

Shinhan

Annual Report 2020

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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BE THE NEXT



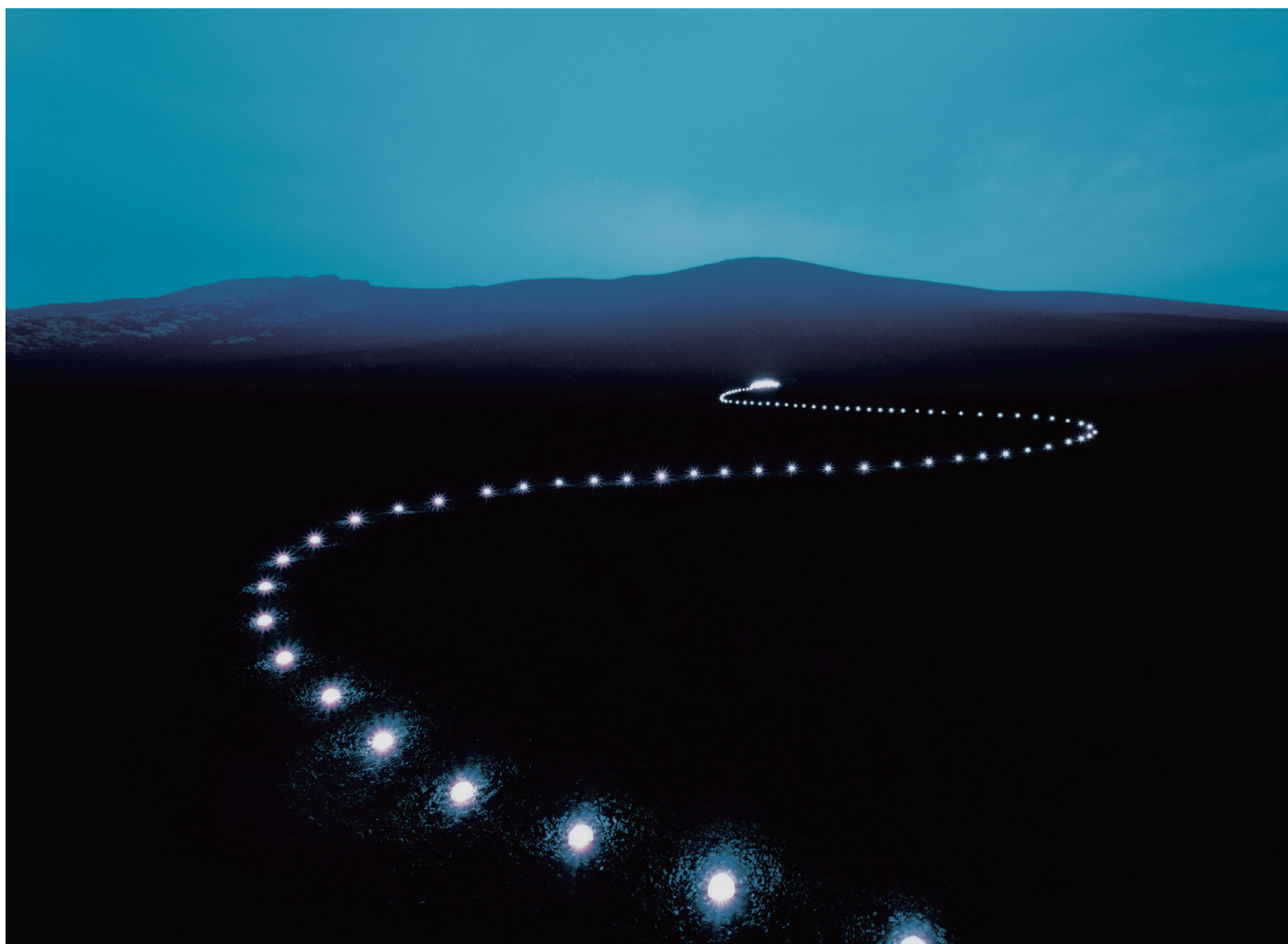
Shinhan will be the "Future of Finance," becoming the standard in the digital age through 24-hour connectivity with the lives of our customers and providing differentiated solutions beyond finance. We are going forward as the dominant leader in the market as we shape the future of business.





We redefine the market environment

Shinhan has adopted a fresh approach regarding customers, market, and business strategies amid the fundamental changes in the paradigm of competitiveness. In our activities, we stay true to our slogan, "compassionate Finance, Creating a Happier Future." We are creating a positive cycle for coexistence to create more value for our customers, Shinhan, and society.



1

Message from the CEO

Kim Nam Soo
President & Chief Executive Officer

MESSAGE FROM THE CEO

Dear Customer,

Dring 2020, the covid-19 pandemic presents the world economic uncertainty which severely affects businesses and people's livelihood around the world. At the same time, it has brought us more opportunities to advance our banking digitalization platform where our SoL, Shinhan Mobile Banking App played very important role in completing customer demand during the pandemic as well as increasing our digital transformation landscape. By promoting this Untact Financial Platform, Shinhan Bank Cambodia has actively contributed its effort in electronic payment method to curb Covid-19, and also partnership with local authorities through our various donations and measures to ensure that the pandemic are properly addressed.

Despite of continuing unprecedented challenges of the Covid-19 outbreak, 2020 was seen as the year of remarkable success as the bank has made another significant progress with sharp growth in bank's total asset to US\$605.94 Million at the end of the year, 37% growth rate compared to 2019. In addition, as the end of March 2021, we expanded branch channels to 11 branches to enable our customers to easily access the bank's services at the convenience time.

It's all thank to valued customers who always support and care about Shinhan Bank Cambodia, and the bank's employees who dedicated their hearts and souls in providing our customers with new and differentiated value by upholding our bank's core values "customer-oriented" in mind.

As a responsible corporate citizen, we will grow with our customers and contribute to the development of our society through a mission as "A better world through the power of finance."

I would like to seek for continuing trust and support over Shinhan Bank Cambodia, and I wish you and your family health and happiness always.

Thank you

Kim Nam Soo

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

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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, 2021)

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



Credit Rating

Moody's
Aa3

S&P
A+

Fitch
A

Source: Company Factbooks, Bloomberg as of December 2020

Key Financials (end of 2020)

	Net Income	NIM	BIS
	USD 1.9 bn	0.36%	18.47%
Total Assets	ROE	ROA	
USD 393 bn	7.71%	0.50%	

Source: KRX exchange rate as of January, 4th 2021 (1088 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 FINANCIAL GROUP

Shinhan Financial Group has 17 subsidiaries, providing customers with a full range of excellent financial services, including banking, credit cards, securities, insurance, and asset management. The Group operates a matrix system in order to expand the business of each subsidiary, ensure a coherent and efficient Group strategy, and to optimize the use of all of its resources, in particular capital and personnel. As of the end of 2020, we operate seven businesses in a matrix structure – GIB, WM, Global, GMS, Pension, Real Estate and Digital.



Shinhan Financial Group

Shinhan Bank
BANKING

Shinhan Card
CREDIT CARD

Shinhan Investment
SECURITIES BROKERAGE

Shinhan Life Insurance
LIFE INSURANCE

OrangeLife
LIFE INSURANCE

Shinhan REITs Management
REAL ESTATE INVESTMENT TRUSTS

Shinhan Asset Management
ASSET MANAGEMENT

Shinhan Capital
LEASING BUSINESS

Jeju Bank
BANKING

Shinhan Savings Bank
CONSUMER FINANCE

Asia Trust
REAL ESTATE INVESTMENT MANAGEMENT

Shinhan DS
FINANCIAL ICT

Shinhan Credit Information
CREDIT MANAGEMENT

Shinhan AITAS
FUND SERVICE

Shinhan Alternative Investment Management
ALTERNATIVE INVESTMENT

Shinhan AI
INVESTMENT CONSULTING

Shinhan Venture Investment
VENTURE CAPITAL

SHINHAN FINANCIAL GROUP'S STOCK INFORMATION

Share Ownership

(Unit: %)



Shareholders Holding Ownership of More than 1%

Name of Shareholder	Number of Shares Owned	Ownership
National Pension Service	50,666,140	9.81%
BlackRock Fund Advisors ¹⁾	29,063,012	5.63%
SFG Employee Stock Ownership Association	24,788,139	4.80%
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.)	14,885,417	2.88%
The Government of Singapore	9,747,771	1.89%
Vanguard Total International Stock Index	6,389,977	1.24%
Peoples Bank of China	5,729,646	1.11%
Others	346,572,154	67.09%
Total	516,599,554	100.00%

* Based on the results of shareholder registry closing as of December 31, 2020

MISSION

Our corporate mission, which defines the purpose of our Group, is “Compassionate Finance, Your Companion for the Future”. Under this mission, we strive to contribute to building “A Better World through Finance” by upholding a virtuous cycle of shared prosperity to create greater value for our clients and society as a whole. To this end, we are continuing to evolve and innovate ourselves to offer products and services befitting newly changing environment, trends, and needs.

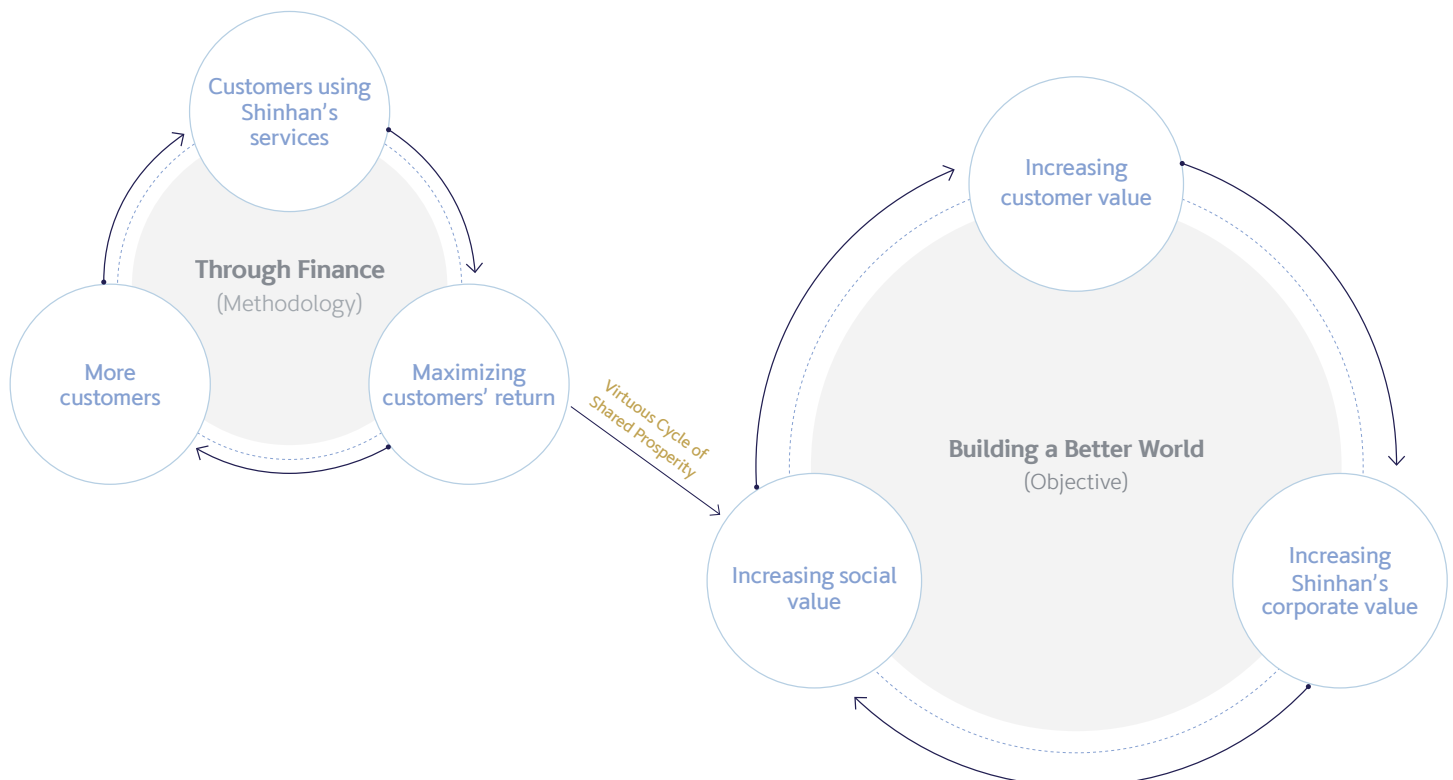
We help clients achieve their goals by providing financial products and services that are in line with the latest trends, and delivering high returns on the funds entrusted to us. This is made possible by fully acknowledging the fact that financial products and services must evolve along with the changing times and business environment, and by departing from past conventions to seek innovative new solutions using a methodology we call “Creative Finance”.

As we help more clients succeed and fulfill the fundamental role of finance, that is, the efficient allocation of resources, value will increase for the whole of society. The interlinked values of Shinhan and society will grow together and lead to progress in a virtuous cycle of shared prosperity.

“Compassionate Finance, Your Companion for the Future” is significant in that it shows how corporate value and client (social) value can coexist instead of merely competing. In order to realize such coexistence, Shinhan Financial Group will work to ensure that all employees embody the spirit of compassionate finance when working and upgrade its policies and systems so that clients can benefit from differentiated services.

Building a Better World Through Finance

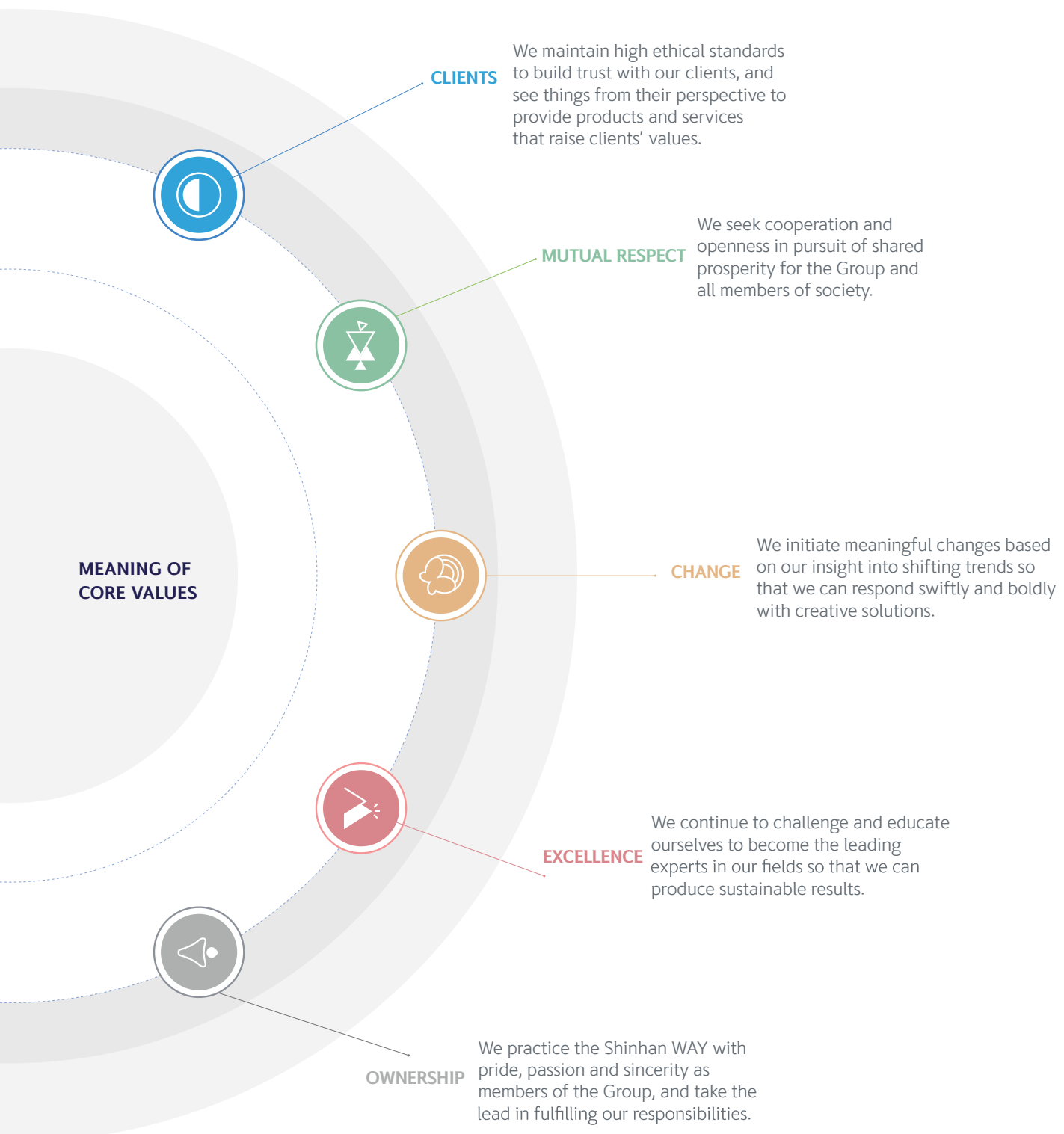
**Compassionate Finance,
Your Companion for the Future**



CORE VALUE

The Core Values give a clear and consistent guidance to all members belonging to different corporate entities under Shinhan Financial Group. They also comprise the solid foundation of the ideas, decisions, and actions of all Shinhan members.

While the five core values remain constant, the code of conduct serves as a specific guideline to understanding and practicing these values. In January 2017, we issued a revised code of conduct that better reflects our mission statement and the standards for management as ascribed to the “Shinhan Leader” so that all members of Shinhan can continue practicing the core values in an evolving business environment.



VISION

To become a No.1 bank that
Creates a new future and is loved by all



For Customer

Strive to become Korea's beloved No.1 bank that shares vision of a better future with its customer.



For the market

Set new banking trends by challenging the limits of the present banking industry through change and innovation.



For employees

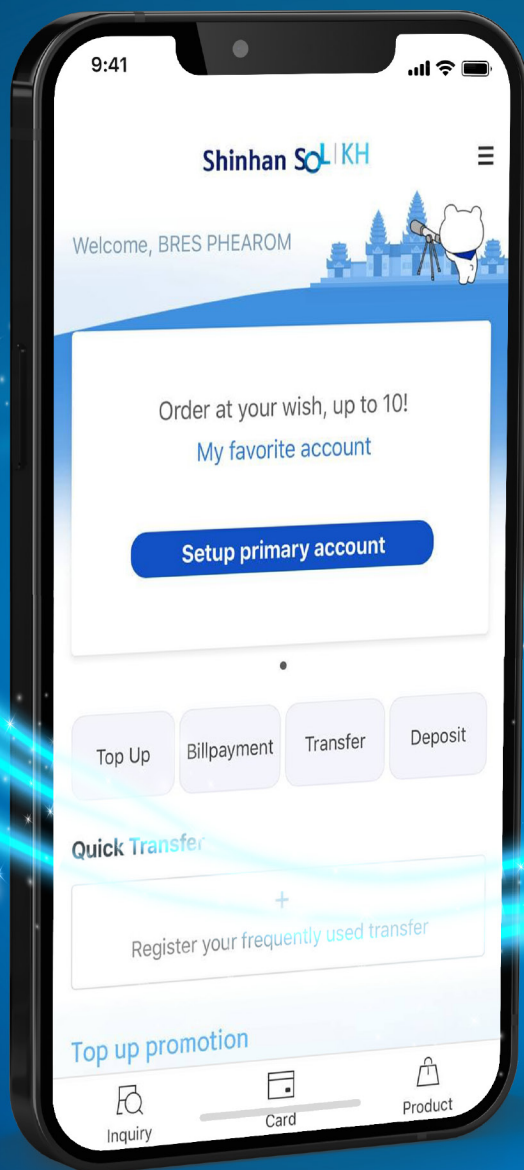
Create an environment in which employees can work in harmony and with pride knowing that they are members of Korea's leading bank.

Vision

To become a premier financial institution that grows with
its customers to create a better future

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



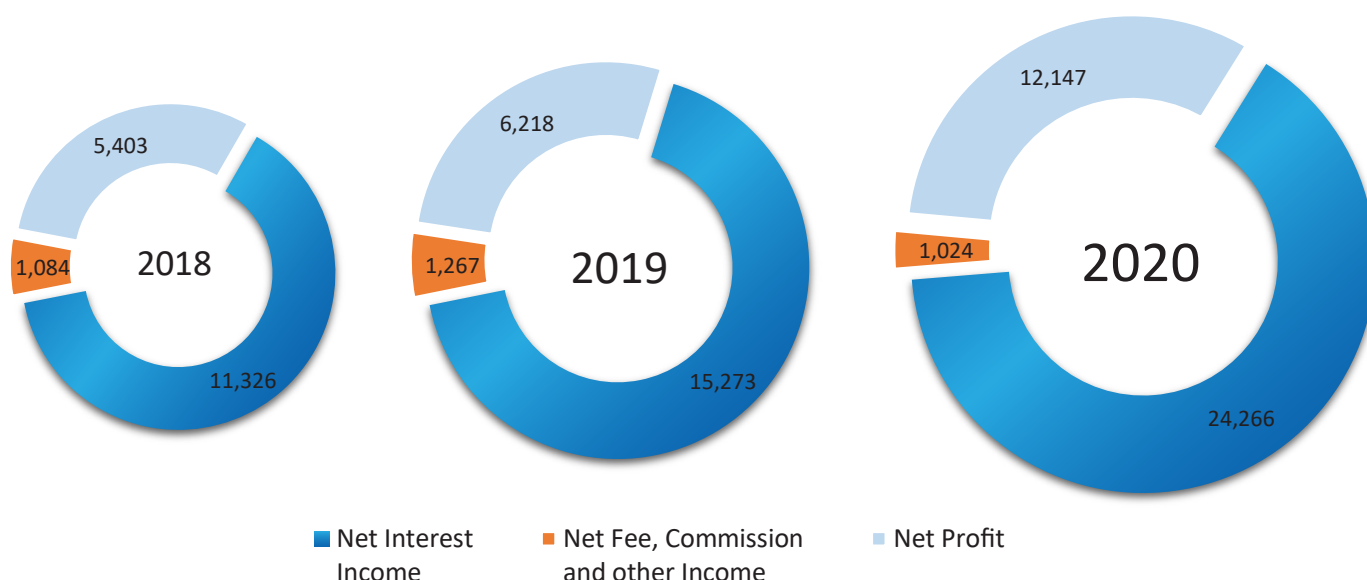
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2020 (audited)	2019 (audited)	2018 (restated)*
Balance Sheet (US\$ million)			
Total Assets	605.94	442.84	255.49
Total Gross Loans and advance	436.73	312.52	208.80
Total Deposits	154.02	156.37	83.01
Equity	121.50	109.35	103.13
P&L Account (US\$ thousand)			
Net Interest Income	24,265.89	15,273.45	11,326.05
Net Fee, Commission and other Income	1,023.95	1,267.34	1,084.07
Net Profit	12,146.93	6,217.81	5,403.12
Key Performance Indicators (%)			
ROAE	10.5%	5.9%	6.2%
ROAA	2.3%	1.8%	2.4%
Cost/Income	31.1%	38.4%	38.4%
Liquidity Ratio	113.5%	147.74%	112.15%
Credit Deposit Ratio	282.64	198.66%	250.43%
Solvency Ratio	22.90%	31.82%	51.21%
General Information			
Operating Branches	9	6	6
Staff	345	237	163
ATMs	18	13	13
Depositors	17,252	15,246	14,573
Borrowers	5,900	3,407	1,790
Mobile Banking Users	12,268	6,436	5,533

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

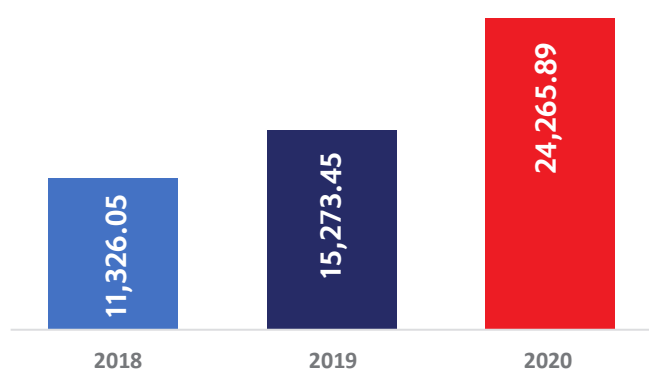
SIMPLIFIED FINANCIAL RESULTS

PROFIT & LOSS (US\$ thousand)

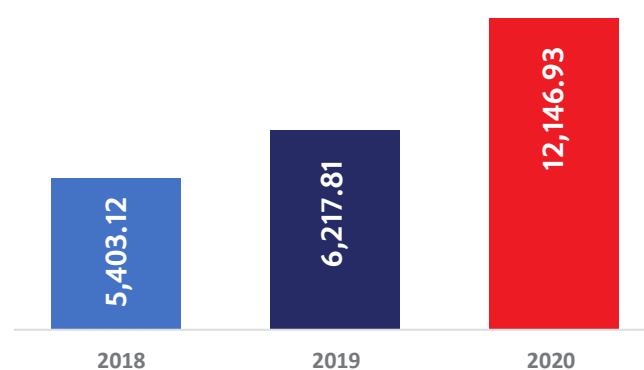


STATEMENT OF COMPARISON 2020 TO 2019 The brief report illustrates the past year's financial performance and its current result. Despite the Covid-19 severely impact to many industries, our bank still keep striving to sustainably serve its best financial service to its customers and able to continue growing together. As of 2020, the bank's net interest income increased **59%** compared to 2019 which is about US\$9 million. As a result, the bank's net profit also increased by **95%** which is about US\$6 million compared to the past year.

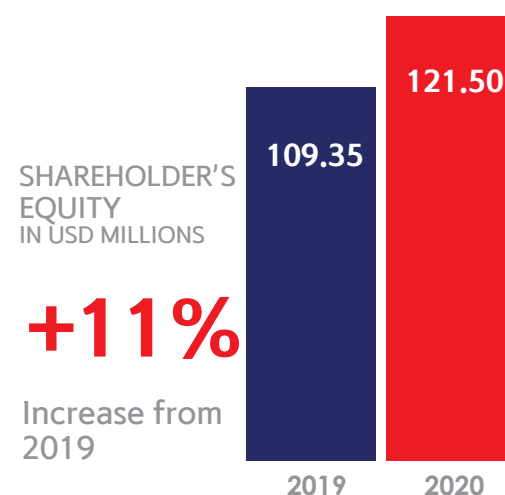
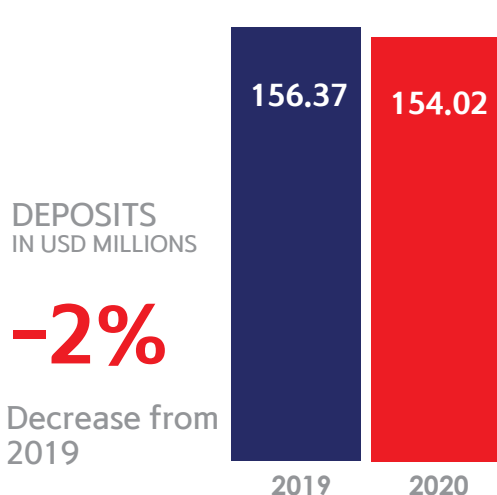
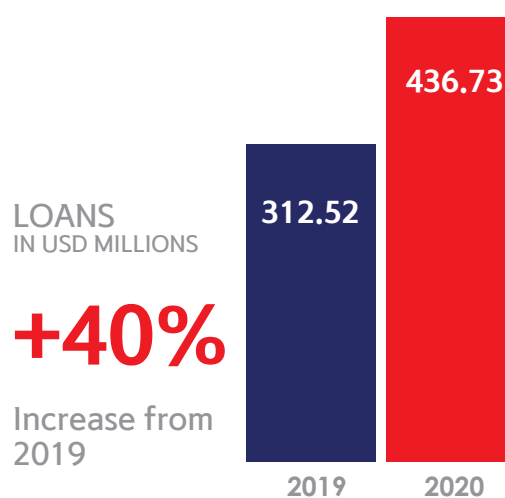
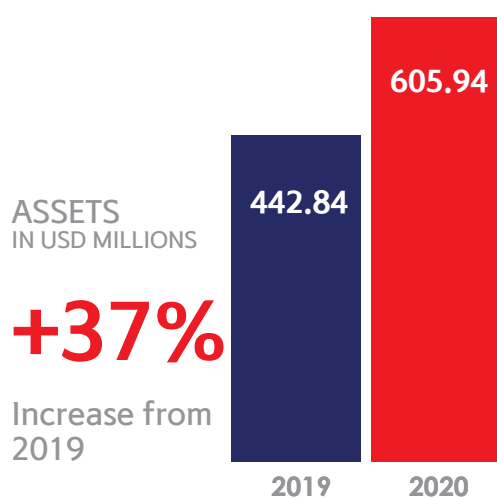
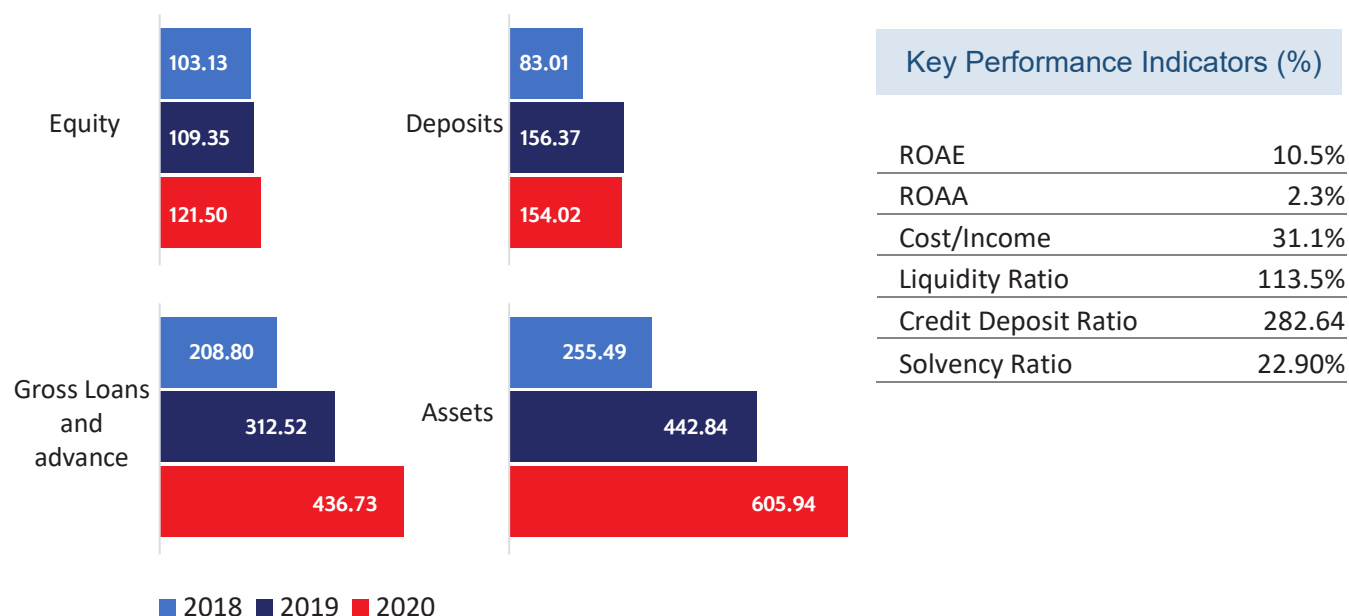
Net Interest Income



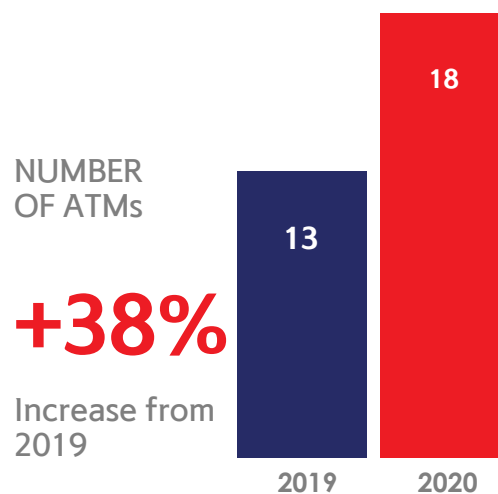
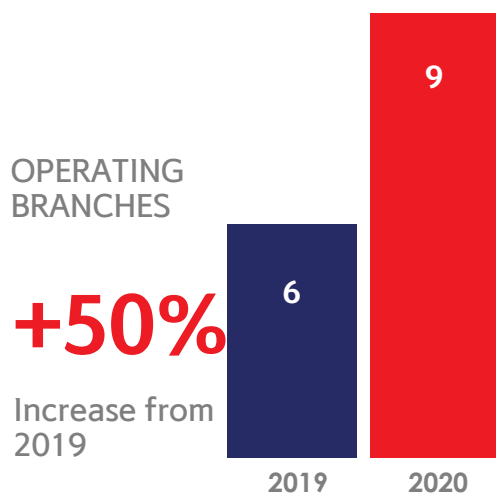
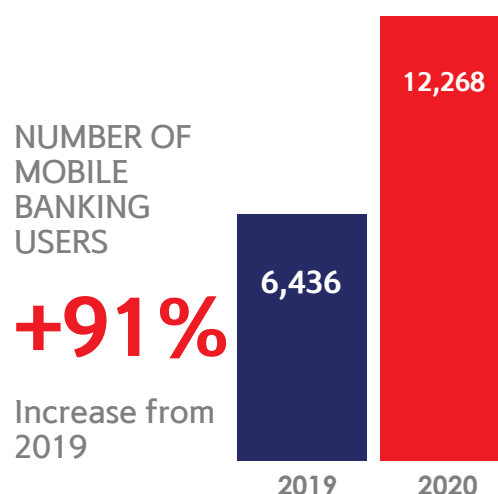
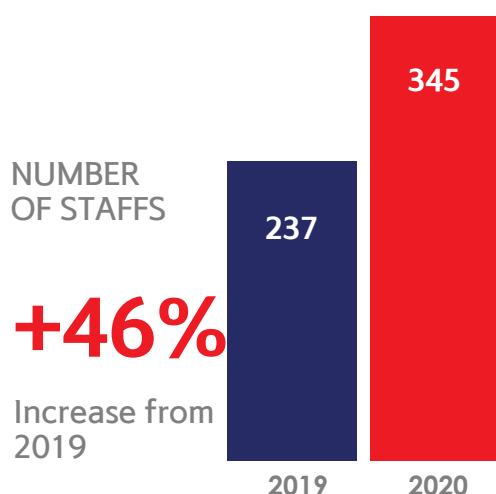
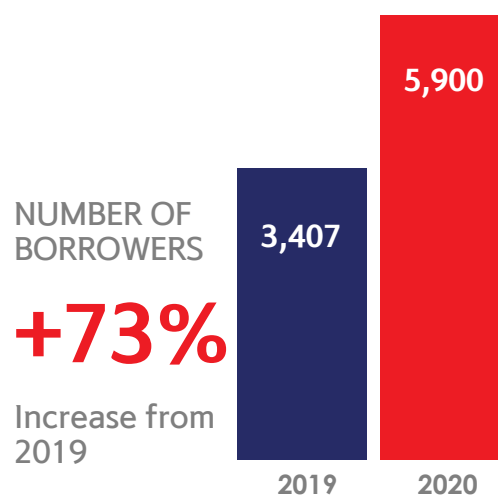
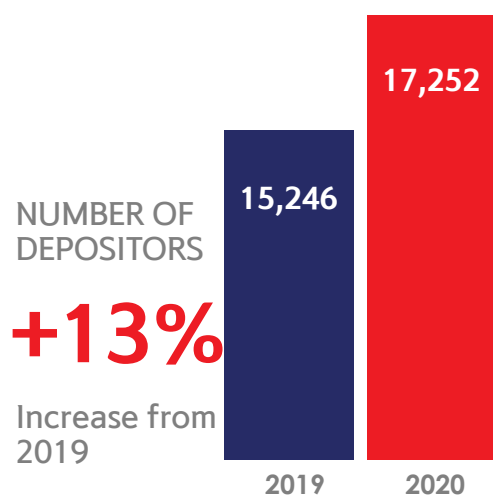
Net Profit



BALANCE SHEET (US\$ million)



GENERAL INFORMATION



EVENT HIGHLIGHTS

CSR (Corporate Social Responsibility)

Shinhan Bank Cambodia staffs participated in a CSR activity periodically



Donation to prevent
the spread of Covid-19 to UYFC
21 May 2020

Donation to Tackle
with Flooding to Royal Government
23 October 2020



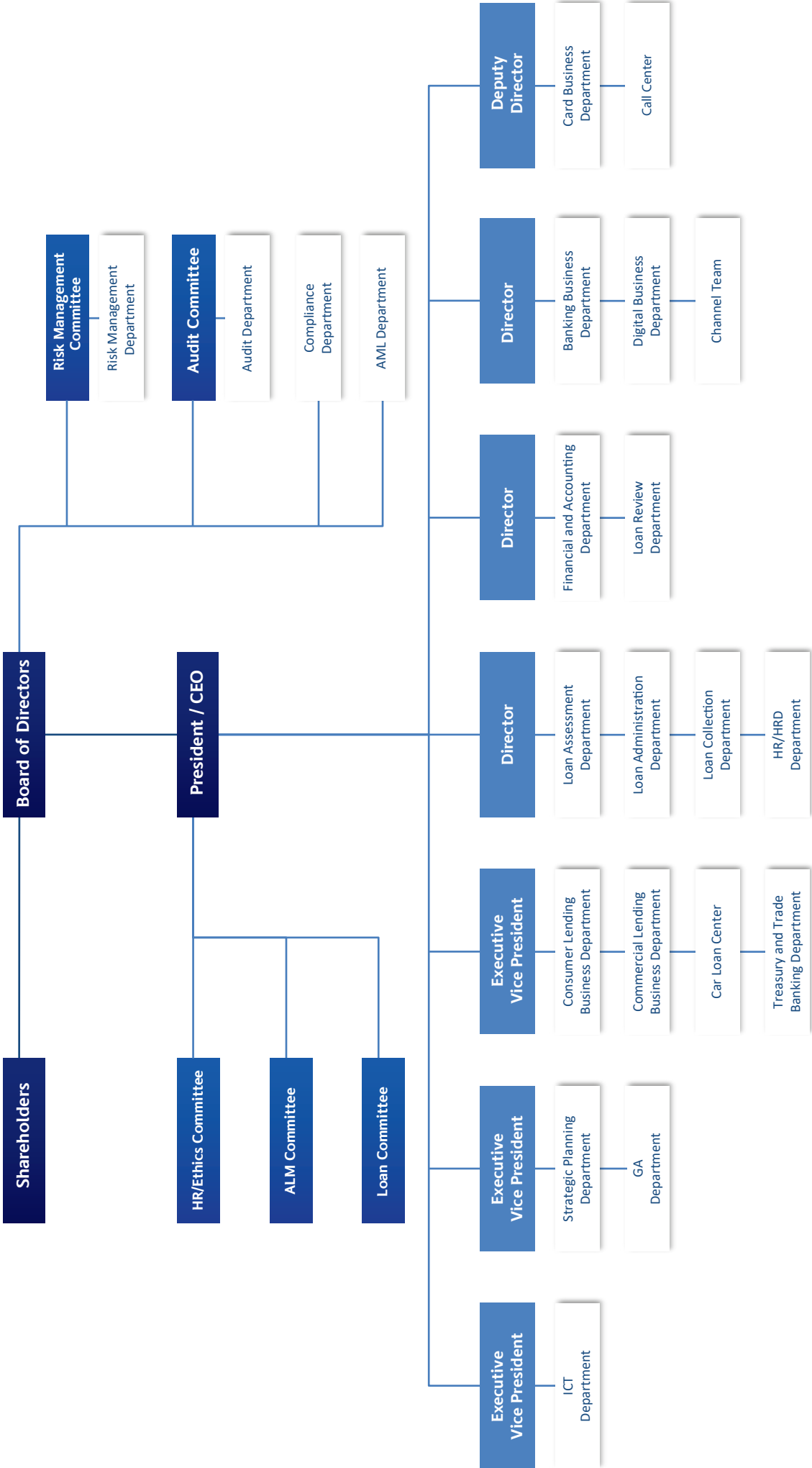
Donation to Prevent the spread of
Covid-19 to Ministry of Health
15 May 2020

Rice Donation to Dail Community
to help people in the Flooding community
04 November 2020



ORGANIZATION

(As of December 2020)



MAIN MANAGEMENT & BOARD OF DIRECTORS' PROFILE

(As the end of Feb, 2021)



Mr. Seo Seung Hyeon
Current Chairman of Board of Director

He is appointed Chairman of Board of Directors in March 2020. He previously held a position of Head of Global Business of Shinhan Bank. He had served many executive positions with Shinhan Bank for many years. He has strong experiences in banking and financial sectors



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

He is appointed independent member of Board of directors in July, 2020. He has served many executive positions in Shinhan Bank for more than 30 Years with strong experiences in banking and financial sectors.



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

He serves as member of Board of Directors and CEO in March 2021. Previously Mr. Kim was a General Manager, Corporate Business Banking Center of Shinhan Bank. He had served many executive positions with Shinhan Bank for many years. He has strong experiences in banking and financial sectors



Mr. Lim Joon Hyung
Current Vice President

He was appointed to be Director in 2018 and promoted as a Vice President in 2020. He has served managerial position at Shinhan Bank for nearly 16 years.



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

He is appointed to be member of Board of Directors in March 2020. He has served managerial position at Shinhan Bank for nearly 17 years



Mr. Song Kyo Min
Current Director

He is appointed to be Director in 2018. He previously held a position of Senior Manager, Shinhan Bank Credit Planning Department at Head Office Korea. He has strong experiences in banking and financial sectors.



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

He is appointed to be member of Board of Directors in March 2020. He previously held a position of Director of HR Task Force Team at Shinhan Bank Vietnam. He had served many executive positions with Shinhan Bank for many years. He has strong experiences in banking and financial sectors



Mr. Kim Min Su
Current Director

He is appointed to be Director in March, 2020. He has served Managerial position at Shinhan Bank more than 15 years.



Mr. Choi Du Yeon
Current Independent Member of Board of Director

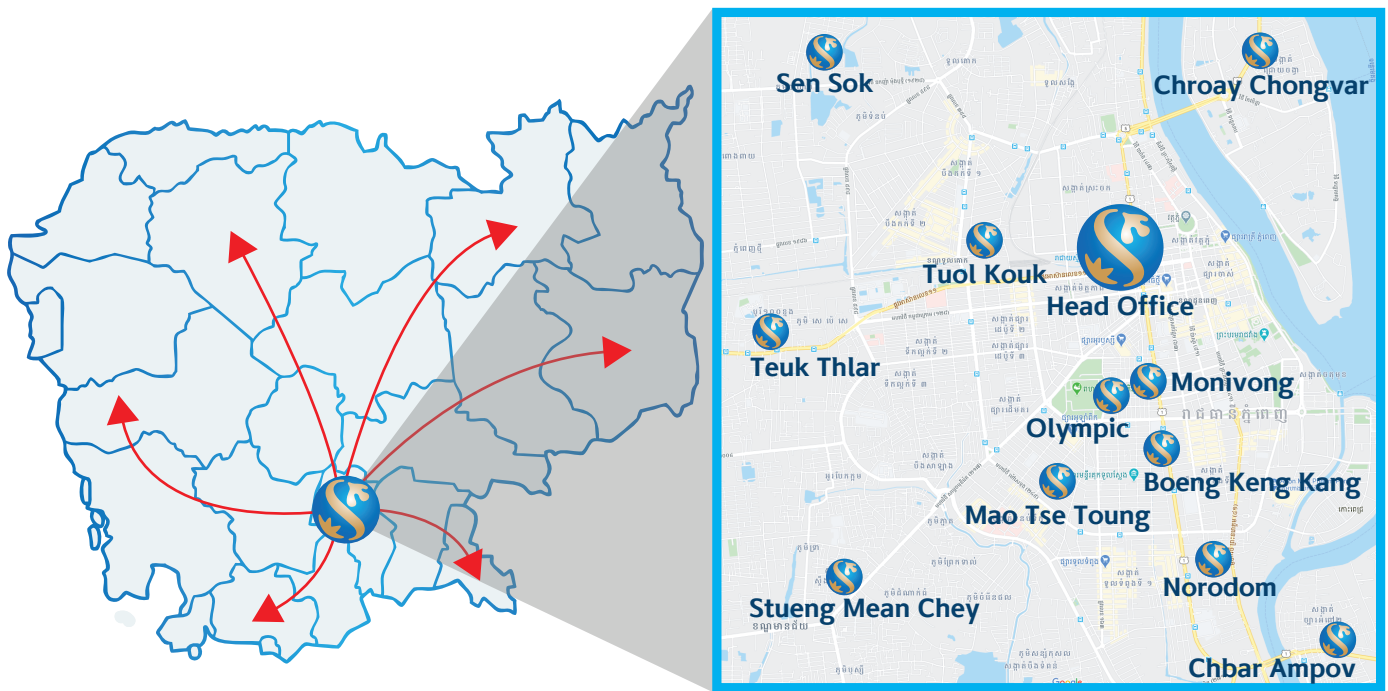
He is appointed independent member of Board of directors in August 2018. He has served many executive positions in Shinhan Bank for more than 20 years with vast strong experienced in banking and financial sectors



Mr. Lee Jung Hoon
Current Director

He is appointed to be Director in 2019. He has served managerial position at Shinhan Bank for nearly 15 years.

BRANCH NETWORK (As the end of Mar, 2021)



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 (Mar, 2021)

N° 423 & 425E0, Preah Monivong Blvd.
Corner Street N° 198, Phum Phum 3, Sangkat
Boeng Proluet, Khan Prampir Meakkakra,
Phnom Penh. Cambodia
Tel. 855-23-988-390
SWIFT: SHBKHHPP

STUENG MEAN CHEY BRANCH (Feb, 2021)

N° 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 (Jan, 2021)

N° 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 (Jan, 2021)

N° 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 (Feb, 2021)

N° 43G, National Road N° 6, Phum Phum 3,
Sangkat Chraoy Chongvar, Khan Chraoy Chongvar,
Phnom Penh. Cambodia
Tel. (+855) 23 902 225
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

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 2020.

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 year.

Financial results

The financial results of the Bank for the year ended 31 December 2020 were as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Profit before income tax	15,127,597	8,667,322	61,675,213	35,119,988
Income tax expense	(2,980,665)	(2,449,515)	(12,152,171)	(9,925,435)
Net profit for the year	<u>12,146,932</u>	<u>6,217,807</u>	<u>49,523,042</u>	<u>25,194,553</u>

Dividends

No dividend was declared or paid and the Directors does not recommend any dividend to be paid for the year.

Share capital

There was no changes in the share capital during the year. Refer to Note 22 for detail.

Reserves and provisions

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

Shinhan Bank (Cambodia) Plc.

Loans and advances

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

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for losses on loans and advances 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 management is 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 is 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:

Coronavirus and 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 mainland China, 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 (appointed on 28 October 2020)
Mr. Song Kyo Min	Chairman (resigned on 21 July 2020)
Mr. Kim Nam Soo	Director (appointed on 13 January 2021)
Mr. Kim Choon Ho	Director (appointed on 28 October 2020)
Mr. Lee Sanghoon	Director (appointed on 28 October 2020)
Mr. Lee Taekyung	Director (appointed on 28 October 2020 and resigned on 13 January 2021)
Mr. Park Tae Jong	Director (resigned on 21 July 2020)
Mr. Choi Du Yeon	Independent director
Mr. Kim Yuk Dong	Independent director (appointed on 17 December 2020)
Mr. Kim Hae Soo	Independent director (resigned on 21 July 2020)

Directors' interests

None of the Directors held or dealt directly in the shares of the Bank during the 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 2020, 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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, 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

30 March 2021



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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 2020, 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 91.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, 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 CISA 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 CISA, 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

Date: 30 MAR 2021

Shinhan Bank (Cambodia) Plc.

Statement of financial position as at 31 December 2020

	Note	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
ASSETS					
Cash and cash equivalents - net	6	39,807,294	51,680,080	161,020,504	210,596,326
Placements with other banks - net	7	61,214,795	10,000,000	247,613,846	40,750,000
Statutory deposits	8	30,389,057	42,600,428	122,923,736	173,596,744
Loans and advances to customers - net	9	435,313,594	310,651,060	1,760,843,488	1,265,903,070
Other assets	10	2,027,281	1,022,038	8,200,352	4,164,805
Debt investments	11	25,633,400	19,535,652	103,687,103	79,607,782
Property and equipment	12	4,264,875	3,334,724	17,251,419	13,589,000
Right-of-use assets	13	6,642,901	3,605,725	26,870,535	14,693,329
Intangible assets	14	499,060	407,129	2,018,698	1,659,051
Deferred tax assets - net	21A	151,793	-	614,004	-
Total assets		605,944,050	442,836,836	2,451,043,685	1,804,560,107
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Deposits from customers	15	56,165,278	54,922,995	227,188,550	223,811,205
Deposits from other banks	16	97,852,537	101,451,619	395,813,512	413,415,347
Borrowings	17	319,521,623	170,405,358	1,292,464,965	694,401,834
Lease liabilities	18	6,996,658	3,860,672	28,301,482	15,732,238
Other liabilities	19	1,068,561	673,060	4,322,331	2,742,719
Provision for off balance sheet items	30A	292,466	-	1,183,025	-
Provision for employee benefits	20	104,634	104,634	423,245	426,384
Current income tax liability	21B	2,446,486	2,069,623	9,896,036	8,433,714
Total liabilities		484,448,243	333,487,961	1,959,593,146	1,358,963,441
Shareholder's equity					
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	4,426,479	3,740,615	17,900,337	15,104,069
Retained earnings		36,448,053	24,986,985	149,163,850	102,437,076
Currency translation reserves		-	-	(1,301,735)	2,367,434
Total shareholder's equity		121,495,807	109,348,875	491,450,539	445,596,666
Total liabilities and shareholder's equity		605,944,050	442,836,836	2,451,043,685	1,804,560,107

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 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Interest income	25	32,654,034	20,527,207	133,130,497	83,176,243
Interest expense	26	(8,388,143)	(5,253,756)	(34,198,459)	(21,288,219)
Net interest income		24,265,891	15,273,451	98,932,038	61,888,024
Net fee and commission income	27	1,003,745	1,251,509	4,092,268	5,071,114
Other operating income		20,201	15,829	82,360	64,139
Total operating income		25,289,837	16,540,789	103,106,666	67,023,277
Personnel expenses	28	(4,503,708)	(3,066,824)	(18,361,618)	(12,426,771)
Other operating expenses	29	(4,456,003)	(2,968,706)	(18,167,124)	(12,029,197)
Impairment losses on financial instruments	32B(vi)	(1,202,529)	(1,837,937)	(4,902,711)	(7,447,321)
Profit before income tax		15,127,597	8,667,322	61,675,213	35,119,988
Income tax expense	21C	(2,980,665)	(2,449,515)	(12,152,171)	(9,925,435)
Net profit for the year		12,146,932	6,217,807	49,523,042	25,194,553
Other comprehensive income					
Currency translation difference		-	-	(3,669,169)	6,021,482
Total comprehensive income		12,146,932	6,217,807	45,853,873	31,216,035

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 2020

	Share capital		Reserves		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
	US\$	KHR000 (Note 5)	US\$	KHR000 (Note 5)	US\$	KHR000 (Note 5)	US\$	KHR000 (Note 5)	US\$	KHR000 (Note 5)	US\$	KHR000 (Note 5)
At 1 January 2019	75,000,000	302,995,000	5,621,275	22,693,087	3,469,636	14,006,062	19,040,157	78,340,530	-	(3,654,048)	103,131,068	414,380,631
Transactions recognised directly in equity												
Transfer from retained earnings to regulatory reserves	-	-	-	-	270,979	1,098,007	(270,979)	(1,098,007)	-	-	-	-
Total comprehensive income												
Net profit for the year	-	-	-	-	-	-	6,217,807	25,194,553	-	-	6,217,807	25,194,553
Other comprehensive income - Currency translation difference	-	-	-	-	-	-	-	-	-	6,021,482	-	6,021,482
At 31 December 2019	75,000,000	302,995,000	5,621,275	22,693,087	3,740,615	15,104,069	24,986,985	102,437,076	-	2,367,434	109,348,875	445,596,666
At 1 January 2020	75,000,000	302,995,000	5,621,275	22,693,087	3,740,615	15,104,069	24,986,985	102,437,076	-	2,367,434	109,348,875	445,596,666
Transactions recognised directly in equity												
Transfer from retained earnings to regulatory reserves	-	-	-	-	685,864	2,796,268	(685,864)	(2,796,268)	-	-	-	-
Total comprehensive income												
Net profit for the year	-	-	-	-	-	-	12,146,932	49,523,042	-	-	12,146,932	49,523,042
Other comprehensive income - Currency translation difference	-	-	-	-	-	-	-	-	-	(3,669,169)	-	(3,669,169)
At 31 December 2020	75,000,000	302,995,000	5,621,275	22,693,087	4,426,479	17,900,337	36,448,053	149,163,850	-	(1,301,735)	121,495,807	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 2020

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cash flows from operating activities				
Net profit for the year	12,146,932	6,217,807	49,523,042	25,194,553
<i>Adjustment for:</i>				
Depreciation and amortisation	1,794,447	772,879	7,315,960	3,131,705
Loss on disposal of property and equipment	2,171	-	8,851	-
Loss on property and equipment written off	707	-	2,882	-
Employee benefit obligations	-	(20,580)	-	(83,390)
Net interest income	(24,265,891)	(15,273,451)	(98,932,038)	(61,888,024)
Income tax expense	2,980,665	2,449,515	12,152,171	9,925,435
Net Impairment loss on financial instruments	1,202,529	1,837,937	4,902,711	7,447,321
	(6,138,440)	(4,015,893)	(25,026,421)	(16,272,400)
<i>Changes in:</i>				
Statutory deposits	12,125,165	(16,169,191)	49,434,298	(65,517,562)
Loans and advances to customers	(125,915,492)	(103,637,243)	(513,357,461)	(419,938,109)
Other assets	(1,005,243)	(340,982)	(4,098,376)	(1,381,659)
Deposits from customers	1,371,328	2,966,750	5,590,904	12,021,271
Deposits from other banks	(3,733,723)	70,345,771	(15,222,389)	285,041,064
Other liabilities	395,501	18,097	1,612,458	73,329
Cash used in operations	(122,900,904)	(50,832,691)	(501,066,987)	(205,974,066)
Employee benefit paid	-	70,105	-	284,065
Interest received	32,645,693	19,392,382	133,096,490	78,577,932
Interest paid	(8,113,007)	(3,791,381)	(33,076,730)	(15,362,676)
Income tax paid	(2,755,595)	(1,930,884)	(11,234,561)	(7,823,942)
Net cash used in operating activities	(101,123,813)	(37,092,469)	(412,281,788)	(150,298,687)
Cash flows from investing activities				
Purchase of intangible assets	(144,648)	(225,052)	(589,730)	(911,911)
Purchase of property and equipment	(2,108,991)	(1,648,200)	(8,598,356)	(6,678,506)
Investment in debt investments	(5,519,569)	(19,631,902)	(22,503,283)	(79,548,467)
Term deposit with banks (term more than 3 months)	(51,348,752)	(10,000,000)	(209,348,862)	(40,520,000)
Net cash used in investing activities	(59,121,960)	(31,505,154)	(241,040,231)	(127,658,884)

Shinhan Bank (Cambodia) Plc.

Statement of cash flows (continued) for the year ended 31 December 2020

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cash flows from financing activities				
Proceeds from borrowings	317,846,724	169,000,000	1,295,861,094	684,788,000
Repayments of borrowings	(169,000,000)	(64,000,000)	(689,013,000)	(259,328,000)
Payment of lease liabilities	(466,957)	(313,857)	(1,903,784)	(1,271,750)
Net cash generated from financing activities	<u>148,379,767</u>	<u>104,686,143</u>	<u>604,944,310</u>	<u>424,188,250</u>
Net (decrease)/ increase in cash and cash equivalents	(11,866,006)	36,088,520	(48,377,709)	146,230,679
Cash and cash equivalents at beginning of the year	51,680,080	15,591,560	210,596,326	62,646,888
Currency translation difference	-	-	(1,170,688)	1,718,759
Cash and cash equivalents at end of the year (Note 6)	<u>39,814,074</u>	<u>51,680,080</u>	<u>161,047,929</u>	<u>210,596,326</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 2020

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 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 2020, the Bank had 345 employees (31 December 2019: 237 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 unless otherwise stated.

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 30 March 2021.

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 dollar and translated to Khmer Riel except when otherwise indicated.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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 2020

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amount into Khmer Riel are included solely for compliance with the Law of Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital is translated at historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as “Currency Translation Reserves” in the other comprehensive income.

The Bank uses the following exchange rates:

			Closing rate	Average
31 December 2020	US\$1	=	KHR 4,045	KHR 4,077
31 December 2019	US\$1	=	KHR 4,075	KHR 4,052

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	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Cash on hand	6,232,811	4,802,435	25,211,720	19,569,923
Cash equivalents with other banks	18,082,198	2,541,430	73,142,491	10,356,327
Cash equivalents with NBC	15,499,065	44,336,215	62,693,718	180,670,076
	39,814,074	51,680,080	161,047,929	210,596,326
Less: Impairment loss allowance	(6,780)	-	(27,425)	-
Cash and cash equivalents – net	39,807,294	51,680,080	161,020,504	210,596,326

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

6. Cash and cash equivalents - net (continued)

The movement of allowance for impairment loss is as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	-	-	-	-
Allowance for the year	6,780	-	27,642	-
Currency translation difference	-	-	(217)	-
At 31 December	<u>6,780</u>	<u>-</u>	<u>27,425</u>	<u>-</u>

7. Placements with other banks - net

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Term deposits:				
– NBC	31,460,000	-	127,255,700	-
– other banks	<u>29,888,752</u>	<u>10,000,000</u>	<u>120,900,002</u>	<u>40,750,000</u>
	61,348,752	10,000,000	248,155,702	40,750,000
Less: Impairment loss allowance	<u>(133,957)</u>	<u>-</u>	<u>(541,856)</u>	<u>-</u>
	<u>61,214,795</u>	<u>10,000,000</u>	<u>247,613,846</u>	<u>40,750,000</u>

A. The movement of allowance for impairment loss is as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	-	-	-	-
Allowance for the year	133,957	-	546,143	-
Currency translation difference	-	-	(4,287)	-
At 31 December	<u>133,957</u>	<u>-</u>	<u>541,856</u>	<u>-</u>

B. By interest rate (per annum):

	2020	2019
NBC	0.07% - 0.46%	0.65% - 0.96%
Other banks	<u>1.25% - 4.90%</u>	<u>3.70%</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

8. Statutory deposits

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Capital guarantee deposit	7,500,000	7,500,000	30,337,501	30,562,500
Reserve requirements on customers' deposits	<u>22,889,057</u>	<u>35,100,428</u>	<u>92,586,235</u>	<u>143,034,244</u>
	<u>30,389,057</u>	<u>42,600,428</u>	<u>122,923,736</u>	<u>173,596,744</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% (2019: 0.48%) per annum.

B. Reserve requirements on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' 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 in KHR and 12.50% in currency other than KHR.

On 17 March 2020, the NBC announced the reduction of the Reserve Requirement Rate ("RRR") to 7%, for both local and foreign currencies in order to help mitigate the impact of the COVID-19 pandemic on Cambodia's economy.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

9. Loans and advances to customers – net

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Commercial loans:				
Overdrafts	18,971,081	18,591,275	76,738,023	75,759,446
Short term loans	11,304,388	28,539,558	45,726,249	116,298,699
Long term loans	309,683,151	170,367,726	1,252,668,346	694,248,483
Consumer loans	97,007,007	93,551,576	392,393,343	381,222,672
Gross loans and advances to customers at amortised costs	436,965,627	311,050,135	1,767,525,961	1,267,529,300
Less: Impairment loss allowance	(1,652,033)	(399,075)	(6,682,473)	(1,626,230)
Loans and advances to customers - net	<u>435,313,594</u>	<u>310,651,060</u>	<u>1,760,843,488</u>	<u>1,265,903,070</u>

The movement of impairment losses allowance is as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	399,075	42,324	1,626,230	170,058
Allowance for the year	1,252,958	1,305,751	5,108,310	5,290,903
Written off	-	(949,000)	-	(3,845,348)
Currency translation difference	-	-	(52,067)	10,617
At 31 December	<u>1,652,033</u>	<u>399,075</u>	<u>6,682,473</u>	<u>1,626,230</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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

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

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Within 1 month	19,047,168	697,018	77,045,795	2,840,349
> 1 to 3 months	31,702	31,553	128,235	128,578
> 3 to 12 months	30,185,744	39,250,772	122,101,334	159,946,896
> 1 to 5 years	29,389,715	70,259,429	118,881,397	286,307,173
Over 5 years	358,311,298	200,811,363	1,449,369,200	818,306,304
	<u>436,965,627</u>	<u>311,050,135</u>	<u>1,767,525,961</u>	<u>1,267,529,300</u>

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

10. Other assets

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Other receivables	446,181	620,133	1,804,802	2,527,042
Advance employee benefit	787,666	-	3,186,109	-
Prepayment and deposits	768,434	376,905	3,108,316	1,535,888
Equity investment *	25,000	25,000	101,125	101,875
	<u>2,027,281</u>	<u>1,022,038</u>	<u>8,200,352</u>	<u>4,164,805</u>

(*) Equity investment represents the indirect investment in Credit Bureau Cambodia (credit information company) through the Association of Banks in Cambodia.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

11. Debt investments

		31 December		31 December	
		2020	2019	2020	2019
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
LOLC (Cambodia) Plc.	(i)	10,033,967	10,033,919	40,587,397	40,888,220
Advanced Bank of Asia Limited	(ii)	10,182,705	10,033,919	41,189,042	40,888,220
Prasac Microfinance Institution Plc.	(iii)	1,504,648	-	6,086,301	-
Phnom Penh Commercial Bank Plc.	(iv)	3,960,634	-	16,020,764	-
		25,681,954	20,067,838	103,883,504	81,776,440
Less: impairment loss allowance		(48,554)	(532,186)	(196,401)	(2,168,658)
		<u>25,633,400</u>	<u>19,535,652</u>	<u>103,687,103</u>	<u>79,607,782</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 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 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 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 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 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 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 2020

11. Debt investments (continued)

The movement of allowance for impairment loss is as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	532,186	-	2,168,658	-
(Reversal)/allowance for the year	(483,632)	532,186	(1,971,768)	2,156,418
Currency translation difference	-	-	(489)	12,240
At 31 December	<u>48,554</u>	<u>532,186</u>	<u>196,401</u>	<u>2,168,658</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

12. Property and equipment

2020	Leasehold improvements US\$	Computer equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
Cost							
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
Transfer	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
Less: Accumulated depreciation							
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
Carrying amounts							
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 2020

12. Property and equipment (continued)

2019	Leasehold improvements US\$	Computer equipment US\$	Furniture and fixtures US\$	Motor vehicles US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
Cost							
At 1 January 2019	1,505,883	719,596	518,841	244,130	-	2,988,450	12,007,592
Additions	10,910	251,632	60,019	56,300	1,269,339	1,648,200	6,678,506
Currency translation difference	-	-	-	-	-	-	208,250
At 31 December 2019	1,516,793	971,228	578,860	300,430	1,269,339	4,636,650	18,894,348
Less: Accumulated depreciation							
At 1 January 2019	188,090	433,119	160,968	147,227	-	929,404	3,734,345
Depreciation	75,498	166,810	93,008	37,206	-	372,522	1,509,459
Currency translation difference	-	-	-	-	-	-	61,544
At 31 December 2019	263,588	599,929	253,976	184,433	-	1,301,926	5,305,348
Carrying amounts							
At 31 December 2019	1,253,205	371,299	324,884	115,997	1,269,339	3,334,724	13,589,000

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

13. Right-of-use assets

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Costs				
At 1 January	4,323,215	3,241,850	17,617,101	13,025,753
Additions	3,602,944	1,081,365	14,689,203	4,381,690
Currency translation difference	-	-	(244,991)	209,658
At 31 December	<u>7,926,159</u>	<u>4,323,215</u>	<u>32,061,313</u>	<u>17,617,101</u>
Less: Accumulated depreciation				
At 1 January	717,490	340,513	2,923,772	1,368,181
Depreciation for the year	565,768	376,977	2,306,636	1,527,510
Currency translation difference	-	-	(39,630)	28,081
At 31 December	<u>1,283,258</u>	<u>717,490</u>	<u>5,190,778</u>	<u>2,923,772</u>
Carrying amounts				
At 31 December	<u>6,642,901</u>	<u>3,605,725</u>	<u>26,870,535</u>	<u>14,693,329</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

14. Intangible assets

Computer Software	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cost				
At 1 January	475,950	250,898	1,939,496	1,008,108
Additions	144,648	225,052	589,730	911,911
Currency translation difference	-	-	(18,907)	19,477
At 31 December	<u>620,598</u>	<u>475,950</u>	<u>2,510,319</u>	<u>1,939,496</u>
Less: Accumulated amortisation				
At 1 January	68,821	45,441	280,445	182,582
Amortisation	52,717	23,380	214,927	94,736
Currency translation difference	-	-	(3,751)	3,127
At 31 December	<u>121,538</u>	<u>68,821</u>	<u>491,621</u>	<u>280,445</u>
Carrying amounts				
At 31 December	<u>499,060</u>	<u>407,129</u>	<u>2,018,698</u>	<u>1,659,051</u>

15. Deposits from customers

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Saving accounts	29,365,021	23,879,896	118,781,510	97,310,576
Fixed deposits	15,155,678	15,929,405	61,304,718	64,912,325
Demand deposits	<u>11,644,579</u>	<u>15,113,694</u>	<u>47,102,322</u>	<u>61,588,304</u>
	<u>56,165,278</u>	<u>54,922,995</u>	<u>227,188,550</u>	<u>223,811,205</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

15. Deposits from customers (continued)

Deposits from customers are analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	41,115,002	39,924,056	166,310,183	162,690,529
> 1 to 3 months	2,273,287	2,583,952	9,195,446	10,529,604
> 3 to 12 months	11,686,581	11,083,481	47,272,220	45,165,185
> 1 years	1,090,408	1,331,506	4,410,701	5,425,887
	<u>56,165,278</u>	<u>54,922,995</u>	<u>227,188,550</u>	<u>223,811,205</u>
B. By customer type:				
Individuals	33,715,691	29,732,280	136,379,970	121,159,041
Business enterprises	22,449,587	25,190,715	90,808,580	102,652,164
	<u>56,165,278</u>	<u>54,922,995</u>	<u>227,188,550</u>	<u>223,811,205</u>
C. By residency status:				
Residents	51,458,647	50,097,154	208,150,228	204,145,903
Non-residents	4,706,631	4,825,841	19,038,322	19,665,302
	<u>56,165,278</u>	<u>54,922,995</u>	<u>227,188,550</u>	<u>223,811,205</u>
D. By interest rate (per annum):	2020	2019		
Saving accounts	0.10% - 2.70%	0.10% - 2.70%		
Fixed deposits	<u>1.25% - 7.00%</u>	<u>1.25% - 5.55%</u>		

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

16. Deposits from other banks

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Fixed deposits	97,177,924	100,435,621	393,084,703	409,275,156
Saving deposits	153,415	234,895	620,564	957,197
Demand deposits	521,198	781,103	2,108,245	3,182,994
	<u>97,852,537</u>	<u>101,451,619</u>	<u>395,813,512</u>	<u>413,415,347</u>

Deposits from other banks are analysed as follows:

A. By maturity:

Within 1 month	674,612	1,155,894	2,728,806	4,710,268
> 1 to 3 months	14,658,319	23,093,630	59,292,900	94,106,542
> 3 to 12 months	82,519,606	77,202,095	333,791,806	314,598,537
	<u>97,852,537</u>	<u>101,451,619</u>	<u>395,813,512</u>	<u>413,415,347</u>

B. By relationship:

Related parties	349,727	157,958	1,414,646	643,679
Non-related parties	97,502,810	101,293,661	394,398,866	412,771,668
	<u>97,852,537</u>	<u>101,451,619</u>	<u>395,813,512</u>	<u>413,415,347</u>

C. By residency status:

Residents	97,502,810	101,293,660	394,398,866	412,771,664
Non-residents	349,727	157,959	1,414,646	643,683
	<u>97,852,537</u>	<u>101,451,619</u>	<u>395,813,512</u>	<u>413,415,347</u>

D. By interest rate (per annum):

	2020	2019
Saving accounts	0.10% - 1.00%	0.10% - 0.25%
Fixed deposits	<u>2.15 % - 4.35%</u>	<u>2.15 % - 4.00%</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

17. Borrowings

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Shinhan Bank Co., Ltd.	218,026,951	170,405,358	881,919,017	694,401,834
Shinhan Bank, Hongkong Branch	55,177,433	-	223,192,716	-
Shinhan Bank, London Branch	10,134,000	-	40,992,030	-
National Bank of Cambodia (*)	36,183,239	-	146,361,202	-
	<u>319,521,623</u>	<u>170,405,358</u>	<u>1,292,464,965</u>	<u>694,401,834</u>

The borrowings are unsecured and bear interest rates ranging from 0.30% to 5.02% (2019: 2.22% to 3.07%) per annum.

(*) These refer to Liquidity Providing Collateralised Operation ("LPCO") from the National Bank of Cambodia in which the Negotiable Certificate of Deposits were collateralised.

Further analysis by maturity are as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Within 1 month	30,068,230	-	121,625,990	-
> 1 to 3 months	110,943,267	-	448,765,515	-
> 3 to 12 months	148,458,523	48,209,461	600,514,726	196,453,556
>12 months	30,051,603	122,195,897	121,558,734	497,948,278
	<u>319,521,623</u>	<u>170,405,358</u>	<u>1,292,464,965</u>	<u>694,401,834</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

18. Lease liabilities

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	1,146,679	661,866	4,638,317	2,697,104
One to five years	4,459,145	2,538,842	18,037,242	10,345,781
More than five years	3,952,405	2,033,610	15,987,478	8,286,961
Total undiscounted lease liabilities	9,558,229	5,234,318	38,663,037	21,329,846
Present value of lease liabilities				
Current	276,054	408,117	1,116,638	1,663,077
Non-current	6,720,604	3,452,555	27,184,844	14,069,161
	6,996,658	3,860,672	28,301,482	15,732,238
Amounts recognised in profit and loss				
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Interest on lease liabilities (Note 26)	325,843	213,894	1,328,462	866,698
Expense relating to short-term leases (Note 29)	267,286	225,628	1,089,725	914,245

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

18. Lease liabilities (continued)

Amounts recognised in the statement of cash flows

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Total cash outflow for leases	<u>(792,800)</u>	<u>(527,751)</u>	<u>(3,232,246)</u>	<u>(2,138,448)</u>

19. Other liabilities

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Other tax payables	734,746	586,671	2,972,048	2,390,684
Accruals and other payables	<u>333,815</u>	<u>86,389</u>	<u>1,350,283</u>	<u>352,035</u>
	<u>1,068,561</u>	<u>673,060</u>	<u>4,322,331</u>	<u>2,742,719</u>

20. Provision for employee benefits

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	104,634	125,214	426,384	503,110
Reversal during the year	-	(20,580)	-	(83,390)
Currency translation difference	<u>-</u>	<u>-</u>	<u>(3,139)</u>	<u>6,664</u>
At 31 December	<u>104,634</u>	<u>104,634</u>	<u>423,245</u>	<u>426,384</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:

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

20. Provision for employee benefits (continued)

- 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 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.

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.

Following the instruction of the Royal Government of Cambodia on further measures to help the private sector and workers/employees severely impacted by the COVID-19 pandemic (Round 3 on 7 April 2020) and in accordance with the Labor Law, the MoLVT issued notification No. 018/20 to inform the owners or directors of factories, enterprises and workers/employees using the Undetermined Duration Contracts (“UDCs”) that the payment of back pay of seniority payment before the year 2019 (for the textile, garment and footwear sector) and the new seniority payment in the year 2020 (for all sectors) are postponed until 2021.

21. Income tax

A. Deferred tax assets – net

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Deferred tax assets	1,866,836	-	7,551,352	-
Deferred tax liabilities	(1,715,043)	-	(6,937,348)	-
Deferred tax assets – net	<u>151,793</u>	<u>-</u>	<u>614,004</u>	<u>-</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

21. Income tax (continued)

A. Deferred tax assets – net (continued)

Deferred tax assets are attributable to the following:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Allowance for loan losses	172,330	-	697,075	-
Lease liabilities	1,399,331	-	5,660,294	-
Employee benefit	20,927	-	84,650	-
Deferred income from loan	274,248	-	1,109,333	-
Depreciation and amortisation	(386,463)	-	(1,563,242)	-
Right-of-use assets	(1,328,580)	-	(5,374,106)	-
	<u>151,793</u>	<u>-</u>	<u>614,004</u>	<u>-</u>

The movements of deferred tax are as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	-	-	-	-
Recognised in profit or loss	151,793	-	618,860	-
Currency translation differences	-	-	(4,856)	-
	<u>151,793</u>	<u>-</u>	<u>614,004</u>	<u>-</u>

B. Current income tax liability

	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	2,069,623	1,550,992	8,433,714	6,231,886
Charge to profit or loss	3,132,458	2,449,515	12,771,031	9,925,435
Income tax paid	(2,755,595)	(1,930,884)	(11,234,561)	(7,823,942)
Currency translation difference	-	-	(74,148)	100,335
At 31 December	<u>2,446,486</u>	<u>2,069,623</u>	<u>9,896,036</u>	<u>8,433,714</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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

21. Income tax (continued)

C. Income tax expense

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Current income tax	3,132,458	2,449,515	12,771,031	9,925,435
Deferred tax	(151,793)	-	(618,860)	-
	<u>2,980,665</u>	<u>2,449,515</u>	<u>12,152,171</u>	<u>9,925,435</u>

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:

	2020		2019	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Profit before income tax	<u>15,127,597</u>	<u>61,675,213</u>	<u>8,667,322</u>	<u>35,119,988</u>
Income tax using statutory rate at 20%	3,025,519	12,335,042	1,733,464	7,023,997
Non-deductible expenses	115,140	469,425	116,440	471,814
Utilisation of deferred tax asset/deferred tax asset not recognised	<u>(159,994)</u>	<u>(652,296)</u>	<u>599,611</u>	<u>2,429,624</u>
Income tax expense	<u>2,980,665</u>	<u>12,152,171</u>	<u>2,449,515</u>	<u>9,925,435</u>

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 2020

22. Share capital

	31 December		31 December	
	2020	2019	2020	2019
	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 2020/2019		
	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 (31 December 2019: US\$5,621,275) to a non-distributable reserves account.

24. Regulatory reserves

Regulatory reserves represented the variance of provision between the impairment in accordance with CIFRSs and regulatory provision in accordance with the National Bank of Cambodia.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

25. Interest income

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loans and advances to customers	30,037,560	19,332,558	122,463,133	78,335,525
Debt investments	1,706,174	834,543	6,956,071	3,381,568
Placement with other banks	727,828	287,872	2,967,355	1,166,457
Placements with the NBC	182,472	72,234	743,938	292,693
	<u>32,654,034</u>	<u>20,527,207</u>	<u>133,130,497</u>	<u>83,176,243</u>

26. Interest expense

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Borrowings:				
– related parties	4,058,459	1,994,948	16,546,337	8,083,529
– NBC	607,494	-	2,476,753	-
Fixed deposit from third parties	3,304,777	1,939,640	13,473,576	7,859,421
Interest expense on lease liabilities	325,843	213,894	1,328,462	866,698
Saving accounts	91,570	59,322	373,331	240,373
Fixed deposit from related party	-	1,045,952	-	4,238,198
	<u>8,388,143</u>	<u>5,253,756</u>	<u>34,198,459</u>	<u>21,288,219</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

27. Net fee and commission income

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Processing fees	441,193	666,854	1,798,744	2,702,092
Inward and outward remittance	514,216	553,739	2,096,459	2,243,750
Other fees	48,336	30,916	197,065	125,272
	<u>1,003,745</u>	<u>1,251,509</u>	<u>4,092,268</u>	<u>5,071,114</u>

28. Personnel expenses

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Salaries and wages	4,041,816	2,679,644	16,478,484	10,857,917
Other benefits	461,892	387,180	1,883,134	1,568,854
	<u>4,503,708</u>	<u>3,066,824</u>	<u>18,361,618</u>	<u>12,426,771</u>

29. Other operating expenses

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Depreciation and amortisation	1,794,447	772,879	7,315,960	3,131,705
Marketing expense	845,788	613,775	3,448,278	2,487,016
Communication	218,069	256,952	889,067	1,041,170
License fees	324,941	225,955	1,324,784	915,570
Staff accommodation (Note 18)	267,286	225,628	1,089,725	914,245
Utilities expenses	174,661	130,481	712,093	528,709
Office supplies	163,535	102,896	666,732	416,935
Foreign exchange (gain)/loss	(383,657)	95,590	(1,564,170)	387,331
Travelling and entertainment	74,091	91,260	302,069	369,786
Repairs and maintenance	137,775	34,231	561,709	138,704
Other tax expenses	79,465	33,767	323,979	136,824
Professional fees	229,651	17,816	936,287	72,190
Insurance expense	84,767	19,041	345,595	77,154
Other expenses	445,184	348,435	1,815,016	1,411,858
	<u>4,456,003</u>	<u>2,968,706</u>	<u>18,167,124</u>	<u>12,029,197</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Unused portion of credit facilities	12,252,932	15,396,827	49,563,110	62,742,070
Foreign exchange commitments	13,779,407	9,815,950	55,737,701	39,999,996
Loan commitments	6,263,324	2,571,471	25,335,146	10,478,744
Bankers' guarantees	45,500	10,000	184,048	40,750
	<u>32,341,163</u>	<u>27,794,248</u>	<u>130,820,005</u>	<u>113,261,560</u>

The movement of allowance for impairment loss is as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	-	-	-	-
Allowance for the year	292,466	-	1,192,384	-
Currency translation difference	-	-	(9,359)	-
At 31 December	<u>292,466</u>	<u>-</u>	<u>1,183,025</u>	<u>-</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

30. Commitments and contingencies (continued)

B. Tax contingencies

The General Department of Taxation (“GDT”) issued a notice of tax reassessment to the Bank to pay reassessed taxes for the fiscal years 2010, 2011, 2012, and 2015 as summarised below.

Fiscal year	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)	614,544	-	614,544
11 November 2020			
- For fiscal year 2010	44,452	-	44,452
- For fiscal year 2011	45,429	-	45,429
- For fiscal year 2012	221,649	-	221,649
Total (KHR'000)	311,530	-	311,530
In US\$ equivalent	231,519	-	231,519

Fiscal year 2010 - 2012

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 objection letters to the GDT protesting to the reassessed taxes.

On 11 November 2020, the Bank received a response letter from GDT on the imposed of revised tax reassessment amounting to KHR311,530 thousand (approximate to US\$77,883). Subsequently, the Bank filed second objection letters to GDT to protest to the 2nd reassessment letter on 18 December 2020.

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 2015

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\$153,636). On 21 April 2017, the Bank filed the tax objection letters 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 2020

30. Commitments and contingencies (continued)

B. Tax contingencies (continued)

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

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 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 2020

31. Related party (continued)

B. Transactions with related parties

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Interest expense - Borrowing				
Shinhan Bank Co., Ltd.	3,643,913	1,994,948	14,856,233	8,083,529
Shinhan Bank, Hong Kong Branch	279,988	-	1,141,511	-
Shinhan Bank, London Branch	134,559	-	548,597	-
	<u>4,058,460</u>	<u>1,994,948</u>	<u>16,546,341</u>	<u>8,083,529</u>
Interest expense - Fixed deposit				
Shinhan Bank Co., Ltd.	<u>-</u>	<u>1,045,952</u>	<u>-</u>	<u>4,238,198</u>
Compensation of shareholders/directors				
Directors' fees and remuneration	<u>1,306,377</u>	<u>1,216,860</u>	<u>5,326,099</u>	<u>4,930,717</u>

C. Balances with related parties

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Deposits from related parties				
Shinhan Bank Co., Ltd.	<u>349,727</u>	<u>157,958</u>	<u>1,414,646</u>	<u>643,679</u>
Borrowings from related parties				

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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.

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 2020

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 2020

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 2020

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 %
31 December 2020					
On-balance sheet items					
Cash and cash equivalents - gross	33,581,263	135,836,209	0%	0%	100%
Placements with other banks - gross	61,348,752	248,155,702	0%	0%	100%
Loans and advances to customers - gross	436,965,627	1,767,525,961	93%	0%	7%
Other assets	471,181	1,905,927	0%	0%	100%
Debt investments - gross	25,681,954	103,883,504	0%	0%	100%
Total	558,048,777	2,257,307,303			
Off-balance sheet items					
Contingencies	12,252,932	49,563,110	99%	0%	1%
Commitments	20,088,231	81,256,895	99%	0%	1%
Total	32,341,163	130,820,005			

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

32. Financial risk management (continued)

B. Credit risk (continued)

(iii). Concentration of risk (continued)

Type of credit exposure (continued)

	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 %
31 December 2019					
On-balance sheet items					
Cash and cash equivalents - gross	46,877,645	191,026,403	0%	0%	100%
Placements with other banks - gross	10,000,000	40,750,000	0%	0%	100%
Loans and advances to customers - gross	311,050,135	1,267,529,300	99%	0%	1%
Other assets	645,133	2,628,917	0%	0%	100%
Debt investments - gross	20,067,838	81,776,440	0%	0%	100%
Total	388,640,751	1,583,711,060			
Off-balance sheet items					
Contingencies	15,396,827	62,742,070	99%	0%	1%
Commitments	12,397,421	50,519,490	99%	0%	1%
	27,794,248	113,261,560			

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

32. Financial risk management (continued)

B. Credit risk (continued)

(iii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2020	Cash and cash equivalents US\$	Placement 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 2020

32. Financial risk management (continued)

B. Credit risk (continued)

(iii). Concentration of risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2019	Cash and cash equivalents US\$	Placement with other banks US\$	Loans and advances to customers US\$	Other assets US\$	Debt investments US\$	Total US\$
Wholesale and retails	-	-	2,667,314	-	-	2,667,314
Construction	-	-	1,913,035	-	-	1,913,035
Real estate	-	-	140,188,371	-	-	140,188,371
Financial institutions	46,877,645	10,000,000	28,432,393	-	20,067,838	105,377,876
Staff loans	-	-	1,589,584	-	-	1,589,584
Others	-	-	136,259,438	645,133	-	136,904,571
Total (US\$)	46,877,645	10,000,000	311,050,135	645,133	20,067,838	388,640,751
Total (KHR'000 – Note 5)	191,026,403	40,750,000	1,267,529,300	2,628,917	81,776,440	1,583,711,060

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

32. Financial risk management (continued)

B. Credit risk (continued)

(iii). Concentration of risk (continued)

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

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
By residency status:				
Residents	436,164,164	310,886,174	1,764,284,043	1,266,861,159
Non-residents	801,463	163,961	3,241,918	668,141
	<u>436,965,627</u>	<u>311,050,135</u>	<u>1,767,525,961</u>	<u>1,267,529,300</u>
By relationship:				
External customers	435,015,613	309,460,551	1,759,638,154	1,261,051,745
Staff loans	1,950,014	1,589,584	7,887,807	6,477,555
	<u>436,965,627</u>	<u>311,050,135</u>	<u>1,767,525,961</u>	<u>1,267,529,300</u>
By exposure:				
Large exposures (*)	-	28,432,393	-	115,862,001
Non-large exposures	<u>436,965,627</u>	<u>282,617,742</u>	<u>1,767,525,961</u>	<u>1,151,667,299</u>
	<u>436,965,627</u>	<u>311,050,135</u>	<u>1,767,525,961</u>	<u>1,267,529,300</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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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.

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 2020

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					Total US\$
	Properties US\$	Floating assets US\$	Fixed deposits US\$	Others US\$	Unsecured credit exposure US\$	
31 December 2020						
Cash and cash equivalents	-	-	-	-	33,581,263	33,581,263
Placement with other banks	-	-	-	-	61,348,752	61,348,752
Loan and advances to customers	388,012,046	-	8,996,490	10,529,200	29,427,891	436,965,627
Other assets	-	-	-	-	471,181	471,181
Debt investments	-	-	-	-	25,681,954	25,681,954
	<u>388,012,046</u>	<u>-</u>	<u>8,996,490</u>	<u>10,529,200</u>	<u>150,511,041</u>	<u>558,048,777</u>
31 December 2019						
Cash and cash equivalents	-	-	-	-	46,877,645	46,877,645
Placement with other banks	-	-	-	-	10,000,000	10,000,000
Loan and advances to customers	307,939,634	-	-	-	3,110,501	311,050,135
Other assets	-	-	-	-	645,133	645,133
Debt investments	-	-	-	-	20,067,838	20,067,838
	<u>307,939,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,701,117</u>	<u>388,640,751</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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 2020

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\$19,864,250 and the restructured loans will be downgraded the staging if the borrower's credit risk has increase significantly.

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 amount	On gross carrying amount	On net carrying amount

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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	$\text{DPD} \geq 91$	

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

32. Financial risk management (continued)

B. Credit risk (continued)

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

Recognition of ECL (continued)

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 2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
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 amount	<u>430,317,956</u>	<u>3,804,992</u>	<u>1,190,646</u>	<u>435,313,594</u>
Carrying amount (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>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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 table below summarises the credit quality of the Bank's gross financing according to the above classifications. (continued)

	31 December 2019			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Normal	308,986,177	-	-	308,986,177
Special mention	393,322	342,206	-	735,528
Substandard	-	-	417,792	417,792
Doubtful	-	255,444	439,944	695,388
Loss	-	-	215,250	215,250
	<u>309,379,499</u>	<u>597,650</u>	<u>1,072,986</u>	<u>311,050,135</u>
Impairment loss allowance	<u>(311,617)</u>	<u>(48,753)</u>	<u>(38,705)</u>	<u>(399,075)</u>
Carrying amount	<u>309,067,882</u>	<u>548,897</u>	<u>1,034,281</u>	<u>310,651,060</u>
Carrying amount (KHR'000-Note 5)	<u>1,259,451,619</u>	<u>2,236,755</u>	<u>4,214,696</u>	<u>1,265,903,070</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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

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.

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 mainland China, 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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

32. Financial risk management (continued)

B. Credit risk (continued)

(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 2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
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	1,261,676	90,052	300,305	1,652,033
At 31 December (KHR'000 – Note 5)	5,103,479	364,260	1,214,734	6,682,473

	31 December 2019			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
At 1 January	42,135	169	20	42,324
- Transfer to Stage 2	(271)	271	-	-
- Transfer to Stage 3	(775)	-	775	-
Net remeasurement of loss allowance	133,688	48,482	37,926	220,096
New financial assets originated	142,400	-	-	142,400
Financial assets that been derecognised	(5,560)	(169)	(16)	(5,745)
At 31 December	311,617	48,753	38,705	399,075
At 31 December (KHR'000 – Note 5)	1,269,839	198,668	157,723	1,626,230

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

32. Financial risk management (continued)

B. Credit risk (continued)

(vi). Amounts arising from ECL (continued)

Loss allowance (continued)

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

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Allowance for impairment losses:				
- Cash and cash equivalents (Note 6)	(6,780)	-	(27,642)	-
- Placements with other banks (Note 7)	(133,957)	-	(546,143)	-
- Loan losses (Note 9)	(1,252,958)	(1,305,751)	(5,108,310)	(5,290,903)
- Debt investments (Note 11)	483,632	(532,186)	1,971,768	(2,156,418)
- Off balance sheet items (Note 30A)	(292,466)	-	(1,192,384)	-
	<u>(1,202,529)</u>	<u>(1,837,937)</u>	<u>(4,902,711)</u>	<u>(7,447,321)</u>

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 2020

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 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\$	Interest rate %
Financial assets									
Cash and cash equivalents	6,852,002	-	-	-	-	-	32,962,072	39,814,074	0%-0.07%
Placement with other banks	-	-	61,348,752	-	-	-	-	61,348,752	0.07%-4.90%
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	4%-18%
Other assets	-	-	-	-	-	-	471,181	471,181	
Debt investments	-	-	-	-	-	-	25,681,954	25,681,954	6.5%-8%
	14,654,022	8,519,382	81,492,644	29,575,607	59,252,040	311,672,686	59,115,207	564,281,588	
Financial liabilities									
Deposits from customers	30,393,402	3,309,943	4,736,662	5,703,891	384,849	-	11,636,531	56,165,278	0.1%-7%
Deposits from other banks	10,775,725	19,672,443	67,404,369	-	-	-	-	97,852,537	0.1%-4.35%
Borrowings	30,068,230	110,943,267	-	148,458,523	30,051,603	-	-	319,521,623	0.3-5.2%
Lease liabilities	-	-	-	-	-	-	6,996,658	6,996,658	
Other liabilities	-	-	-	-	-	-	1,068,561	1,068,561	
	71,237,357	133,925,653	72,141,031	154,162,414	30,436,452	-	19,701,750	481,604,657	
Interest sensitivity gap	(56,583,335)	(125,406,271)	9,351,613	(124,586,807)	28,815,588	311,672,686	39,413,457	82,676,931	
(KHR'000 equivalents - Note 5)	(228,879,590)	(507,268,366)	37,827,275	(503,953,634)	116,559,053	1,260,716,015	159,427,434	334,428,186	

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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 2019	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\$	Interest rate %
Financial assets									
Cash and cash equivalents	27,296,329	-	-	-	-	-	24,383,751	51,680,080	0%-0.65%
Placement with other banks	-	-	10,000,000	-	-	-	-	10,000,000	0.65%-3.7%
Loans and advances to customers	4,502,260	13,025,692	19,658,999	33,008,036	57,490,524	183,364,624	-	311,050,135	3.21%-18%
Other assets	-	-	-	-	-	-	645,133	645,133	
Debt investments	-	-	-	-	-	-	20,067,838	20,067,838	7.75%-8%
	31,798,589	13,025,692	29,658,999	33,008,036	57,490,524	183,364,624	45,096,722	393,443,186	
Financial liabilities									
Deposits from customers	26,455,000	5,581,891	1,825,315	5,115,095	671,787	-	15,273,907	54,922,995	0.1%-5.55%
Deposits from other banks	20,717,927	18,079,755	50,750,890	11,693,252	-	-	209,795	101,451,619	0.1%-4%
Borrowings	20,274,399	52,690,721	30,038,389	67,401,849	-	-	-	170,405,358	2.22%-3.07%
Lease liabilities	-	-	-	-	-	-	3,860,672	3,860,672	
Other liabilities	-	-	-	-	-	-	673,060	673,060	
	67,447,326	76,352,367	82,614,594	84,210,196	671,787	-	20,017,434	331,313,704	
Interest sensitivity gap	(35,648,737)	(63,326,675)	(52,955,595)	(51,202,160)	56,818,737	183,364,624	25,079,288	62,129,482	
(KHR'000 equivalents - Note 5)	(145,268,603)	(258,056,201)	(215,794,050)	(208,648,802)	231,536,353	747,210,843	102,198,099	253,177,639	

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

32. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

As of 31 December 2020, 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.

(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 2020	Denomination US\$ equivalents		Total
	KHR	US\$	
Financial assets			
Cash and cash equivalents	2,548,946	37,265,128	39,814,074
Placement 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>
Financial liabilities			
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	1,068,365	1,068,561
	<u>46,820,240</u>	<u>434,784,417</u>	<u>481,604,657</u>
Net asset position	<u>37,200,150</u>	<u>45,476,781</u>	<u>82,676,931</u>
KHR'000 equivalents (Note 5)	<u>150,474,607</u>	<u>183,953,579</u>	<u>334,428,186</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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 2019	Denomination US\$ equivalents		Total
	KHR	US\$	
Financial assets			
Cash and cash equivalents	10,862,555	40,817,525	51,680,080
Placement with other banks	-	10,000,000	10,000,000
Loans and advances to customers	32,007,377	279,042,758	311,050,135
Other assets	643,913	1,220	645,133
Debt investments	20,067,838	-	20,067,838
	<u>63,581,683</u>	<u>329,861,503</u>	<u>393,443,186</u>
Financial liabilities			
Deposits from customers	710,935	54,212,060	54,922,995
Deposits from other banks	34,810,702	66,640,917	101,451,619
Borrowings	-	170,405,358	170,405,358
Lease liabilities	-	3,860,672	3,860,672
Other liabilities	-	673,060	673,060
	<u>35,521,637</u>	<u>295,792,067</u>	<u>331,313,704</u>
Net asset position	<u>28,060,046</u>	<u>34,069,436</u>	<u>62,129,482</u>
KHR'000 equivalents (Note 5)	<u>114,344,687</u>	<u>138,832,952</u>	<u>253,177,639</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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 2020		31 December 2019	
	- 1%	+ 1%	- 1%	+ 1%
	Depreciation	Appreciation	Depreciation	Appreciation
	US\$	US\$	US\$	US\$
KHR	<u>372,002</u>	<u>(372,002)</u>	<u>280,600</u>	<u>(280,600)</u>
KHR'000 – Note 5	<u>1,504,748</u>	<u>(1,504,748)</u>	<u>1,136,991</u>	<u>(1,136,991)</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 2020

32. Financial risk management (continued)

D. Liquidity risk (continued)

As at 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\$	Total US\$
Financial liabilities							
Deposits from customers	42,029,933	3,309,943	4,736,662	5,703,891	384,849	-	56,165,278
Deposits from other banks	10,775,725	19,672,443	67,404,369	-	-	-	97,852,537
Borrowings	30,069,178	110,940,010	59,365,091	89,095,740	30,051,604	-	319,521,623
Lease liabilities	57,808	109,944	167,333	343,555	3,208,122	3,109,896	6,996,658
Other liabilities	1,068,561	-	-	-	-	-	1,068,561
	<u>84,001,205</u>	<u>134,032,340</u>	<u>131,673,455</u>	<u>95,143,186</u>	<u>33,644,575</u>	<u>3,109,896</u>	<u>481,604,657</u>
(KHR'000 equivalents - Note 5)	<u>339,784,874</u>	<u>542,160,815</u>	<u>532,619,125</u>	<u>384,854,187</u>	<u>136,092,306</u>	<u>12,579,529</u>	<u>1,948,090,836</u>
As at 31 December 2019							
Financial liabilities							
Deposits from customers	41,372,455	5,606,917	1,849,983	5,486,865	606,775	-	54,922,995
Deposits from other banks	20,871,288	18,189,449	51,021,614	11,369,268	-	-	101,451,619
Borrowings	-	-	-	48,209,461	122,195,897	-	170,405,358
Lease liabilities	36,582	65,796	100,140	205,599	1,816,824	1,635,731	3,860,672
Other liabilities	673,060	-	-	-	-	-	673,060
	<u>62,953,385</u>	<u>23,862,162</u>	<u>52,971,737</u>	<u>65,271,193</u>	<u>124,619,496</u>	<u>1,635,731</u>	<u>331,313,704</u>
(KHR'000 equivalents - Note 5)	<u>256,535,044</u>	<u>97,238,310</u>	<u>215,859,828</u>	<u>265,980,111</u>	<u>507,824,446</u>	<u>6,665,604</u>	<u>1,350,103,343</u>

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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 2020

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.

Borrowings

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

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

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

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.

34. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

A. Basis of measurement

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

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 spot 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 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.

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 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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). *Classification*

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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 2020

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 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). *Classification (continued)*

Financial assets (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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). *Classification (continued)*

Reclassifications

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

(iii). *Derecognition*

Financial assets

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

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

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

Financial assets (continued)

- other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
- 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 2020

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 2020

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.

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'.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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. 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.

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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”).

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

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.

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Restructured financial assets (continued)

- 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.

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

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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 'impairment losses on financial instruments' 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.

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 2020

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.

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

'Loans and advances' captions in the statement of financial position include loans and advances 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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

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.

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

K. Property and equipment (continued)

(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.

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%

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

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.

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 2020

34. Significant accounting policies (continued)

N. Borrowings

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

O. Employee benefits

(i). *Short-term employee benefits*

Short-term employee benefits are 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.

P. Provisions

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

Q. 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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

Q. Interest (continued)

Effective interest rate (continued)

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.

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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

Q. Interest (continued)

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.

R. 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.

S. 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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

S. Impairment of non-financial assets (continued)

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.

T. 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 Company 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 IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and has recognised the related expenses in 'other expenses'.

(i). Current tax

Current tax comprises the expected tax payable or receivable on the taxable income for the period using tax rates enacted or 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.

Shinhan Bank (Cambodia) Plc.

Notes to the financial statements (continued) for the year ended 31 December 2020

34. Significant accounting policies (continued)

T. Income tax (continued)

(ii). *Deferred tax (continued)*

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.

U. 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.

V. 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. Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Bank has not early adopted them in preparing these financial statements.

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

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to IFRS 3); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).



Shinhan Bank (Cambodia) Plc.

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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, 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 2020 as required by the National Bank of Cambodia in their Prakas and applicable notices.

On behalf of the management,

Mr. Kim Nam Soo
Director/Chief Executive Officer



Mr. Lee Jung Hoon
Director

Phnom Penh, Kingdom of Cambodia

30 March 2021

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information for the year ended 31 December 2020

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	2020	
		US\$ (if not in %)	KHR’000 (if applicable)
I	Liquidity coverage ratio	113.53%	113.53%
II	Minimum capital	75,000,000	303,375,000
III	Solvency ratio	22.90%	22.90%
IV	Net worth	121,726,551	492,383,898
V	Foreign currency net open position		
	US Dollars	-19.37%	-19.37%
	Khmer Riel	19.37%	19.37%

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

2. Significant financial information (continued)

Section Ref	Financial Information	2020	
		US\$ (if not in %)	KHR'000 (if applicable)
VI	Loan classification and provision		
	Normal/Standard	435,419,012	1,761,269,904
	Special mention	617,171	2,496,457
	Sub-standard	184,538	746,456
	Doubtful	119,226	482,269
	Loss	1,175,620	4,755,383
		<u>437,515,567</u>	<u>1,769,750,469</u>
	Allowance for bad and doubtful loans and advances		
	NBC's benchmark	5,644,847	22,833,406
	Bank's provision	1,652,033	6,682,473
	Regulatory reserves	<u>3,992,814</u>	<u>16,150,933</u>
VII	Large exposures	0.00%	0.00%
VIII	Loans to related parties	0.00%	0.00%
IX	Provision of credit in national currency	10.45%	10.45%
X	Property and equipment	3.50%	3.50%
XI	Capital Buffer	15.40%	15.40%

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

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 KHR4,045 published by the NBC on 31 December 2020. 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

		2020
Capital		
(1)	Equity to total assets	20.05%
(2)	Capital tier 1 to total assets	19.97%
(3)	Capital tier 1 to risk weighted assets	22.76%
(4)	Capital tier 1 + tier 2 to risk weighted assets	22.90%
(5)	Net worth to assets	20.09%
(6)	Solvency ratio	22.90%
(7)	Debts to total assets	79.95%
(8)	Debts to equity	398.74%
(9)	Dividend to net profit	0.00%
Asset Quality		
(10)	Banking reserve to total loans	1.28%
(11)	Banking reserves to total assets	0.93%
(12)	Non-performing loans to total loans	0.29%
(13)	Non-performing loans to total assets	0.21%
(14)	Classified assets to total loans	0.48%
(15)	Classified assets to total assets	0.35%
(16)	Classified assets to equity	1.73%
(17)	Loans to related parties to total loans	0.00%

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

4. Other ratios (continued)

		2020
Asset Quality (continued)		
(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	0.29%
(23)	Specific provision to non-performing loans	100.00%
(24)	All allowances to total assets	0.93%
(25)	Loans to deposits	759.29%
Earnings		
(26)	Return on assets	2.00%
(27)	Return on equity	10.00%
(28)	Gross yield	5.39%
(29)	Net interest margin to total assets	4.00%
(30)	Other income to total assets	0.17%
(31)	Provisions to total assets	0.93%
(32)	Overhead to total assets	1.48%
(33)	Net income before tax to total assets	2.50%
(34)	Taxes to total assets	0.49%
(35)	Interest margin to gross income	72.05%
(36)	Non-interest income to gross income	3.04%
(37)	Non-interest expenses to gross income	26.60%
(38)	Times interest earned	0.00%
Liquidity		
(39)	Liquid assets	6.57%
(40)	Short-term liabilities	79.95%
(41)	Net liquid assets	-91.78%
(42)	Quick ratio	8.22%
(43)	Deposits to total loans	13.17%
(44)	Property and equipment to net worth	3.50%

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 2020

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 2020

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	722,087	5,510,724	-	722,087	5,510,724	-	25,211,720
1.12	1	Reserves requirement with the NBC > Minimum reserve requirement	82,398	58,351	-	82,398	58,351	-	569,330
1.13	1	Reserves requirement with the NBC in KHR	78,294	-	-	78,294	-	-	316,699
1.14	0.7	Reserves requirement with the NBC in US\$	-	22,641,649	-	-	15,849,154	-	64,109,828
1.15	1	Amounts deposited at the NBC excluding settlement account and capital guarantee account	1,709,045	5,802,204	-	1,709,045	5,802,204	-	30,383,002
1.16	1	NCDs (and any other securities) issued by the NBC	-	-	-	-	-	-	-
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)			2,591,824	34,012,928	-	2,591,824	27,220,433	-	120,590,579

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

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			2,591,824	34,012,928	-	2,591,824	27,220,433	-	120,590,579

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

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\$		
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	777,856	34,697,906	-	116,678	5,204,686	21,524,917
Unsecured wholesale funding								
2.21	0.25	Operational deposits (unsecured funding generated by clearing, custody and cash management activities)	-	35,504	-	-	8,876	35,903
2.22	0.4	Non-operational deposits from non-financial corp. not qualifying for reporting in 2.11 to 2.12	36,383	20,320,326	-	14,553	8,128,130	32,937,153
2.23	0.4	Non-operational deposits from sovereigns, central banks, and PSEs	-	-	-	-	-	-
2.24	1	Non-operational deposits from banks and financial institutions	150,857	40,523,754	-	150,857	40,523,754	164,528,801
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 2020

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		-	-	-	-	-	-
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 2020

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		2,070,549	8,529,920	-	103,527	426,496	-	530,023	2,143,943
2.52	0.05		-	-	-	-	-	-	-	-
		To non financial corporates, sovereigns and central banks								
2.53	0.1		-	7,915,786	-	-	791,579	-	791,579	3,201,937
2.54	0.3		-	-	-	-	-	-	-	-
		To banks and financial institutions								
2.55	0.4		-	-	-	-	-	-	-	-
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 2020

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 (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)	-	22,958	-	-	11,479	-	46,433
2.81	1	Other contractual outflows	352,567	1,845,688	-	352,567	1,845,688	-	8,891,941
Total 4 = Σ (2.11 ; 2.81)			3,388,212	113,891,842	-	738,182	56,940,688	-	233,311,037

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

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 2020

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	585,820	-	292,910	3,102,269	-	3,395,179	13,733,499
3.32	0.5	From SMEs	-	-	-	-	-	-	-
3.33	0.5	From non financial corporates	-	64,523	-	32,261	-	32,261	130,496
3.34	1	From central banks	-	-	-	-	-	-	-
3.35	1	From banks and financial institutions	20,052	31,014	-	20,052	31,014	51,066	206,562
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	1,221	27,938,975	-	1,221	27,938,975	27,940,196	113,018,093

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

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)			607,093	34,239,050	-	314,183	31,104,520	31,418,702	127,088,650
Total net cash outflows			3,995,306	148,130,893	-	424,000	25,836,169	26,260,169	106,222,384
Total 6 = Total 4 - Min (Total 5 ; 75% Total 4)									
Liquidity coverage ratio for year ended 31 December 2018			-	-	-	611.28	105.36	113.53	113.53
LCR = Total 3/Total 6									

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Schedule II - Minimum capital

The paid-up share capital of the Bank as at 31 December 2020 was US\$75,000,000. (31 December 2019: 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:

		2020	
	Weighting	US\$	KHR'000
Numerator			
Bank's net worth - Schedule (IV)		121,726,551	492,383,898
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%	8,905,606	36,023,176
Investment securities	120%	30,760,080	124,424,524
Other assets	100%	469,901,019	1,900,749,622
Off-balance sheet items			
Full risk-	100%	14,773,907	59,760,454
Medium risk	50%	7,308,006	29,560,884
Moderate risk	20%	-	-
Low risk	0%	-	-
Total denominator		531,648,618	2,150,518,660
Solvency ratio - Numerator/Denominator		22.90%	22.90%

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Schedule IV - Net worth

The Bank's net worth was calculated based on Prakas No. B7-010-182 dated 15 October 2010 as follows:

	2020	
	US\$ (if not in %)	KHR'000 (if applicable)
<u>Tier 1 (Core Capital)</u>		
Sub-total A:		
Paid- in Capital	75,000,000	303,375,000
Reserves other than revaluation	10,047,754	40,643,165
Premiums related to capital	-	-
Audited net profit for the last financial year	12,146,932	49,134,340
Retained earnings	24,301,121	98,298,034
Other items approved by NBC	-	-
	<hr/>	<hr/>
Sub-total A	121,495,807	491,450,539
Limit check on retained earnings (maximum 20% of Sub-total A)	20.00%	20.00%
Sub-total B:		
Own shares held (at book value)	-	-
Accumulated losses	-	-
Intangible assets	499,060	2,018,698
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	-	-
	<hr/>	<hr/>
Sub-total B	499,060	2,018,698
Total Tier 1 Capital (A - B)	<hr/> 120,996,747	<hr/> 489,431,841

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Schedule IV- Net worth (continued)

	2020	
	US\$ (if not in %)	KHR'000 (if applicable)
<u>Tier 2 (Complementary Capital)</u>		
Sub-total C:		
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	729,804	2,952,057
Subordinated debts approved by NBC	-	-
Other items approved by NBC	-	-
Sub-total C	<u>729,804</u>	<u>2,952,057</u>
Limit check on subordinated debts (maximum 50% of Tier 1 Capital)	0.00%	0.00%
Sub-total D:		
Equity participation in banking or financial institutions	-	-
Other items	-	-
Sub-total D	<u>-</u>	<u>-</u>
Total Tier 2 Capital (C - D)	<u>729,804</u>	<u>2,952,057</u>
Limit check on Tier 2 Capital (maximum 100% of Tier 1 Capital)	0.60%	0.60%
Bank's net worth (Capital Tier 1 + Tier 2)	<u>121,726,551</u>	<u>492,383,898</u>

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Schedule V - Foreign currency net open position

As at 31 December 2020

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	521,762,969	(559,123,809)	31,219,613	(17,440,207)	(23,581,434)		(19.37%)	20%	-
KHR	84,181,081	(46,820,241)	2,070,549	(15,849,955)	23,581,434		19.37%	20%	-
Grand total	605,944,050	(605,944,050)	-	-	-				

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

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\$
As at 31 December 2020					
1. Short-term loans (less than or equal to one year)					
Normal/Standard	64,927,499	1%	649,275	617,706	(31,569)
Special mention	-	3%	-	65,845	65,845
Sub-standard	80,000	20%	16,000	-	-
Doubtful	29,999	50%	15,000	172,170	(590,515)
Loss	731,685	100%	731,685	-	-
	<u>65,769,183</u>		<u>1,411,960</u>	<u>855,721</u>	<u>(556,239)</u>
Allowance for bad and doubtful loans	<u>1,411,960</u>				
	<u>64,357,223</u>				
2. Long-term loans (more than one year)					
Normal/Standard	370,491,513	1%	3,704,915	643,971	(3,060,944)
Special mention	617,171	3%	18,515	24,206	5,691
Sub-standard	104,538	20%	20,908	-	-
Doubtful	89,227	50%	44,614	128,135	(381,322)
Loss	443,935	100%	443,935	-	-
	<u>371,746,384</u>		<u>4,232,887</u>	<u>796,312</u>	<u>(3,436,575)</u>
Allowance for bad and doubtful loans	<u>4,232,887</u>				
	<u>367,513,497</u>				

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Schedule VI - Loan classification and provision (continued)

	Total KHR'000	%	NBC's Benchmark KHR'000	Bank's Provision KHR'000	Variance KHR'000
As at 31 December 2020					
1. Short-term loans (less than or equal to one year)					
Normal/Standard	262,631,733	1%	2,626,317	2,498,621	(127,696)
Special mention	-	3%	-	266,343	266,343
Sub-standard	323,600	20%	64,720	-	-
Doubtful	121,346	50%	60,673	696,428	(2,388,631)
Loss	2,959,666	100%	2,959,666	-	-
	<u>266,036,345</u>		<u>5,711,376</u>	<u>3,461,392</u>	<u>(2,249,984)</u>
Allowance for bad and doubtful loans	<u>5,711,376</u>				
	<u>260,324,969</u>				
2. Long-term loans (more than one year)					
Normal/Standard	1,498,638,170	1%	14,986,382	2,604,863	(12,381,519)
Special mention	2,496,457	3%	74,894	97,913	23,019
Sub-standard	422,856	20%	84,571	-	-
Doubtful	360,923	50%	180,462	518,306	(1,542,444)
Loss	1,795,717	100%	1,795,717	-	-
	<u>1,503,714,123</u>		<u>17,122,026</u>	<u>3,221,082</u>	<u>(13,900,944)</u>
Allowance for bad and doubtful loans	<u>17,122,026</u>				
	<u>1,486,592,097</u>				

Schedule VII - Large exposures

The Bank has no large exposure individually exceeding 10% of the Bank's net worth as at 31 December 2020. 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 2020

Schedule VIII – Loans to related parties

The Company did not have loans to related parties as at 31 December 2020.

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 2020.

		2020	
		US\$ (if not in %)	KHR'000 (if applicable)
Loans and advances in KHR	A	<u>45,740,097</u>	<u>185,018,692</u>
Total loans and advances	B	<u>437,515,567</u>	<u>1,769,750,469</u>
Provision of credit in national currency	A/B	<u>10.45%</u>	<u>10.45%</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:

		2020	
		US\$ (if not in %)	KHR'000 (if applicable)
Property and equipment	A	<u>4,264,875</u>	<u>17,251,419</u>
Bank's net worth (Schedule IV)	B	<u>121,726,551</u>	<u>492,383,898</u>
Property and equipment ratio	A/B	<u>3.50%</u>	<u>3.50%</u>

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

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.

Tier 1 Capital Ratio	Minimum Capital Conservation Ratio (expressed as percentage of earnings)
≥ 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 2020

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	2.50
Countercyclical buffer	0.00

31 December 2020

Buffer to be built	Amount	As % of RWA
Capital conservation buffer	13,291,215	2.5
Countercyclical capital buffer	-	-
Total capital buffer	13,291,215	2.5
Tier 1 Capital	120,996,747	22.8
Tier 2 Capital	729,804	0.1
Total Capital (Net Worth)	121,726,551	22.9
Risk Weighted Assets - RWA	531,648,618	-
Tier 1 capital needed for Minimum Solvency ratio	79,017,489	14.9
Available Tier 1 Capital for Capital buffers	41,979,258	7.9
Additional Tier 1 Capital buffer to be built up	13,291,215	2.5

Minimum Tier 1 capital ratio + available Tier 1 capital for capital buffer	15.40
Minimum Capital Conservation ratio (expressed as percentage of earnings)	-

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Annex A

No	Ratios	Formula by NBC		2020		
				Calculation (in figure)		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	%	%
CAPITAL						
1	Equity to total assets	Equity	Total assets	121,495,807	605,944,050	20.05%
2	Capital tier 1 to total assets	Capital tier I	Total assets	120,996,747	605,944,050	19.97%
3	Capital tier 1 to risk weighted assets	Capital tier I	Risk weighted assets	120,996,747	531,648,618	22.76%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1+tier 2	Risk weighted assets	121,726,551	531,648,618	22.90%
5	Net worth to total assets	Net worth	Total assets	121,726,551	605,944,050	20.09%
6	Solvency ratio	Net worth	Risk weighted assets	121,726,551	531,648,618	22.90%
7	Debts to total assets	Total liabilities	Total assets	484,448,243	605,944,050	79.95%
8	Debts to equity	Total liabilities	Equity	484,448,243	121,495,807	398.74%
9	Dividend to net profit	Dividend	Net profit	-	12,146,932	0.00%

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Annex A

No	Ratios	Formula by NBC		2020		
				Calculation (in figure)		Ratio
				Numerator	Denominator	
		A	B	US\$	US\$	A/B
ASSET QUALITY						
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	5,621,275	437,515,567	1.28%
11	Banking reserve to total assets	Banking reserves	Total assets	5,621,275	605,944,050	0.93%
12	NPL to total loans	NPL	Total loans (gross)	1,290,657	437,515,567	0.29%
13	NPL to total assets	NPL	Total assets	1,290,657	605,944,050	0.21%
14	Classified assets to total loans	Classified assets	Total loans (gross)	2,096,555	437,515,567	0.48%
15	Classified assets to total assets	Classified assets	Total assets	2,096,555	605,944,050	0.35%
16	Classified assets to equity	Classified assets	Equity	2,096,555	121,495,807	1.73%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	-	437,515,567	0.00%
18	Large exposure to total loans	Large exposure	Total loans (gross)	-	437,515,567	0.00%
19	Loan to related parties to net worth	Loan to related parties	Net worth	-	121,726,551	0.00%
20	Large exposure to net worth	Large exposure	Net worth	-	121,726,551	0.00%
21	General provision to total loans	General provision	Total loans (gross)	-	437,515,567	0.00%
22	Specific provision to total loans	Specific provision	Total loans (gross)	1,290,657	437,515,567	0.29%
23	Specific provision to NPL	Specific provision	NPL	1,290,657	1,290,657	100.00%
24	All allowances to total assets	Total all allowances	Total assets	5,644,847	605,944,050	0.93%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customer's deposits	426,455,741	56,165,278	759.29%

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Annex A

No	Ratios	Formula by NBC		2020		
				Calculation (in figure)		Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B
		A	B	US\$	US\$	%
EARNINGS						
26	Return on assets	Net profit	Total assets	12,146,932	605,944,050	2.00%
27	Return on equity	Net profit	Equity	12,146,932	121,495,807	10.00%
28	Gross yield	Interest income	Total assets	32,654,034	605,944,050	5.39%
29	Net interest margin (NIM) to total assets	Interest income – interest expense	Total assets	24,265,891	605,944,050	4.00%
30	Other income to total assets	Other incomes	Total assets	1,023,946	605,944,050	0.17%
31	Provision to total assets	Provision	Total assets	5,644,847	605,944,050	0.93%
32	Overhead to total assets	Non-interest expenses	Total assets	8,959,711	605,944,050	1.48%
33	Net income before tax to total assets	Net income before tax	Total assets	15,127,597	605,944,050	2.50%
34	Tax to total assets	Tax	Total assets	2,980,665	605,944,050	0.49%
35	Interest margin to gross income	Interest income – interest expense	Gross income	24,265,891	33,677,980	72.05%
36	Non-interest income to gross income	Non-interest income	Gross income	1,023,946	33,677,980	3.04%
37	Non-interest expense to gross income	Non-interest expenses	Gross income	8,959,711	33,677,980	26.60%
38	Times interest earned	Income before tax + interest expense	Interest expense	-	8,388,143	0.00%

SHINHAN BANK (CAMBODIA) PLC.

Supplementary Financial Information (continued) for the year ended 31 December 2020

Annex A

No	Ratios	Formula by NBC		2020		
				Calculation (in figure)		Ratio
				Numerator (A)	Denominator (B)	A/B
		A	B	US\$	US\$	%
LIQUIDITY						
39	Liquid assets	Liquid assets	Total assets	39,814,074	605,944,050	6.57%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	484,448,243	605,944,050	79.95%
41	Net liquid assets	Liquid assets - short-term liabilities	Total liabilities	(444,634,169)	484,448,243	-91.78%
42	Quick ratio	Quick assets	Current liabilities	39,814,074	484,448,243	8.22%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	56,165,278	426,455,741	13.17%
44	Property and equipment to net worth	Property Equipment	Net worth	4,264,875	121,726,551	3.50%

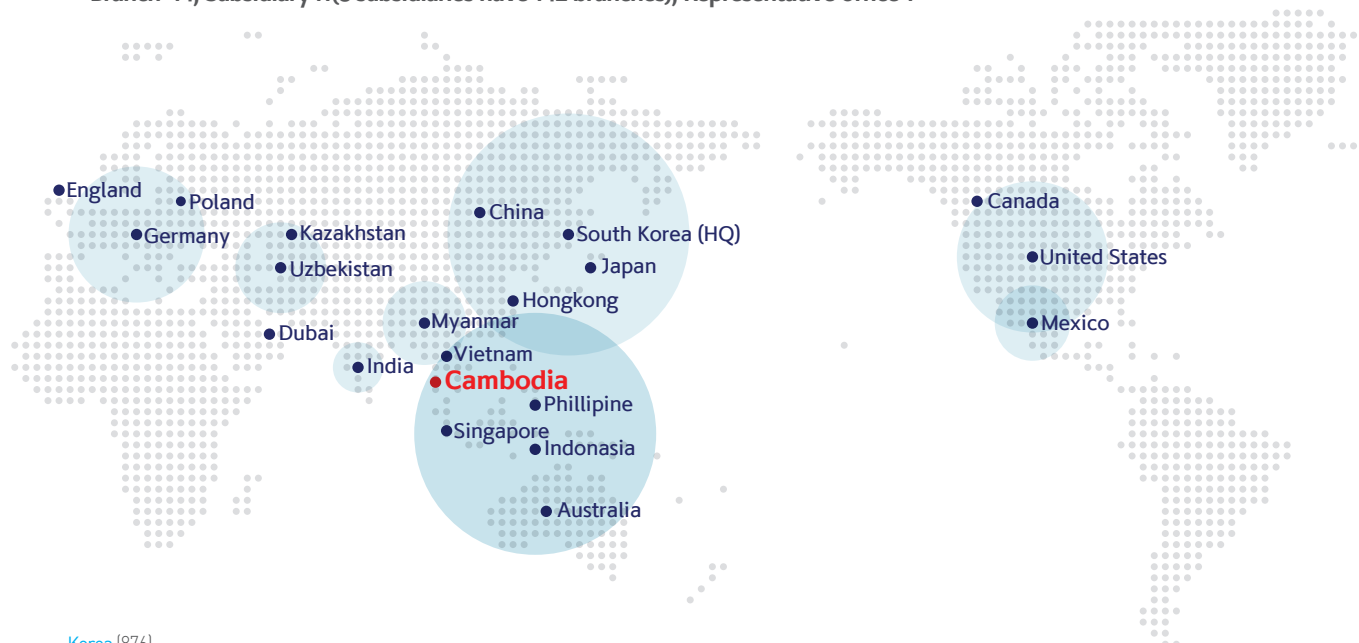
5

Global Network

GLOBAL NETWORK (As the end of Mar, 2021)

20 Countries, 160 Networks

Branch 14, Subsidiary 11(8 subsidiaries have 142 branches), Representative office 1



Korea [876]

Asia Cambodia [11], China [19], Hong Kong [2], India [6], Indonesia [41], Japan [10], Kazakhstan [1], Myanmar [1], Philippines[1], Singapore [1]Uzbekistan [1], Vietnam [41]

Americas Canada [4], USA [16], Mexico [1] Europe Germany [1], Poland [1], UK [1] Middle East UAE [1] Oceania Australia [1]

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Khan 7 Makara, Phnom Penh, Cambodia

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SWIFT: SHBKHHPP

SHINHAN BANK MAIN BRANCH

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SWIFT: SHBKVNXX

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SAIGON BRANCH

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SWIFT: SHBKVNXX

LE THAI TO BRANCH

1st Floor, 14 Le Thai To St., Hang Trong Ward, Hoan Kiem District, Ha Noi
SWIFT: SHBKVNXX

CAU GIAY T/O

No. 102, Lot C, D5, Nguyen Phong Sac St., Dich Vong Ward, Cau Giay District, Ha Noi
SWIFT: SHBKVNXX

SOUTH SAIGON T/O

E-02, Lot H7, Phu My Hung Urban Area, Nguyen Van Linh St., Tan Phong Ward, District 7, HCMC.
SWIFT: SHBKVNXX

TAN BINH T/O

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SWIFT: SHBKVNXX

BAC SAIGON BRANCH

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DISTRICT 11 T/O

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PHU NHUAN T/O

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ROYAL CITY T/O

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CENTRAL PARK T/O

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DISTRICT 10 T/O

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SWIFT: SHBKVNXX

BINH DUONG NEW CITY

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