021	Cash equivalents US\$	Placements with other banks US\$	Loans and advances to customers US\$	Other assets US\$	Debt investments 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	20,477,613	47,564,234	11,060,487	-	25,499,142	104,601,476
Staff loans	-	-	5,967,781	-	-	5,967,781
Others	-	-	523,855,384	182,520	-	524,037,904
Total (US\$)	20,477,613	47,564,234	561,977,136	182,520	25,499,142	655,700,645
Total (KHR'000 – Note 5)	83,425,796	193,776,689	2,289,494,852	743,587	103,883,504	2,671,324,428

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iii). Concentration of risk (continued)

##### Concentration risk by industrial sectors (continued)

31 December 2020	Cash equivalents US\$	Placements with other banks US\$	Loans and advances to customers US\$	Other assets US\$	Debt investments US\$	Total US\$
Wholesale and retails	-	-	12,931,077	-	-	12,931,077
Construction	-	-	2,739,656	-	-	2,739,656
Real estate	-	-	256,873,358	-	-	256,873,358
Financial institutions	33,581,263	61,348,752	11,083,092	-	25,681,954	131,695,061
Staff loans	-	-	1,950,014	-	-	1,950,014
Others	-	-	151,388,430	471,181	-	151,859,611
Total (US\$)	33,581,263	61,348,752	436,965,627	471,181	25,681,954	558,048,777
Total (KHR'000 – Note 5)	135,836,209	248,155,702	1,767,525,961	1,905,927	103,883,504	2,257,307,303

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iii). Concentration of risk (continued)

**Concentration risk by residency and relationship, large-exposures and concession for loans and advances:**

	31 December		31 December	
	2021	2020	2021	2020
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
<b>By residency status:</b>				
Residents	561,415,956	436,164,164	2,287,208,605	1,764,284,043
Non-residents	561,180	801,463	2,286,247	3,241,918
	<u>561,977,136</u>	<u>436,965,627</u>	<u>2,289,494,852</u>	<u>1,767,525,961</u>
<b>By relationship:</b>				
External customers	556,795,543	435,015,613	2,268,385,042	1,759,638,154
Staff loans	5,181,593	1,950,014	21,109,810	7,887,807
	<u>561,977,136</u>	<u>436,965,627</u>	<u>2,289,494,852</u>	<u>1,767,525,961</u>
<b>By exposure:</b>				
Large exposures (*)	-	-	-	-
Non-large exposures	561,977,136	436,965,627	2,289,494,852	1,767,525,961
	<u>561,977,136</u>	<u>436,965,627</u>	<u>2,289,494,852</u>	<u>1,767,525,961</u>
<b>By concession:</b>				
Restructure (**)	25,616,523	19,864,250	104,361,715	80,350,891
Non-restructure	536,360,613	417,101,377	2,185,133,137	1,687,175,070
	<u>561,977,136</u>	<u>436,965,627</u>	<u>2,289,494,852</u>	<u>1,767,525,961</u>

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

(\*\*) A "restructured loan" is a loan that original contractual terms have been modified to provide for concessions for the borrowers for reasons related to real temporary financial difficulties.



## **Shinhan Bank (Cambodia) Plc.**

### **Notes to the financial statements (continued) for the year ended 31 December 2021**

#### **32. Financial risk management (continued)**

##### **B. Credit risk (continued)**

###### **(iv). Collateral**

Whilst the Bank's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Bank's exposure.

The description of collateral for each class of financial asset is set out below.

##### **Cash equivalents with other banks, balances with NBC, placements with other banks, debt investments and other assets**

Collateral is generally not sought for these assets.

##### **Loans and advances to customers, contingent liabilities and commitments**

Certain Loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iv). Collateral (continued)

The table below summarises the Bank's security coverage of its financial assets:

	Collateral/credit enhancement				Unsecured credit exposure US\$	Total US\$
	Properties US\$	Floating assets US\$	Fixed deposits US\$	Others US\$		
<b>31 December 2021</b>						
Loans and advances to customers	509,194,776	-	7,379,083	9,455,070	35,948,207	561,977,136
Contingencies	2,457	-	-	-	9,356,869	9,359,326
Commitments	-	-	5,500	2,421,508	21,301,906	23,728,914
Total (US\$)	509,197,233	-	7,384,583	11,876,578	66,606,982	595,065,376
Total (KHR'000 – Note 5)	2,074,469,527	-	30,084,791	48,385,179	271,356,845	2,424,296,342

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iv). Collateral (continued)

The table below summarises the Bank's security coverage of its financial assets: (continued)

	Collateral/credit enhancement			Unsecured credit exposure US\$	Total US\$
	Properties US\$	Floating assets US\$	Fixed deposits US\$		
<b>31 December 2020</b>					
Loans and advances to customers	388,012,046	-	8,996,490	29,427,891	436,965,627
Contingencies	-	-	-	12,252,932	12,252,932
Commitments	-	-	5,500	17,479,631	20,088,231
<b>Total (US\$)</b>	<b>388,012,046</b>	<b>-</b>	<b>9,001,990</b>	<b>59,160,454</b>	<b>469,306,790</b>
<b>Total (KHR'000 – Note 5)</b>	<b>1,569,508,726</b>	<b>-</b>	<b>36,413,050</b>	<b>239,304,036</b>	<b>1,898,345,966</b>

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### B. Credit risk (continued)

##### (v). *Credit quality of gross Loans and advances to customers*

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

#### **Normal**

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

#### **Special mention**

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

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

#### **Substandard**

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

Factors leading to a substandard classification include:

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### B. Credit risk (continued)

##### (v). Credit quality of gross Loans and advances to customers (continued)

##### Doubtful

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

##### Loss

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

##### Restructured loans

National Bank of Cambodia has issued a circular on loan restructuring during Covid-19 outbreak which requires the institutions to work constructively with affected borrowers and allows for loan restructuring for priority sectors. As a result, the Bank has provided a restructuring loan amounting to US\$25,616,523 (2020: US\$19,864,250) and the restructured loans will be downgraded the staging if the borrower's credit risk has increase significantly. Refer to Note 34(F) for details policy.

##### Recognition of ECL

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### B. Credit risk (continued)

##### (v). Credit quality of gross Loans and advances to customers (continued)

##### *Recognition of ECL(continued)*

The Bank will measure ECL by using the general approach. The general approach consists of segregating the customers into three different Stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for Stage 1, while lifetime ECL will be computed for Stage 2 and Stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

##### Long-term facilities (more than one year)

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

##### Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special Mention	$15 \leq \text{DPD} \leq 30$	Under-performing
3	Credit impaired assets	Substandard	$31 \leq \text{DPD} \leq 60$	Non-performing
		Doubtful	$61 \leq \text{DPD} \leq 90$	
		Loss	$\text{DPD} \geq 91$	

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### B. Credit risk (continued)

##### (v). Credit quality of gross Loans and advances to customers (continued)

###### Recognition of ECL (continued)

The Bank will use the day past due (“DPD”) information and NBC’s classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward looking elements in the future when information is more readily available. Upon the implementation of credit scoring system, if the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under Stage 2.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (Stage1) or non-performing.

The table below summarises the credit quality of the Bank’s gross financing according to the above classifications.

	31 December 2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
Normal	542,595,888	1,781,049	-	544,376,937
Special mention	-	10,683,804	-	10,683,804
Substandard	-	1,752,964	2,173,213	3,926,177
Doubtful	-	465,125	863,796	1,328,921
Loss	-	-	1,661,297	1,661,297
	542,595,888	14,682,942	4,698,306	561,977,136
Impairment loss allowance	(1,554,450)	(290,279)	(936,976)	(2,781,705)
Carrying amounts	541,041,438	14,392,663	3,761,330	559,195,431
Carrying amounts (KHR'000-Note 5)	2,204,202,818	58,635,709	15,323,658	2,278,162,186



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### B. Credit risk (continued)

##### (v). Credit quality of gross loans and advances to customers (continued)

##### *Recognition of ECL (continued)*

	31 December 2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
Normal	431,579,632	3,267,056	-	434,846,688
Special mention	-	627,988	-	627,988
Substandard	-	-	189,443	189,443
Doubtful	-	-	125,888	125,888
Loss	-	-	1,175,620	1,175,620
	<u>431,579,632</u>	<u>3,895,044</u>	<u>1,490,951</u>	<u>436,965,627</u>
Impairment loss allowance	<u>(1,261,676)</u>	<u>(90,052)</u>	<u>(300,305)</u>	<u>(1,652,033)</u>
Carrying amounts	<u>430,317,956</u>	<u>3,804,992</u>	<u>1,190,646</u>	<u>435,313,594</u>
Carrying amounts (KHR'000-Note 5)	<u>1,740,636,132</u>	<u>15,391,193</u>	<u>4,816,163</u>	<u>1,760,843,488</u>

##### *Incorporation of forward-looking information*

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the World Bank, and selected private-sector and academic forecasters.

For commercial loan portfolio, an internal rating model developed by Shinhan Bank Korea has been used. Shinhan Bank Korea used the actual 1-year PD for the calculation of provisional loss based on the ECL. Forward looking macroeconomic factors have been incorporated within this model. The probability of default corresponding to maturity of each rating is estimated for 10 years under the assumption of Weibull distribution. In order to apply Shinhan Bank's CIFRS Corporate PD with adjustment, 9 years of data for NPL ratio are acquired for both Cambodia and South Korea and multiplied with Shinhan Bank Korea lifetime PD.

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### B. Credit risk (continued)

##### (v). Credit quality of gross Loans and advances to customers (continued)

###### *Incorporation of forward-looking information (continued)*

The Bank applies Loan to Value (“LTV”) cap of 70% and DSR floor of 1.67, which are similar to Korean rule.

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across globally including Cambodia and beyond, causing disruption to business and economic activity. The impact on Gross Domestic Product (“GDP”) and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL.

##### (vi). Amounts arising from ECL

###### *Loss allowance*

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

	31 December 2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
At 1 January	1,261,676	90,052	300,305	1,652,033
- Transfer to Stage 1	67,445	(67,445)	-	-
- Transfer to Stage 2	(93,592)	105,361	(11,769)	-
- 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	528,148	58,085	25,830	612,063
Financial assets that been derecognised	193,075	3,094	31,949	228,118
At 31 December	1,554,450	290,279	936,976	2,781,705
At 31 December (KHR'000 – Note 5)	6,332,829	1,182,597	3,817,240	11,332,666

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### B. Credit risk (continued)

##### (vi). Amounts arising from ECL (continued)

##### Loss allowance (continued)

	31 December 2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
At 1 January	311,617	48,753	38,705	399,075
- Transfer to Stage 2	(11,242)	11,242	-	-
- Transfer to Stage 3	(230)	(37,340)	37,570	-
Net remeasurement of loss allowance	479,143	75,883	222,629	777,655
New financial assets originated	536,527	2,926	1,408	540,861
Financial assets that been derecognised	(54,139)	(11,412)	(7)	(65,558)
At 31 December	<u>1,261,676</u>	<u>90,052</u>	<u>300,305</u>	<u>1,652,033</u>
At 31 December (KHR'000 – Note 5)	<u>5,103,479</u>	<u>364,260</u>	<u>1,214,734</u>	<u>6,682,473</u>

Impairment losses allowance recognised in statement of profit or loss and other comprehensive income are summarised as follows:

	2021 US\$	2020 US\$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
<b>Allowance for impairment losses:</b>				
- Cash and cash equivalents (Note 6)	5,409	(6,780)	22,004	(27,642)
- Placements with other banks (Note 7)	(21,305)	(133,957)	(86,669)	(546,143)
- Loans and advances to customers (Note 9)	(1,129,672)	(1,252,958)	(4,595,506)	(5,108,310)
- Debt investments (Note 11)	20,104	483,632	81,783	1,971,768
- Off balance sheet items (Note 30A)	22,251	(292,466)	90,517	(1,192,384)
	<u>(1,103,213)</u>	<u>(1,202,529)</u>	<u>(4,487,871)</u>	<u>(4,902,711)</u>

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### C. Market risk

Market risk is the risk that changes in market prices – e.g. interest rates, foreign exchange rates and equity prices – will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### (i). *Interest rate risk*

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is regularly monitored against the risk tolerance limits set.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### C. Market risk (continued)

##### (i). Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

31 December 2021	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>Financial assets</b>								
Cash and cash equivalents	9,038,770	-	-	-	-	-	22,109,803	31,148,573
Placements with other banks	-	-	47,564,234	-	-	-	-	47,564,234
Loans and advances to customers	7,208,389	13,439,098	16,516,629	25,426,436	71,980,213	427,406,371	-	561,977,136
Other assets	-	-	-	-	-	-	182,520	182,520
Debt investments	-	-	-	-	-	-	25,499,142	25,499,142
	16,247,159	13,439,098	64,080,863	25,426,436	71,980,213	427,406,371	47,791,465	666,371,605
<b>Financial liabilities</b>								
Deposits from customers	12,608,271	2,271,688	3,848,829	8,376,384	734,737	-	55,452,032	83,291,941
Deposits from other banks	14,589,552	29,705,528	20,142,109	27,408,015	-	-	-	91,845,204
Borrowings	37,428,099	61,450,128	81,207,158	95,315,641	116,299,714	-	-	391,700,740
Lease liabilities	-	-	-	-	-	-	6,206,488	6,206,488
Other liabilities	-	-	-	-	-	-	1,115,026	1,115,026
	64,625,922	93,427,344	105,198,096	131,100,040	117,034,451	-	62,773,546	574,159,399
	(48,378,763)	(79,988,246)	(41,117,233)	(105,673,604)	(45,054,238)	427,406,371	(14,982,081)	92,212,206
Interest sensitivity gap								
(KHR'000 equivalents - Note 5)	(197,095,080)	(325,872,114)	(167,511,607)	(430,514,263)	(183,550,966)	1,741,253,555	(61,036,997)	375,672,528

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### C. Market risk (continued)

##### (i). Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

31 December 2020	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>Financial assets</b>								
Cash and cash equivalents	6,852,002	-	-	-	-	-	32,962,072	39,814,074
Placements with other banks	-	-	61,348,752	-	-	-	-	61,348,752
Loans and advances to customers	7,802,020	8,519,382	20,143,892	29,575,607	59,252,040	311,672,686	-	436,965,627
Other assets	-	-	-	-	-	-	471,181	471,181
Debt investments	-	-	-	-	-	-	25,681,954	25,681,954
	14,654,022	8,519,382	81,492,644	29,575,607	59,252,040	311,672,686	59,115,207	564,281,588
<b>Financial liabilities</b>								
Deposits from customers	30,393,402	3,309,943	4,736,662	5,703,891	384,849	-	11,636,531	56,165,278
Deposits from other banks	10,775,725	19,672,443	67,404,369	-	-	-	-	97,852,537
Borrowings	30,068,230	110,943,267	-	148,458,523	30,051,603	-	-	319,521,623
Lease liabilities	-	-	-	-	-	-	6,996,658	6,996,658
Other liabilities	-	-	-	-	-	-	333,815	333,815
	71,237,357	133,925,653	72,141,031	154,162,414	30,436,452	-	18,967,004	480,869,911
	(56,583,335)	(125,406,271)	9,351,613	(124,586,807)	28,815,588	311,672,686	40,148,203	83,411,677
Interest sensitivity gap	(228,879,590)	(507,268,366)	37,827,275	(503,953,634)	116,559,053	1,260,716,015	162,399,481	337,400,233
(KHR'000 equivalents - Note 5)								

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### C. Market risk (continued)

##### (i). Interest rate risk (continued)

As of 31 December 2021, the Bank did not have financial instruments carried at fair value. The Bank does not use derivative financial instruments such as interest rate swaps to hold its risk exposures. Accordingly, no sensitivity analysis was prepared.

##### *Interest rate benchmark reform*

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has several exposure to IBORs on its financial assets instruments that will be reformed as part of this market-wide initiative. However, although sterling LIBOR and US Dollar LIBOR were planned to be discontinued by the end of 2021, consultations and possible regulatory changes are in progress. This may mean that some LIBORs continue to be published beyond that date. The Bank is in the process of amending or preparing to amend contractual terms in response to IBOR reform, and there is still uncertainty over the timing and the methods of transition in some jurisdictions that the Bank operates in.

The main risks to which the Bank is exposed as a result of IBOR reform are operational. For example, the renegotiation of loan and advance contracts through bilateral negotiation with the customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

For existing contracts that are indexed to a LIBOR and mature after the expected cessation of the LIBOR rate, the Bank's treasury department has not yet renegotiated with the counter parties to amend the contractual terms of affected contracts and the determination of alternative rates.

The alternative reference rate for US Dollar ("US\$") LIBOR is the Secured Overnight Financing Rate (SOFR). Changes to the contractual terms of financial assets of the Bank indexed to US Dollar LIBOR to incorporate new benchmark rates are not yet completed as at 31 December 2021.

	31 December 2021	
	US\$	KHR'000 (Note 5)
<b>Financial liabilities that reference US\$ LIBOR</b>		
Shinhan Bank Co., Ltd.	200,000,000	814,800,000
Shinhan Bank, Hongkong Branch	28,000,000	114,072,000
Total borrowings	<u>228,000,000</u>	<u>928,872,000</u>



## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### C. Market risk (continued)

##### (ii). Foreign currency exchange risk

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

##### Concentration of currency risk

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

31 December 2021	Denomination US\$ equivalents		Total
	KHR	US\$	
<b>Financial assets</b>			
Cash and cash equivalents	11,304,094	19,844,479	31,148,573
Placements with other banks	-	47,564,234	47,564,234
Loans and advances to customers	64,430,061	497,547,075	561,977,136
Other assets	-	182,520	182,520
Debt investments	25,470,691	28,451	25,499,142
	<u>101,204,846</u>	<u>565,166,759</u>	<u>666,371,605</u>
<b>Financial liabilities</b>			
Deposits from customers	2,852,877	80,439,064	83,291,941
Deposits from other banks	23,731,730	68,113,474	91,845,204
Borrowings	13,762,251	377,938,489	391,700,740
Lease liabilities	-	6,206,488	6,206,488
Other liabilities	511	1,114,515	1,115,026
	<u>40,347,369</u>	<u>533,812,030</u>	<u>574,159,399</u>
<b>Net asset position</b>	<u>60,857,477</u>	<u>31,354,729</u>	<u>92,212,206</u>
<b>KHR'000 equivalents (Note 5)</b>	<u>247,933,362</u>	<u>127,739,166</u>	<u>375,672,528</u>

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### C. Market risk (continued)

##### (ii). Foreign currency exchange risk (continued)

##### Concentration of currency risk (continued)

The amounts of financial assets and liabilities, by currency denomination, are as follows: (continued)

31 December 2020	Denomination US\$ equivalents		
	KHR	US\$	Total
<b>Financial assets</b>			
Cash and cash equivalents	2,548,946	37,265,128	39,814,074
Placements with other banks	9,888,752	51,460,000	61,348,752
Loans and advances to customers	45,900,738	391,064,889	436,965,627
Other assets	-	471,181	471,181
Debt investments	25,681,954	-	25,681,954
	<u>84,020,390</u>	<u>480,261,198</u>	<u>564,281,588</u>
<b>Financial liabilities</b>			
Deposits from customers	814,332	55,350,946	56,165,278
Deposits from other banks	9,822,473	88,030,064	97,852,537
Borrowings	36,183,239	283,338,384	319,521,623
Lease liabilities	-	6,996,658	6,996,658
Other liabilities	196	333,619	333,815
	<u>46,820,240</u>	<u>434,049,671</u>	<u>480,869,911</u>
<b>Net asset position</b>	<u>37,200,150</u>	<u>46,211,527</u>	<u>83,411,677</u>
<b>KHR'000 equivalents (Note 5)</b>	<u>150,474,607</u>	<u>186,925,627</u>	<u>337,400,233</u>

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### C. Market risk (continued)

##### (ii). Foreign currency exchange risk (continued)

##### Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows for the exposures in currencies that accounts for more than 5 percent of the net open positions are shown in its specific currency in the table below.

	31 December 2021		31 December 2020	
	- 1%	+ 1%	- 1%	+ 1%
	Depreciation US\$	Appreciation US\$	Depreciation US\$	Appreciation US\$
KHR	<u>608,575</u>	<u>(608,575)</u>	<u>372,002</u>	<u>(372,002)</u>
KHR'000 – Note 5	<u>2,479,334</u>	<u>(2,479,334)</u>	<u>1,504,746</u>	<u>(1,504,746)</u>

#### D. Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

##### Management of liquidity risk

The Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### D. Liquidity risk (continued)

As at 31 December 2021	Carrying amounts US\$	Gross nominal inflow US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	No maturity US\$
<b>Financial assets</b>									
Cash and cash equivalents	31,147,202	31,148,573	9,038,770	-	-	-	-	-	22,109,803
Placements with other banks	47,408,972	47,598,693	33,530,526	1,280,174	9,404,265	3,383,728	-	-	-
Loans and advances to customers	559,195,431	974,123,467	10,914,731	20,696,135	7,322,421	26,696,453	90,238,172	818,255,555	-
Other assets	182,520	182,520	-	-	-	-	-	-	182,520
Debt investments	25,470,692	26,805,576	-	-	-	-	-	-	26,805,576
Total (US\$)	663,404,817	1,079,858,829	53,484,027	21,976,309	16,726,686	30,080,181	90,238,172	818,255,555	49,097,899
(KHR'000 equivalents - Note 5)	2,702,711,224	4,399,344,869	217,893,926	89,531,483	68,144,519	122,546,657	367,630,313	3,333,573,131	200,024,840
<b>Financial liabilities</b>									
Deposits from customers	83,291,941	83,755,418	68,090,697	2,286,025	4,103,044	8,535,263	740,389	-	-
Deposits from other banks	91,845,204	92,646,900	14,602,630	29,869,340	20,304,845	27,870,085	-	-	-
Borrowings	391,700,740	392,565,324	37,440,394	61,536,009	81,493,670	95,573,909	116,521,342	-	-
Lease liabilities	6,206,488	8,084,654	-	-	-	1,112,036	5,350,062	1,622,557	-
Other liabilities	1,115,026	1,115,026	-	-	-	-	-	-	1,115,026
Total (US\$)	574,159,399	578,167,322	120,133,721	93,691,374	105,901,559	133,091,292	122,611,793	1,622,557	1,115,026
(KHR'000 equivalents - Note 5)	2,339,125,392	2,355,453,670	489,424,779	381,698,658	431,442,951	542,213,924	499,520,445	6,610,297	4,542,616

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 32. Financial risk management (continued)

##### D. Liquidity risk (continued)

As at 31 December 2020	Carrying amounts US\$	Gross nominal inflow US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	No maturity US\$
<b>Financial assets</b>									
Cash and cash equivalents	39,807,294	39,672,072	6,852,002	-	-	-	-	-	32,820,070
Placements with other banks	61,214,795	62,141,334	20,165,613	1,471,147	22,888,167	17,616,407	-	-	-
Loans and advances to customers	435,313,594	722,435,680	7,826,205	8,714,426	20,716,716	31,016,335	77,705,974	576,456,024	-
Other assets	471,181	471,181	-	-	-	-	-	-	471,181
Debt investments	25,633,400	28,919,375	-	-	-	-	-	-	28,919,375
Total (US\$)	562,440,264	853,639,642	34,843,820	10,185,573	43,604,883	48,632,742	77,705,974	576,456,024	62,210,626
(KHR'000 equivalents - Note 5)	2,275,070,868	3,452,972,352	140,943,252	41,200,643	176,381,752	196,719,441	314,320,665	2,331,764,617	251,641,982
<b>Financial liabilities</b>									
Deposits from customers	56,165,278	55,359,979	40,895,365	3,326,092	4,828,395	5,889,054	421,073	-	-
Deposits from other banks	97,852,537	99,298,762	11,906,808	19,770,752	67,621,202	-	-	-	-
Borrowings	319,521,623	322,612,043	30,083,222	111,339,005	60,018,885	89,410,140	31,760,791	-	-
Lease liabilities	6,996,658	9,558,229	-	-	-	1,146,679	4,459,145	3,952,405	-
Other liabilities	333,815	333,815	-	-	-	-	-	-	333,815
Total (US\$)	480,869,911	487,162,828	82,885,395	134,435,849	132,468,482	96,445,873	36,641,009	3,952,405	333,815
(KHR'000 equivalents - Note 5)	1,945,118,790	1,970,573,639	335,271,423	543,793,009	535,835,010	390,123,556	148,212,881	15,987,478	1,350,282

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 32. Financial risk management (continued)

#### E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

#### F. Capital management

##### (i). *Regulatory capital*

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

- To comply with the capital requirements set by the NBC;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

##### (ii). *Capital allocation*

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 33. Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

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

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

The fair value of the Bank's financial instruments such as cash and short-term funds, deposits and placements with banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

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

#### **Deposits and placements with National Bank of Cambodia and other banks**

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

#### **Loan and advances to customers**

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

#### **Deposits from customers and from other banks**

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks and customers.

#### **Borrowings**

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



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 33. Fair values of financial assets and liabilities (continued)

#### Other financial assets and liabilities

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

#### Debt investments

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

#### Financing, advances and others

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

#### Fair value hierarchy

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

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated (Note 35).

#### A. Basis of measurement

The financial statements have been prepared on a historical cost basis.

#### B. Foreign currency

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

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

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

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

#### C. Financial assets and financial liabilities

##### (i). Recognition and initial measurement

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

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

##### (ii). Classification

###### Financial assets

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (ii). *Classification*

##### **Financial assets (continued)**

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

##### ***Business model assessment***

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (ii). *Classification (continued)*

##### ***Business model assessment (continued)***

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

##### ***Assessment of whether contractual cash flows are solely payments of principal and interest-SPPI***

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (ii). Classification (continued)

##### ***Business model assessment (continued)***

In making the assessment, the Bank considers:

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

##### ***Non-recourse loans***

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

##### **Reclassifications**

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (iii). *Derecognition*

###### **Financial assets**

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

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

###### **Financial liabilities**

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

##### (iv). *Modifications of financial assets and financial liabilities*

###### **Financial assets**

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

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (iv). *Modifications of financial assets and financial liabilities (continued)*

##### **Financial assets (continued)**

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

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

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

##### **Financial liabilities**

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (v). *Offsetting*

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

##### (vi). *Fair value measurement*

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

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

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (vi). *Fair value measurement (continued)*

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

##### (vii). *Impairment*

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

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

No impairment loss is recognised on equity investments.

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (vii). *Impairment (continued)*

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

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

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

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

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

#### **Determining whether credit risk has increased significantly**

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

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for long term facilities or more than or equal to 15 days past due for short term facilities. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (vii). *Impairment (continued)*

###### **Definition of default**

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than or equal to 90 days past due for long-term facilities or more than or equal to 30 days past due for short-term facilities on any material obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

###### **Measurement of ECL**

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

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

###### **Inputs, assumptions and techniques used for estimating impairment**

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (vii). *Impairment (continued)*

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (vii). Impairment (continued)

##### ***Restructured financial assets***

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

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

##### ***Credit-impaired financial assets***

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

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### (vii). *Impairment (continued)*

##### ***Credit-impaired financial assets (continued)***

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

##### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Provision for financial guarantee contracts are presented in a separate liability in the statement of financial position.

Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

##### **Write-off**

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

Recoveries of amounts previously written off are included in 'other income' in the statement of profit and loss and OCI.

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.

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### C. Financial assets and financial liabilities (continued)

##### *(viii). Interest rate benchmark reform*

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

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

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

#### D. Cash and cash equivalents

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

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

#### E. Share capital

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

## **Shinhan Bank (Cambodia) Plc.**

### **Notes to the financial statements (continued) for the year ended 31 December 2021**

#### **34. Significant accounting policies (continued)**

##### **F. Reserves and regulatory reserves**

The reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to reserves is subject to the approval by shareholders.

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

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

The regulatory reserves are not an item to be included in the calculated of the Institution net worth.

On 28 December 2021, the NBC issued a new Circular, No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructure Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing the classification and provisioning arrangements complying with the current regulation, Prakas No.B7-017-344 dated 01 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, all restructured loans by 31 December 2021 shall be classified and provisioned based on the requirements under this circular. For loans that were still in the assessment period, they shall be kept at the same classification as before the restructured terms of contract.

Following the NBC's workshop on "the Circular on Classification and Provisioning Requirement for Restructured Loans" held on 18 January 2022, the NBC issued a communication on 4 February 2022 allowing banking and financial institutions ("BFIs") to defer the implementation of the new Circular until January 2022 onward though early adoption is encouraged. The Bank chose to defer the implementation of the new Circular in preparing these financial statements for the year ended 31 December 2021.



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### G. Deposits and placements with banks

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

#### H. Statutory deposits

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

#### I. Loans and advances to customers

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

#### J. Other assets

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

#### K. Property and equipment

##### (i). *Recognition and measurement*

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

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### K. Property and equipment (continued)

##### (i). *Recognition and measurement*

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

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

##### (ii). *Subsequent costs*

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

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

##### (iii). *Depreciation*

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

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

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

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

## Shinhan Bank (Cambodia) Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 34. Significant accounting policies (continued)

##### K. Property and equipment (continued)

###### (iii). Depreciation (continued)

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

	Method	Rate
Leasehold improvements	Straight-line	5%
Computer and office equipment	Declining	25%
Furniture and fittings	Declining	25% - 50%
Motor vehicles	Declining	25%

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

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

##### L. Intangible assets

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

Intangible assets are amortised at the rate of 50% using the declining balance method.

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

##### M. Leases

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### M. Leases (continued)

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

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

#### Leases in which the Bank is a lessee

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

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

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



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### N. Deposits from customers and from other banks

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks and customers.

#### O. Borrowings

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

#### P. Employee benefits

##### (i). *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii). *Other long-term employee benefits*

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

#### Q. Provisions

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### R. Interest

##### ***Effective interest rate***

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

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

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

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

##### ***Amortised cost and gross carrying amount***

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

##### ***Calculation of interest income and expense***

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

# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### R. Interest (continued)

##### *Calculation of interest income and expense (continued)*

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

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

##### *Presentation*

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

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

#### S. Fee and commission

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

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

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



# Shinhan Bank (Cambodia) Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Significant accounting policies (continued)

#### T. Impairment of non-financial assets

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

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

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

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

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

#### U. Income tax

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

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

## **Shinhan Bank (Cambodia) Plc.**

### **Notes to the financial statements (continued) for the year ended 31 December 2021**

#### **34. Significant accounting policies (continued)**

##### **U. Income tax (continued)**

###### **(i). Current tax**

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

###### **(ii). Deferred tax**

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

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

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

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

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

##### **V. Contingent liabilities**

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

# **Shinhan Bank (Cambodia) Plc.**

## **Notes to the financial statements (continued) for the year ended 31 December 2021**

### **34. Significant accounting policies (continued)**

#### **W. Contingent assets**

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

### **35. Changes in significant accounting policies**

Interest Rate Benchmark Reform – Phase 2 (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) (the Phase 2 amendments) became effective on 1 January 2021.

In accordance with the exceptions permitted in the Phase 2 amendments, the Bank has elected not to restate comparatives for the prior periods to reflect the application of these amendments. There is no impact on opening equity balances as a result of retrospective application.

### **36. New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

#### **A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12)**

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Bank accounts for deferred tax on leases applying the ‘integrally linked’ approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. There will be no impact on retained earnings on adoption of the amendments.

## **Shinhan Bank (Cambodia) Plc.**

### **Notes to the financial statements (continued) for the year ended 31 December 2021**

#### **36. New standards, amendments and interpretations not yet adopted**

##### **B. Other standards**

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).



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### Statement by the Management on the Supplementary Financial Information

I, on behalf of the management of Shinhan Bank (Cambodia) Plc., ("the Bank"), do hereby state that in my opinion, the accompanying Supplementary Financial Information of the Bank as set out on page 2 to 27, the preparation of which is the sole responsibility of the management, is properly drawn up so as to reflect fairly the Financial Information of the Bank for the year ended 31 December 2021 as required by the National Bank of Cambodia in their Prakas and applicable notices.

*On behalf of the management,*



*Kim Nam Soo*

Mr. Kim Nam Soo  
Chief Executive Officer / President

Mr. Lee Jung Hoon  
Director

Phnom Penh, Kingdom of Cambodia

31 March 2022

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information for the year ended 31 December 2021

### 1. Limitation

This Supplementary Financial Information is prepared by the management of Shinhan Bank Plc. (“the Bank”) solely for the use of the National Bank of Cambodia (“NBC”). It is not to be used for any other purpose without the written consent of the management of the Bank.

The computation of the Supplementary Financial Information according to the definitions of the relevant Prakas and applicable notices set out in the respective schedules as indicated below form an integral part of and should be read in conjunction with the summary.

### 2. Significant financial information

The following the Significant Financial Information of the Bank as required by NBC on its applicable Prakas.

Section Ref	Financial Information	2021	
		US\$ (if not in %)	KHR'000 (if applicable)
I	Liquidity coverage ratio	136.30%	136.30%
II	Minimum capital	75,000,000	305,550,000
III	Solvency ratio	21.35%	21.35%
IV	Net worth	139,431,040	568,042,058
V	Foreign currency net open position		
	US Dollars	(33.95%)	(33.95%)
	Khmer Riel	33.95%	33.95%

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### 2. Significant financial information (continued)

The following the Significant Financial Information of the Bank as required by NBC on its applicable Prakas.  
(continued)

Section Ref	Financial Information	2021	
		US\$ (if not in %)	KHR'000 (if applicable)
VI	Loan classification and provision		
	Normal/Standard	543,402,435	2,213,821,520
	Special mention	10,590,128	43,144,181
	Sub-standard	3,864,441	15,743,733
	Doubtful	1,274,134	5,190,822
	Loss	1,627,617	6,630,912
		<u>560,758,755</u>	<u>2,284,531,168</u>
	Allowance for bad and doubtful loans and advances		
	NBC's benchmark	8,789,300	35,807,608
	Bank's provision	2,781,705	11,332,666
	Regulatory reserves	<u>6,007,595</u>	<u>24,474,942</u>
VII	Large exposures	0.00%	0.00%
VIII	Loans to related parties	0.00%	0.00%
IX	Provision of credit in national currency	11.47%	11.47%
X	Property and equipment	4.82%	4.82%
XI	Capital Buffer	13.85%	13.85%

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### 3. Translation

For the purpose of this Supplementary Financial Information, unless otherwise stated, United States Dollars ("US\$") is the reporting currency. The translations of United States Dollars amounts into Khmer Riel ("KHR") are included solely for compliance with the guidelines issued by the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,074 published by the NBC on 31 December 2021. These convenient translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

#### 4. Other ratios

		2021
<b>Capital</b>		
(1)	Equity to total assets	19.46%
(2)	Capital tier 1 to total assets	19.31%
(3)	Capital tier 1 to risk weighted assets	21.26%
(4)	Capital tier 1 + tier 2 to risk weighted assets	21.35%
(5)	Net worth to assets	19.40%
(6)	Solvency ratio	21.35%
(7)	Debts to total assets	80.54%
(8)	Debts to equity	413.89%
(9)	Dividend to net profit	0.00%
<b>Asset Quality</b>		
(10)	Banking reserve to total loans	1.00%
(11)	Banking reserves to total assets	0.78%
(12)	Non-performing loans to total loans	0.54%
(13)	Non-performing loans to total assets	0.42%
(14)	Classified assets to total loans	0.60%
(15)	Classified assets to total assets	0.47%
(16)	Classified assets to equity	2.40%
(17)	Loans to related parties to total loans	0.00%



## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### 4. Other ratios (continued)

		2021
<b>Asset Quality (continued)</b>		
(18)	Large exposures to total loans	0.00%
(19)	Loans to related parties to net worth	0.00%
(20)	Large exposures to net worth	0.00%
(21)	General provision to total loans	0.00%
(22)	Specific provision to total loans	0.54%
(23)	Specific provision to non-performing loans	100.00%
(24)	All allowances to total assets	1.22%
(25)	Loans to deposits	670.76%
<b>Earnings</b>		
(26)	Return on assets	2.56%
(27)	Return on equity	13.15%
(28)	Gross yield	5.75%
(29)	Net interest margin to total assets	4.86%
(30)	Other income to total assets	0.20%
(31)	Provisions to total assets	1.22%
(32)	Overhead to total assets	2.35%
(33)	Net income before tax to total assets	3.20%
(34)	Taxes to total assets	0.64%
(35)	Interest margin to gross income	81.56%
(36)	Non-interest income to gross income	3.44%
(37)	Non-interest expenses to gross income	39.48%
(38)	Times interest earned	0.00%
<b>Liquidity</b>		
(39)	Liquid assets	4.33%
(40)	Short-term liabilities	80.54%
(41)	Net liquid assets	(94.62%)
(42)	Quick ratio	5.38%
(43)	Deposits to total loans	14.91%
(44)	Property and equipment to net worth	4.82%

The above calculation of the other ratios is presented in the **Annex A**.

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule I – Liquidity coverage ratio

The liquidity ratio of the Bank was calculated based on the Prakas No. B7-015-349 dated 23 December 2015 as follows:

31 December 2021

Description		Non-weighted amounts in US\$			Weighted amounts in US\$			Total US\$	Total KHR'000	
		KHR	US\$	Other Currencies	KHR	US\$	Other Currencies			
Assets										
High Quality Liquid Assets (HQLA)										
1.11	1	Notes and coins	853,869	9,817,091	-	853,869	9,817,091	-	10,670,960	43,473,491
1.12	1	Reserves requirement with the NBC > Minimum reserve requirement	36,440	137,927	-	36,440	137,927	-	174,367	710,372
1.13	1	Reserves requirement with the NBC in KHR	123,108	-	-	123,108	-	-	123,108	501,542
1.14	0.7	Reserves requirement with the NBC in US\$	-	31,962,073	-	-	22,373,451	-	22,373,451	91,149,440
1.15	1	Amounts deposited at the NBC excluding settlement account and capital guarantee account	2,613,553	2,635,396	-	2,613,553	2,635,396	-	5,248,949	21,384,219
1.16	1	NCDs (and any other securities) issued by the NBC	7,363,770	-	-	7,363,770	-	-	7,363,770	30,000,000
1.17	1	Market value of unencumbered marketable debt securities on or guaranteed by sovereigns and central banks, with rating comprised between AAA and AA- included BIS, IMF, ECB, EU, and MDBs when rated AAA	-	-	-	-	-	-	-	-
		Total 1 = Σ (1.11; 1.17)	10,990,741	44,552,487	-	10,990,741	34,963,865	-	45,954,606	187,219,064

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$			Weighted amounts in US\$			Total US\$	Total KHR'000
		KHR	US\$	Other Currencies	KHR	US\$	Other Currencies		
Other Liquid Assets (OLA)									
1.21	0.85	Market value of unencumbered marketable debt securities on or guaranteed by sovereigns and central banks, with rating between A+ and A-	-	-	-	-	-	-	-
1.22	0.85	Market value of unencumbered marketable debt securities on or guaranteed by Public Sector Entities (PSEs) and MDBs not included in 1.17 with rating higher or equal to A-	-	-	-	-	-	-	-
1.23	0.85	Unencumbered eligible debt securities (including commercial paper) and covered bonds, with rating higher or equal to AA-	-	-	-	-	-	-	-
1.24	0.75	Gold for own account	-	-	-	-	-	-	-
Total 2 = Minimum [OLA; 40% (HQLA+OLA)]									
Total assets: Total 3 = Total 1 + Total 2			10,990,741	44,552,487	-	10,990,741	34,963,865	-	187,219,064

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$			Weighted amounts in US\$			Total US\$	Total KHR'000
		KHR	US\$	Other Currencies	KHR	US\$	Other Currencies		
Net cash outflows = Expected cash outflows - Expected cash inflows									
Cash outflows									
Retail cash outflows (regardless of amounts) and qualifying SME deposits (less than or equal to US\$100,000 or equivalent)									
2.11	0.05	Stable deposits	-	-	-	-	-	-	-
2.12	0.15	Less stable deposits	2,519,506	51,114,475	-	377,926	7,667,171	8,045,097	32,775,726
Unsecured wholesale funding									
2.21	0.25	Operational deposits (unsecured funding generated by clearing, custody and cash management activities)	-	35,593	-	-	8,898	8,898	36,251
2.22	0.4	Non-operational deposits from non-financial corp. not qualifying for reporting in 2.11 to 2.12	316,610	28,967,112	-	126,644	11,586,845	11,713,489	47,720,752
2.23	0.4	Non-operational deposits from sovereigns, central banks, and PSEs	-	-	-	-	-	-	-
2.24	1	Non-operational deposits from banks and financial institutions	3,983,228	47,106,906	-	3,983,228	47,106,906	51,090,134	208,141,206
2.25	1	Non-operational deposits from all other legal entities	-	-	-	-	-	-	-
2.26	1	Any other unsecured wholesale funding including debt securities	-	-	-	-	-	-	-

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$			Weighted amounts in US\$			Total US\$	Total KHR'000
		KHR	US\$	Other Currencies	KHR	US\$	Other Currencies		
Cash outflows (continued)									
Secured funding									
2.31	0	Secured funding transactions backed by HQLA		343,643	-	-	-	-	-
2.32	0.15	Secured funding transactions backed by OLA other than Gold		-	-	-	-	-	-
2.33	0.25	Secured funding transactions backed by Gold for own account		-	-	-	-	-	-
2.34	1	All other secured funding transactions		-	-	-	-	-	-
Increased liquidity needs related to derivatives and other transactions									
2.41	1	Derivative payables		-	-	-	-	-	-
2.42	1	Outflows from market valuation changes of collateral for derivative transactions		-	-	-	-	-	-
2.43	1	Other derivative cash outflows		-	-	-	-	-	-

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$			Weighted amounts in US\$			Total US\$	Total KHR'000
		KHR	US\$	Other Currencies	KHR	US\$	Other Currencies		
Cash outflows (continued)									
Committed facilities									
		For the undrawn portion of committed credit and liquidity facilities							
		To retails and SMEs							
2.51	0.05		84,016	9,417,852	-	4,201	470,893	-	475,094
2.52	0.05		-	-	-	-	-	-	-
		To non financial corporates, sovereigns and central banks							
2.53	0.1		-	4,399,551	-	-	439,955	-	439,955
2.54	0.3		-	-	-	-	-	-	-
		To banks and financial institutions							
2.55	0.4		-	5,500,000	-	-	2,200,000	-	2,200,000
2.56	0.4		-	-	-	-	-	-	-
		To other financial institutions							
2.57	0.4		-	-	-	-	-	-	-
2.58	1		-	-	-	-	-	-	-

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$		Weighted amounts in US\$			Total US\$	Total KHR'000
		KHR	US\$	Other Currencies	KHR	US\$		
Cash outflows (continued)								
Committed facilities (continued)								
		To other legal entities						
2.59	1		-	-	-	-	-	-
2.60	1		-	-	-	-	-	-
Other contingent funding obligations (whether contractual or not)								
2.71	0.1	Unconditional revocable credit and liquidity facilities' agreements	-	-	-	-	-	-
2.72	1	Trade finance related obligations (report average of monthly net outflows in last 12 months period)	-	-	-	-	-	-
2.73	0.5	Guarantees and letters of credit other than trade finance related obligations (report average of monthly net outflows in last 12 months period)	-	12,167	-	6,083	-	24,784
2.81	1	Other contractual outflows	331,319	1,494,532	331,319	1,494,532	1,825,851	7,438,518
		Total 4 = Σ ( 2.11 ; 2.81 )	7,578,321	148,048,187	-	4,823,318	70,981,283	308,827,945

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$			Weighted amounts in US\$			Total US\$	Total KHR'000
		KHR	US\$	Other Currencies	KHR	US\$	Other Currencies		
Cash inflows									
Outstanding Reverse repos and securities borrowing with remaining maturities within 30 days									
		Where the collateral received is not re-hypothecated							
3.11	0		-	-	-	-	-	-	-
3.12	0.25		-	-	-	-	-	-	-
3.13	1		-	-	-	-	-	-	-
		Where the collateral received is re-hypothecated							
3.14	0		-	-	-	-	-	-	-
3.15	0		-	-	-	-	-	-	-
3.16	0		-	-	-	-	-	-	-
		Undrawn committed facilities from banks and financial institutions							
3.21	0		-	-	-	-	-	-	-
3.22	1		-	-	-	-	-	-	-



## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$			Weighted amounts in US\$			Total US\$	Total KHR'000
		KHR	US\$	Other Currencies	KHR	US\$	Other Currencies		
Cash inflows (continued)									
Other contractual inflows, either secured or unsecured, within 30 days									
3.31	0.5	From retail customers	736,161	-	-	368,081	3,365,686	-	15,211,367
3.32	0.5	From SMEs	-	-	-	-	-	-	-
3.33	0.5	From non financial corporates	-	5,211,821	-	-	2,605,910	-	10,616,479
3.34	1	From central banks	-	-	-	-	-	-	-
3.35	1	From banks and financial institutions	19,790	33,153	-	19,790	33,153	-	215,688
3.36	0.5	From other financial institutions	-	-	-	-	-	-	-
3.37	0.5	From other legal entities	-	-	-	-	-	-	-
3.38	0.5	From sovereigns	-	-	-	-	-	-	-
3.39	1	Deposits with banks and financial institutions	1,223	35,695,095	-	1,223	35,695,095	-	145,426,798

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule I – Liquidity coverage ratio (continued)

Description		Non-weighted amounts in US\$		Weighted amounts in US\$			Total US\$	Total KHR'000	
		KHR	US\$	Other Currencies	KHR	US\$			Other Currencies
Cash inflows (continued)									
Derivative cash inflows									
3.5	1	Net contractual derivative cash inflows within 30 days	-	-	-	-	-	-	
3.6	1	Contractual inflows from other securities maturing within 30 days	-	-	-	-	-	-	
3.7	0	Any other contractual inflows due in the next 30 days	-	-	-	-	-	-	
Total 5 = Σ ( 3.11 ; 3.70)			757,174	47,671,441	-	389,093	41,699,844	42,088,938	171,470,332
Total net cash outflows									
Total 6 = Total 4 - Min (Total 5 ; 75% Total 4)			8,335,495	195,719,629	-	4,434,225	29,281,439	33,715,663	137,357,613
Liquidity coverage ratio for year ended 31 December 2018									
LCR = Total 3/Total 6			-	-	-	247.86	119.41	136.30	136.30

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule II – Minimum capital

The paid-up share capital of the Bank as at 31 December 2021 was US\$75,000,000. (31 December 2020: US\$75,000,000)

#### Schedule III – Solvency ratio

The solvency ratio of the Bank was calculated based on Prakas No. B7-04-206 dated 29 December 2004 as follows:

		2021	
	Weighting	US\$	KHR'000
Numerator			
Bank's net worth - Schedule (IV)		<u>139,431,040</u>	<u>568,042,058</u>
Denominator			
Total aggregate assets			
Cash, gold and claims on NBC	0%	-	-
Assets collateralized by deposits	0%	-	-
Claims on sovereign rated AAA to AA	0%	-	-
Claims on sovereign rated A+ to A-	20%	-	-
Claims on banks rated AAA to AA-	20%	-	-
Claims on sovereign rated BBB+ to BBB-	50%	-	-
Claims on banks rated A+ to A-	50%	1,233,679	5,026,008
Investment securities	120%	30,564,830	124,521,117
Other assets	100%	600,057,500	2,444,634,255
Off-balance sheet items			
Full risk	100%	14,586,321	59,424,672
Medium risk	50%	6,499,086	26,477,276
Moderate risk	20%	-	-
Low risk	0%	-	-
Total denominator		<u>652,941,416</u>	<u>2,660,083,328</u>
Solvency ratio - Numerator/Denominator		<u>21.35%</u>	<u>21.35%</u>

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule IV – Net worth

The Bank's net worth was calculated based on Prakas No. B7-010-182 dated 15 October 2010 as follows:

	2021	
	US\$ (if not in %)	KHR'000 (if applicable)
<b><u>Tier 1 (Core Capital)</u></b>		
<b>Sub-total A:</b>		
Paid- in Capital	75,000,000	305,550,000
Reserves other than revaluation	18,514,391	75,427,629
Premiums related to capital	-	-
Audited net profit for the last financial year	18,396,657	74,947,981
Retained earnings	27,981,416	113,996,289
Other items approved by NBC	-	-
Sub-total A	<u>139,892,464</u>	<u>569,921,899</u>
Limit check on retained earnings (maximum 20% of Sub-total A)	20.00%	20.00%
<b>Sub-total B:</b>		
Own shares held (at book value)	-	-
Accumulated losses	-	-
Intangible assets	1,068,112	4,351,488
Loss determined on dates other than the end of the annual accounting period	-	-
Shareholders, Directors, and Related parties	-	-
Unpaid portion(s) of capital	-	-
Loans, overdrafts and other advances	-	-
Debt instruments held bearing signature of shareholders directors and related parties	-	-
Other loss	-	-
Sub-total B	<u>1,068,112</u>	<u>4,351,488</u>
<b>Total Tier 1 Capital (A - B)</b>	<u>138,824,352</u>	<u>565,570,411</u>

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule IV – Net worth (continued)

	2021	
	US\$ (if not in %)	KHR'000 (if applicable)
<b><u>Tier 2 (Complementary Capital)</u></b>		
<b>Sub-total C:</b>		
Revaluation reserves approved by NBC	-	-
Provisions for general banking risks approved by NBC	-	-
General provision of 1% foreseen in Prakas on asset classification and provisioning in banking and financial institution	606,688	2,471,647
Subordinated debts approved by NBC	-	-
Other items approved by NBC	-	-
Sub-total C	606,688	2,471,647
Limit check on subordinated debts (maximum 50% of Tier 1 Capital)	0.00%	0.00%
<b>Sub-total D:</b>		
Equity participation in banking or financial institutions		
Other items		
Sub-total D	-	-
<b>Total Tier 2 Capital (C - D)</b>	606,688	2,471,647
Limit check on Tier 2 Capital (maximum 100% of Tier 1 Capital)	0.44%	0.44%
<b>Bank's net worth (Capital Tier 1 + Tier 2)</b>	139,431,040	568,042,058

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule V – Foreign currency net open position

As at 31 December 2021

Currency	Element after deduction of affected provision					Net open position	Net open position/Net worth (%)	Limit (%)	Excess (%)
	1	2	3	4	5				
	Assets	Liabilities and capital	Currency receivables	Currencies payables	+(long) or - (short)				
			Off-balance sheet	Off-balance sheet	(1+2+3+4)				
	+	-	+	-					
	US\$	US\$	US\$	US\$	US\$				
US Dollars	617,530,569	(678,547,888)	33,903,724	(20,222,403)	(47,335,998)		(33.95%)	20%	-
KHR	101,364,716	(40,347,397)	84,016	(13,765,336)	47,335,998		33.95%	20%	-
<b>Grand total</b>	<b>718,895,285</b>	<b>(718,895,285)</b>							

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule VI – Loan classification and provision

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

	Total US\$	%	NBC's Benchmark US\$	Bank's Provision US\$	Variance US\$
<b>As at 31 December 2021</b>					
1. Short-term loans (less than or equal to one year)					
Normal/Standard	33,311,087	1%	333,111	388,463	55,352
Special mention	19,186	3%	576	591	15
Sub-standard	604,687	20%	120,937	-	(120,937)
Doubtful	140,000	50%	70,000	31,115	(38,885)
Loss	44,983	100%	44,983	-	(44,983)
	<u>34,119,943</u>		<u>569,607</u>	<u>420,169</u>	<u>(149,438)</u>
Allowance for bad and doubtful loans	<u>569,607</u>				
	<u>33,550,336</u>				
2. Long-term loans (more than one year)					
Normal/Standard	510,091,347	1%	5,100,913	1,184,408	(3,916,505)
Special mention	10,570,943	3%	317,128	212,459	(104,669)
Sub-standard	3,259,754	20%	651,951	-	(651,951)
Doubtful	1,134,134	50%	567,067	964,668	397,601
Loss	1,582,634	100%	1,582,634	-	(1,582,634)
	<u>526,638,812</u>		<u>8,219,693</u>	<u>2,361,535</u>	<u>(5,858,158)</u>
Allowance for bad and doubtful loans	<u>8,219,693</u>				
	<u>518,419,119</u>				

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule VI – Loan classification and provision (continued)

	Total KHR'000	%	NBC's Benchmark KHR'000	Bank's Provision KHR'000	Variance KHR'000
<b>As at 31 December 2021</b>					
1. Short-term loans (less than or equal to one year)					
Normal/Standard	135,709,368	1%	1,357,094	1,582,598	225,504
Special mention	78,164	3%	2,347	2,408	61
Sub-standard	2,463,495	20%	492,697	-	(492,697)
Doubtful	570,360	50%	285,180	126,763	(158,417)
Loss	183,261	100%	183,261	-	(183,261)
	<u>139,004,648</u>		<u>2,320,579</u>	<u>1,711,769</u>	<u>(608,810)</u>
Allowance for bad and doubtful loans	<u>2,320,579</u>				
	<u>136,684,069</u>				
2. Long-term loans (more than one year)					
Normal/Standard	2,078,112,148	1%	20,781,120	4,825,278	(15,955,841)
Special mention	43,066,022	3%	1,291,979	865,558	(426,422)
Sub-standard	13,280,238	20%	2,656,048	-	(2,656,048)
Doubtful	4,620,462	50%	2,310,231	3,930,057	1,619,826
Loss	6,447,651	100%	6,447,651	-	(6,447,651)
	<u>2,145,526,521</u>		<u>33,487,029</u>	<u>9,620,893</u>	<u>(23,866,136)</u>
Allowance for bad and doubtful loans	<u>33,487,029</u>				
	<u>2,112,039,492</u>				

#### Schedule VII – Large exposures

The Bank has no large exposure individually exceeding 10% of the Bank's net worth as at 31 December 2021. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.



## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule VIII – Loans to related parties

The Company did not have loans to related parties as at 31 December 2021.

#### Schedule IX – Provision of credit in national currency

The Bank is required to have its loans in national currency at least 10% of the total loan portfolio based on Prakas B7-016-334 issued on 1 December 2016 which shall be fully implemented by 31 December 2021.

		2021	
		US\$ (if not in %)	KHR'000 (if applicable)
Loans and advances in KHR	A	<u>64,300,027</u>	<u>261,958,310</u>
Total loans and advances	B	<u>560,758,755</u>	<u>2,284,531,167</u>
Provision of credit in national currency	A/B	<u>11.47%</u>	<u>11.47%</u>

#### Schedule X – Property and equipment

The ratio of the Bank's property and equipment used for the operations to net worth as required in the NBC's Prakas no. B7-01-186 dated 8 November 2001 was as follow:

		2021	
		US\$ (if not in %)	KHR'000 (if applicable)
Property and equipment	A	<u>6,720,181</u>	<u>27,378,017</u>
Bank's net worth (Schedule IV)	B	<u>139,431,040</u>	<u>568,042,058</u>
Property and equipment ratio	A/B	<u>4.82%</u>	<u>4.82%</u>

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule XI – Determination of capital buffer of banks and financial institutions

The National Bank of Cambodia issued Prakas No. B7-018-068 on 22 February 2018 with the aims at:

- Strengthening capital base to settle any loss which may arise from risk of Institutions;
- Preventing the decrease of capital to that lower than minimum capital; and
- Reducing risk deriving from relationship between financial sector and pro-cyclicality.

The Bank is required to build up capital conservation buffer 1.25% and 2.5% from 01 January 2019 and from 01 January 2020 respectively in addition to minimum tier 1 capital.

Distribution of annual profit shall be prohibited when tier 1 capital ratio (MCR1) of Institutions is under any quartile of capital conservation buffer as stipulated in article 11 of the present Prakas.

<b>Tier 1 Capital Ratio</b>	<b>Minimum Capital Conservation Ratio (expressed as percentage of earnings)</b>
≥ MCR1 (7.5%) to (MCR1 + 0.625%)	100%
> (MCR1 + 0.625%) to (MCR1 + 1.25%)	80%
> (MCR1 + 1.25%) to (MCR1 + 1.875%)	60%
> (MCR1 + 1.875%) to (MCR1 + 2.5%)	40%
> (MCR1 + 2.5%)	0%

Institutions shall prepare report as follow table of the Prakas including tier 1 capital, tier 2 capital, and risk weighted assets whose figures are the same as those in reports on solvency ratio and calculation of the Bank's net worth, on both solo and consolidated basis.

## SHINHAN BANK (CAMBODIA) PLC.

### Supplementary Financial Information (continued) for the year ended 31 December 2021

#### Schedule XI – Determination of capital buffer of banks and financial institutions (continued)

The Bank	
Specific rules applicable to the Bank	%
Minimum solvency ratio	15.00
Minimum Tier1 solvency ratio	7.50
Capital conservation buffer	1.25
Countercyclical buffer	0.00

#### 31 December 2021

Buffer to be built	Amount	As % of RWA
Capital conservation buffer	8,161,768	1.3
Countercyclical capital buffer	-	-
Total capital buffer	8,161,768	1.3
Tier 1 Capital	138,824,352	21.3
Tier 2 Capital	606,688	0.1
Total Capital (Net Worth)	139,431,040	21.4
Risk Weighted Assets - RWA	652,941,416	-
Tier 1 capital needed for Minimum Solvency ratio	97,334,524	14.9
Available Tier 1 Capital for Capital buffers	41,489,828	6.4
<b>Additional Tier 1 Capital buffer to be built up</b>	-	-

<b>Minimum Tier 1 capital ratio + available Tier 1 capital for capital buffer</b>	<b>13.85</b>
<b>Minimum Capital Conservation ratio (expressed as percentage of earnings)</b>	<b>-</b>

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Annex A

No	Ratios	Formula by NBC		2021		
				Calculation (in figure)		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	%	%
<b>CAPITAL</b>						
1	Equity to total assets	Equity	Total assets	139,892,464	718,895,285	19.46%
2	Capital tier 1 to total assets	Capital tier I	Total assets	138,824,352	718,895,285	19.31%
3	Capital tier 1 to risk weighted assets	Capital tier I	Risk weighted assets	138,824,352	652,941,416	21.26%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1+tier 2	Risk weighted assets	139,431,040	652,941,416	21.35%
5	Net worth to total assets	Net worth	Total assets	139,431,040	718,895,285	19.40%
6	Solvency ratio	Net worth	Risk weighted assets	139,431,040	652,941,416	21.35%
7	Debts to total assets	Total liabilities	Total assets	579,002,821	718,895,285	80.54%
8	Debts to equity	Total liabilities	Equity	579,002,821	139,892,464	413.89%
9	Dividend to net profit	Dividend	Net profit	-	18,396,657	0.00%

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Annex A

No	Ratios	Formula by NBC		2021		
				Calculation (in figure)		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	US\$	%
ASSET QUALITY						
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	5,621,275	560,758,755	1.00%
11	Banking reserve to total assets	Banking reserves	Total assets	5,621,275	718,895,285	0.78%
12	NPL to total loans	NPL	Total loans (gross)	3,037,572	560,758,755	0.54%
13	NPL to total assets	NPL	Total assets	3,037,572	718,895,285	0.42%
14	Classified assets to total loans	Classified assets	Total loans (gross)	3,355,276	560,758,755	0.60%
15	Classified assets to total assets	Classified assets	Total assets	3,355,276	718,895,285	0.47%
16	Classified assets to equity	Classified assets	Equity	3,355,276	139,892,464	2.40%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	-	560,758,755	0.00%
18	Large exposure to total loans	Large exposure	Total loans (gross)	-	560,758,755	0.00%
19	Loan to related parties to net worth	Loan to related parties	Net worth	-	139,431,040	0.00%
20	Large exposure to net worth	Large exposure	Net worth	-	139,431,040	0.00%
21	General provision to total loans	General provision	Total loans (gross)	-	560,758,755	0.00%
22	Specific provision to total loans	Specific provision	Total loans (gross)	3,037,572	560,758,755	0.54%
23	Specific provision to NPL	Specific provision	NPL	3,037,572	3,037,572	100.00%
24	All allowances to total assets	Total all allowances	Total assets	8,789,300	718,895,285	1.22%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customer's deposits	558,691,807	83,291,941	670.76%

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Annex A

No	Ratios	Formula by NBC		2021		
				Calculation (in figure)		Ratio
		Numerator A	Denominator B	Numerator (A) US\$	Denominator (B) US\$	A/B %
EARNINGS						
26	Return on assets	Net profit	Total assets	18,396,657	718,895,285	2.56%
27	Return on equity	Net profit	Equity	18,396,657	139,892,464	13.15%
28	Gross yield	Interest income	Total assets	41,368,101	718,895,285	5.75%
29	Net interest margin (NIM) to total assets	Interest income – interest expense	Total assets	34,941,466	718,895,285	4.86%
30	Other income to total assets	Other incomes	Total assets	1,471,766	718,895,285	0.20%
31	Provision to total assets	Provision	Total assets	8,789,300	718,895,285	1.22%
32	Overhead to total assets	Non-interest expenses	Total assets	16,913,363	718,895,285	2.35%
33	Net income before tax to total assets	Net income before tax	Total assets	23,027,747	718,895,285	3.20%
34	Tax to total assets	Tax	Total assets	4,631,090	718,895,285	0.64%
35	Interest margin to gross income	Interest income – interest expense	Gross income	34,941,466	42,839,867	81.56%
36	Non-interest income to gross income	Non-interest income	Gross income	1,471,766	42,839,867	3.44%
37	Non-interest expense to gross income	Non-interest expenses	Gross income	16,913,363	42,839,867	39.48%
38	Times interest earned	Income before tax + interest expense	Interest expense	-	6,426,635	0.00%

# SHINHAN BANK (CAMBODIA) PLC.

## Supplementary Financial Information (continued) for the year ended 31 December 2021

### Annex A

No	Ratios	Formula by NBC			2021		
		Numerator		Denominator	Calculation (in figure)		Ratio
		A		B	Numerator (A)	Denominator (B)	A/B
					US\$	US\$	%
LIQUIDITY							
39	Liquid assets	Liquid assets	Total assets	31,148,573	718,895,285	4.33%	
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	579,002,821	718,895,285	80.54%	
41	Net liquid assets	Liquid assets - short-term liabilities	Total liabilities	(547,854,248)	579,002,821	(94.62%)	
42	Quick ratio	Quick assets	Current liabilities	31,148,573	579,002,821	5.38%	
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	83,291,941	558,691,807	14.91%	
44	Property and equipment to net worth	Property Equipment	Net worth	6,720,181	139,431,040	4.82%	

# 5

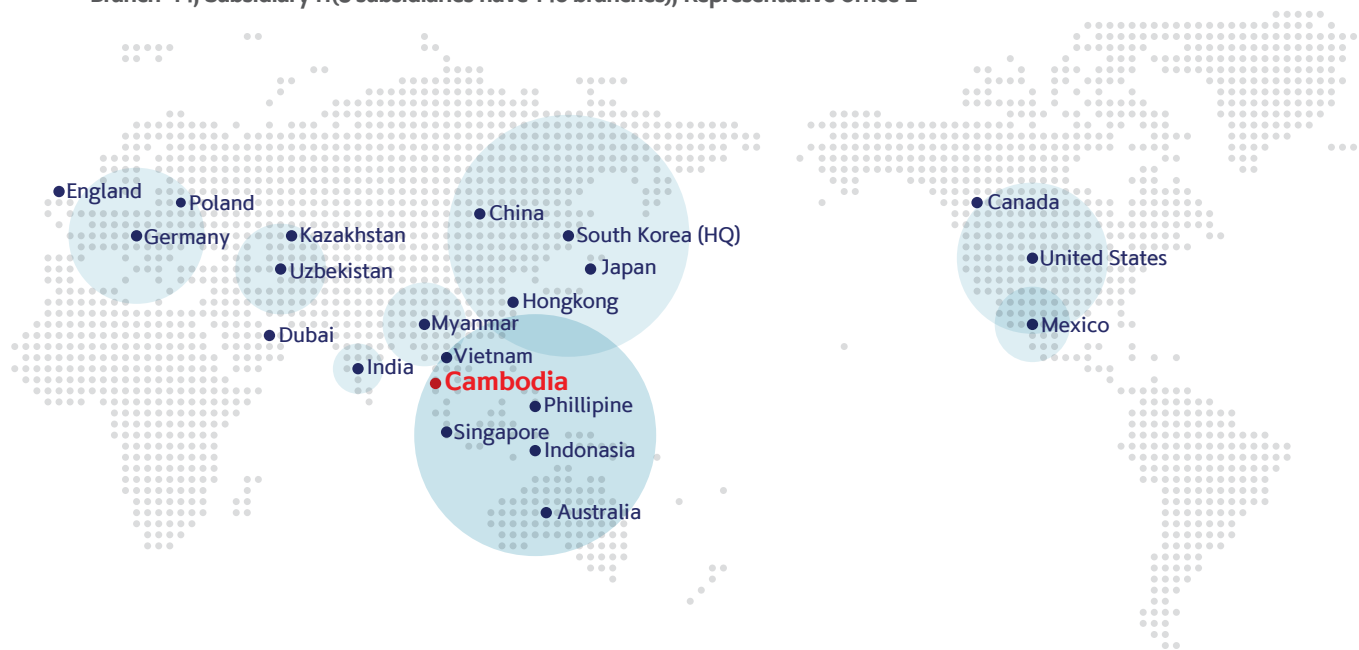
**Global Network**



# GLOBAL NETWORK (As the end of Mar, 2022)

20 Countries, 165 Networks

Branch 14, Subsidiary 11(8 subsidiaries have 146 branches), Representative office 2



## SHINHAN BANK

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Japan	<a href="#">Shinhan Bank Japan</a>	+81-3-6403-0505	Tokyo, Japan
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Vietnam	<a href="#">Shinhan Bank Vietnam</a>	+84-8-3829-1581	Ho Chi Minh City, Vietnam
USA	<a href="#">Shinhan Bank America</a>	+1-646-843-7300	475 Park Ave South 4th(5th) FL New York, NY 10016
Indonesia	<a href="#">PT Bank Shinhan Indonesia</a>	+62-21-2975-1500	Jenderal Sudirman Kav.22-23 South Jakarta, Indonesia
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USA	<a href="#">New York Branch</a>	+1-212-371-8000	New York, NY10016, USA
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India	<a href="#">Kancheepuram Branch</a>	+91-44-2714-3500	Tamilnadu, India 602105
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