

Bank of China (Hong Kong) Limited Phnom Penh Branch

Annual Report 2021



中國銀行總行介紹

1912年2月，经孙中山先生批准，中国银行正式成立。中国银行是中国国际化和多元化程度最高的银行，截至目前，在中国内地及61个国家和地区为客户提供全面的金融服务。主要经营商业银行业务，包括公司金融业务、个人金融业务和金融市场业务，并通过全资子公司中银国际控股有限公司开展投资银行业务，通过全资子公司中银集团保险有限公司及中银保险有限公司经营保险业务，通过全资子公司中银集团投资有限公司经营直接投资和投资管理业务，通过控股中银基金管理有限公司经营基金管理业务，通过控股中银航空租赁有限公司经营飞机租赁业务。

中國銀行金邊分行

中国银行金边分行是经中国银监会批准设立，由中国银行总行直属发起设立，于2017年底因为区域化管理需要合并到中国香港。分行由柬埔寨中央银行核发营业执照，可经营全能商业银行业务。

金边分行成立于2010年12月8日，坐落在柬埔寨首都金边，经营柬埔寨国内及国际所有商业银行产品及服务，在柬埔寨全境有五家经营性机构，覆盖柬埔寨首都金边、主要出海口西哈努克港及吴哥窟所在地暹粒市。目前主要从事公司金融、贸易金融、个人金融及全球市场业务等，产品及服务包括公司及个人各类贷款业务、公司及个人各类存款业务、公司及个人各类外汇买卖业务、外币现钞买卖、国际汇出及汇入汇款、银行卡、收单业务、国际结算、贸易融资、保函、银行同业服务、全球现金管理、资金业务、投行业务、代理业务等。服务对象包括中柬两国公民、外籍人士、中资企业、与中国有贸易投资往来柬国公司及柬埔寨当地主流企业。

金边分行致力建设成为在柬一流银行、中资企业在柬标杆，遵规守法，依法纳税，开业以来积极推动中柬企业及民间交往与合作，搭建中柬企业交流合作平台，积极履行社会责任与推动社会公益，奖教助学，举办系列人民币国际化讲座，促进中柬民间文化交流。其中，2015年协助总行面向柬埔寨举办“一带一路”国际金融交流合作研修班，柬埔寨首相洪森亲王出席开班仪式，柬埔寨政要及企业家30人参加；2016年被柬埔寨税务局授予金牌纳税人称号，是全柬获此殊荣的20家企业之一；2018年5月，当选柬埔寨中国商会会长单位；2019年4月，协助洪森首相在第二届“一带一路”国际合作高峰论坛期间拜访中国银行总行，见证中国银行与柬埔寨政府部门及企业等签署一系列战略合作谅解备忘录。

中国银行金边分行与您一路同行、一起发展！

分行网站及网址：

网站：WWW.BOC.CN/KH

地址：柬埔寨金边市莫尼旺大道与安良街拐角315号加华大厦一、二层

ABOUT BANK OF CHINA

Bank of China was formally established in February 1912 following the approval of Dr. Sun Yat-sen. As China's most internationalized and diversified bank, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland as well as 61 countries and regions. The Bank's core business is commercial banking, including corporate banking, personal banking and global markets services. BOC International Holdings Limited, a wholly owned subsidiary, is the Bank's investment banking arm. Bank of China Group Insurance Company Limited and Bank of China Insurance Company Limited, both wholly owned subsidiaries, run the Bank's insurance business. Bank of China Group Investment Limited, a wholly owned subsidiary, undertakes the Bank's direct investment and investment management business. Bank of China Investment Management Co., Ltd., a controlled subsidiary, operates the Bank's fund management business. BOC Aviation Limited, a controlled subsidiary, is in charge of the Bank's aircraft leasing business.



ABOUT BANK OF CHINA PHNOM PENH BRANCH

Bank of China Phnom Penh Branch was incorporated in Cambodia in November 2010 under the name Bank of China Limited, Phnom Penh Branch, becoming the first Chinese Bank to enter and launch operations in Cambodia. As part of the restructuring exercise of the Bank of China Group in the ASEAN Region, Bank of China Limited Phnom Penh Branch was acquired and operates as a subsidiary of Bank of China (Hong Kong) Holdings Limited in November 2017.

Bank of China Phnom Penh Branch is principally engaged in Corporate Banking, Personal Banking, International Settlement, Trade Financing and Financial Services.

As the first Chinese Bank to have a presence in Cambodia, with the purpose to enhance financial and economic services whilst exploring new innovations and technology for our advancement to meet the needs of our clients, our objective is to provide a strong support to facilitate commercial and investment activities between Chinese and Cambodian enterprises and for the local community. We are the trusted partner of Chinese Going Global Enterprises and clients dealing with China because of our extensive and close banking relationships with leading local and international banks and comprehensive product range. As at 31 December 2021, the Branches have a total of 201 employees. We offer an efficient team of experts and well-trained workforce complement with multilingual ability, proficient in Cambodian, Chinese and English to effectively communicate and cater to the needs of a diverse set of clients.

In response to an increased demand for services, Bank of China Phnom Penh Branch has expanded and set up branches in three big cities across Cambodia- Phnom Penh, Siem Reap and Sihanoukville. The five branches consist of Phnom Penh Main Branch, Intercon Sub-Branch, Olympic Sub-Branch, Siem Reap Sub-Branch and Sihanoukville Sub-Branch.

Since the establishment in 2010, we have achieved remarkable progress and continuous outstanding performance. We hold a strong market position in Cambodia, ranking fifth in Total Assets and Deposits and ninth in Profits and Loans.

Corporate Services: Loan, Settlement, International Remittance, e-Banking, Working Capital Loan, Overdraft, Trade Financing, Project Financing, Syndicated Loan, etc.

Personal Service: Loan, Settlement, International Remittance, Credit Card, ATM, e-Banking, Mobile Banking, Payroll, UnionPay Online Payment Transaction, etc.

Web-Site: www.boc.cn/kh

Address: Bank of China Limited Phnom Penh Branch

Canadia Tower, 1st & 2nd Floor,

315 Ang Duong St., P.O.BOX 110

Phnom Penh, Cambodia

MESSAGE FROM THE COUNTRY MANAGER



2021年，持续的新冠疫情给柬埔寨经济、社会带来了巨大的挑战。在柬埔寨政府的有力领导下，社会各界同心戮力，经历了社区传染、封城、疫情反复、重新开放等阶段，年底基本上实现疫情可控，社会生产、人民生活趋于正常。中银香港金边分行在过去的一年中，以总行及中银香港战略规划为指导，一手抓防疫、一手抓经营，保持了人员安全和业务连续，主要业务稳步增长，战略性重点工作得到稳步推进。

2021年，我们始终将员工生命和银行财产安全放在第一位。分行制定了确诊员工治疗SOP流程及关心关爱方案，个别重症员工在管理层的关心下，得到了有效救治，分行感染员工目前已恢复到正常情况

In 2021, the raging COVID-19 pandemic posed huge challenges to Cambodia's economy and society. Under the strong leadership of the government and coordination of efforts from all sectors of the community, Cambodia has largely brought the pandemic under control and social production and people's lives back to normal after a series of stages such as community transmission, city lockdown, recurrence, and city reopening. Over the past year, BOCHK Phnom Penh Branch, guided by the strategic planning of the Head Office and BOCHK, has placed equal emphasis on pandemic prevention and business operation. As a result, the Branch ensured employee safety and business continuity, achieving steady growth in major services and steady progress in major strategic work.

In 2021, we kept giving top priority to employee safety and bank property security. We developed the SOP for treatment of confirmed employees as well as the care plan for them. Under the care of the management, all critically infected employees have been cured. Up to now, all our infected employees have fully recovered.

2021年,我们不断完善BCP方案,实现了持续经营。在封城期间以及疫情严重的时期,分行发挥区域一体化优势,前中后台部门共同配合,保持了本地和海外清算渠道畅通,各项基础服务保持了正常,受到广大客户好评。

2021年,我们加快业务发展,主要经营指标稳步提升。存款、结算量保持增长,贷款、营业收入等体现基础发展能力的指标扭转了近年来的下滑趋势。资产质量保持稳定,不良率低于同业平均水平。

2021年,我们加快推进数字化转型,手机银行、网上银行功能进一步完善,客户渗透率大幅提升。由于电子渠道的有效替代,即使是收受到疫情影响,全年汇款业务量仍然实现了大幅增长。在央行指导下,BAKONG、CSS等本地电子化渠道建设顺利推进。

2021年,我们持续加强内部治理,提升管理水平。分行贯彻落实集团全面风险管理方案,信用风险、反洗钱防控能力逐步提升,数据治理取得长足进步。分行采取有效措施压降高息存款,负债结构逐步优化。

2021年,我们积极履行社会责任,参与到政府及社会的防疫抗疫工作中,助力中国驻柬大使馆开展“春苗行动”,向政府、学校以及民间组织捐赠防疫物资;落实柬埔寨国家银行政策,根据企业实际情况制定纾困贷款方案,协助客户渡过难关,部分客户在逐步恢复正常经营。

我们深知,在这样一个特殊的时期,点滴成绩的取得都来之不易。在此,我谨代表分行管理层,衷心感谢全行员工在过去一年的辛劳付出,衷心感谢柬埔寨国家银行、广大客户及各界朋友的大力支持!2022年是分行五年规划的第二年,我们将狠抓战略执行,加大业务拓展力度,培育新的增长点,争取实现利润、营收以及主要业务的全面恢复增长;同时,我们也将持续加强客户服务能力、风险防控能力、运营管理能力建设,为可持续高质量发展打下坚实基础。

In 2021, we kept improving our BCP plan, thus achieving continuous operation. During the lockdown and height of the pandemic, we played our advantage of regional integration and coordinated our front, middle and back offices. As a result, we maintained smooth channels for local and overseas settlement as well as a normal delivery of basic services. All these have been well received by clients.

In 2021, we worked faster to develop businesses and achieved steady improvements in major operating indicators. Our deposit and settlement volumes kept growing, and loans, operating income and other indicators reflecting basic development capabilities reverse the downward trend. Our assets maintained stable quality, with non-performing ratios lower than the industry average.

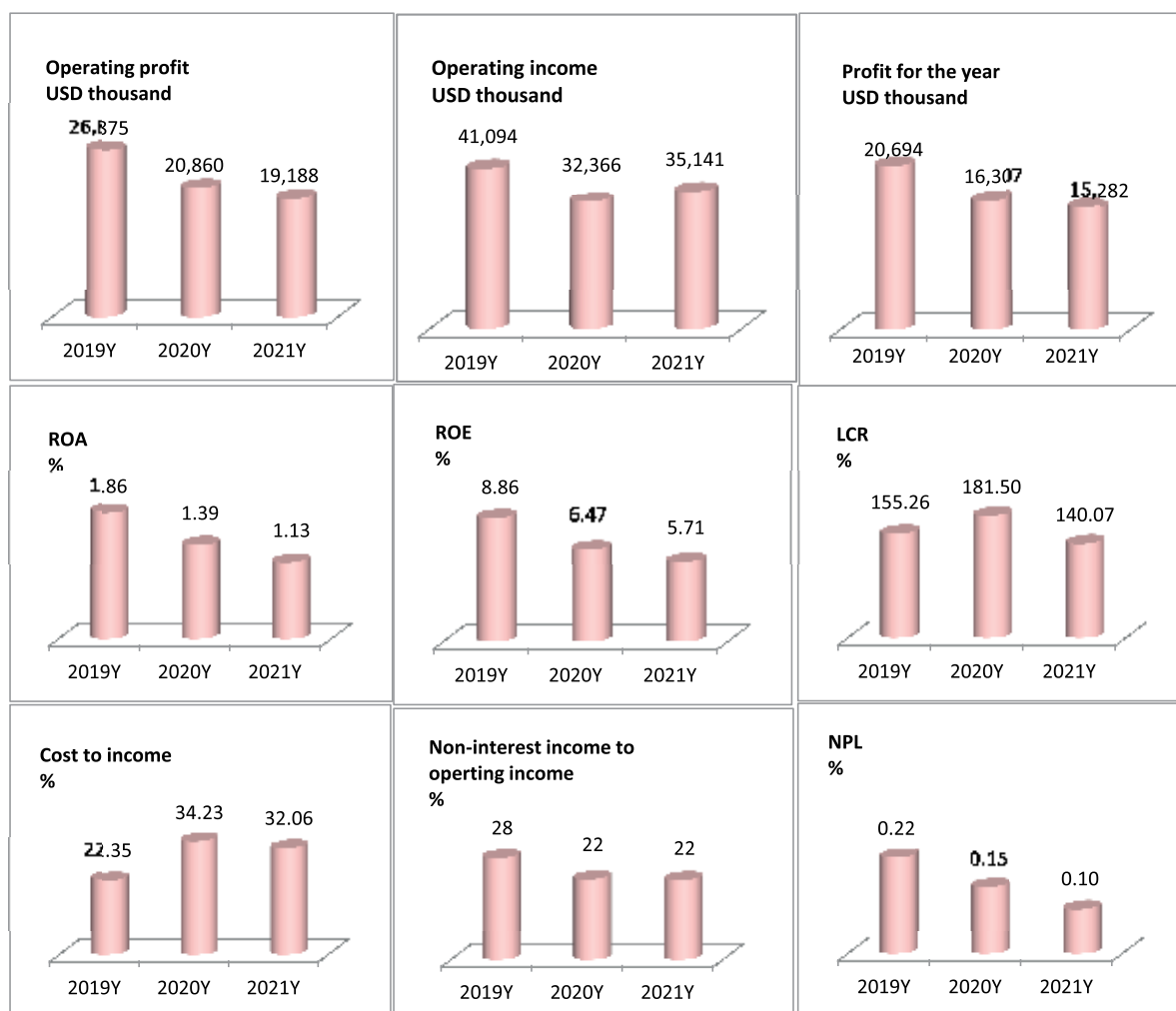
In 2021, we stepped up to propel digital transformation. The functions of mobile banking and online banking further improved, and the customer penetration significantly broadened. Thanks to the alternative of electronic channels, the remittance volume during the year continued to grow substantially despite the impact of the pandemic. Under the guidance of the People's Bank of China National Bank of Cambodia, Bakong, CSS and other local electronic channels were under smooth construction.

In 2021, we continued to strengthen internal governance and improve internal management. By implementing the Group's comprehensive risk management plan, we gradually improved our capabilities to prevent and control credit risks and money laundering, and made major strides in data governance. We took measures to reduce high-interest deposits, and gradually optimized the liability structure.

In 2021, we actively performed our social responsibilities. We participated in the pandemic prevention and control organized by governmental and non-governmental organizations; we assisted the Chinese Embassy in Cambodia win the "Spring Vaccine Action"; and we donated anti-Covid supplies to the government, schools and non-governmental organizations. In addition, we implemented the policies of the National Bank of Cambodia, and rolled out bailout plans according to the actual situations of enterprises to help them pull through. It is remarkable that some clients were going back to normal operations.

We understand that in such a special period, even a small achievement is hard-earned. Here, on behalf of the management of the Branch, I would like to express my heartfelt thanks to our employees for their hard work in the past year and to the National Bank of Cambodia, clients and partners from all walks of life for their strong support. In 2022, the second year of the Branch's five-year plan, we will focus on strategy implementation, make greater efforts to expand businesses, and foster new growth divers, striving to fully recover the growth in profit, revenue and major businesses. Meanwhile, we will continue to strengthen our capabilities of serving customers, forestalling risks, and managing operations, to lay a solid foundation for sustainable high-quality development.

Financial Highlights



NOTES

- Non-interest income** = net fee and commission income + net trading gains/(losses) + net gains/losses on investment securities + other operating income
- Operating income** = net interest income + non-interest income
- Return on average total assets** = profit for the year ÷ average total assets. average total assets = (total assets at the beginning of the year + total assets at the year-end) ÷ 2
- Return on average equity** = profit attributable to equity holders of the bank ÷ weighted average capital and reserves attributable to equity holders of the bank
- net interest margin** = net interest income ÷ average balance of interest-earning assets. average balance is average daily balance derived from the bank's management accounts (unaudited).
- Non-interest income to operating income** = non-interest income ÷ operating income
- Provision Coverage** = impairment on loans ÷ balance of NPL. average balance of loans = (balance of loans at the beginning of the year + balance of loans at the year-end) ÷ 2

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION

As At 31 December 2021

1. Background

- Licensing details**

- License number: 31
- Date licensed in 07th September 2017
- Date of permanent license 07th September 2017
- Operations commencement date: 08 December 2010
- Type of license: Commercial Bank

- Significant Shareholding (10% and more)**

SHARE-HOLDER'S NAMES A	NUMBER OF SHARES B	VALUE KHR "000" C	% of share-holding D	Names of Shareholders and %-age of Beneficial Shareholding of Corporate persons in Column "A" E		PEPs F
Bank of China (Hong Kong) Limited	NIL	605,550,000	100%	BOC Hong Kong (Holdings) Limited	100%	NIL

- Group relationships (local and foreign)**

- Bank of China (Hong Kong) Limited is not involved in any non-financial businesses.
- There are 03 subsidiaries under group such as:
 - BOC Credit Card (International) Limited (HK)
 - Bank of China (Malaysia) Berhad (Malaysia)
 - Bank of China (Thai) Public Company Limited (Thailand)

2. Business Model (Fund managers/ broker dealers etc)

★ Please list down in blank cell if the institution has more than the items provided.

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION (continued)

As At 31 December 2021

Customers categories

No.	Customer Categories	Yes/No
1	Political Expose Persons (PEPs)	Yes
2	Individual	Yes
3	Non-Resident clients	Yes
4	Domestic legal entities	Yes
5	Dealer in precious metals and stones	No
6	Pooled accounts (Lawyers, Accountants, Security Brokers, Nominees, etc.)	Yes
7	Trust and Legal Arrangements	No
8	Money Remittance Companies	No
9	Money Changers	Yes
10	Casino	No
11	Other Cash-intensive customers	No
12	NGOs	Yes
13	Real Estate Business	Yes
14	N/A	

Product and Services

No.	Product and Services	Yes/No
1	Deposits	Yes
2	Trade finance	Yes
3	Preferred/Premiere/Private/VIP Banking	No
4	International Wire Transfers	Yes
5	Bank Draft	No
6	Foreign Currency Exchange	Yes
7	N/A	

Delivery channels

No.	Delivery channels	Yes/No
1	Conducted directly in the bank premises	Yes
2	Conducted through the bank's partner (including agents)	No
3	Conducted through mobile phone/Internet	Yes
4	Conducted through ATM (Acceptance of cash deposit)	Yes
5	N/A	

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION (continued)
As At 31 December 2021

Geographic regions including external countries/regions to which the Institution has significant exposure

- Branches

Provinces/Countries	Number of branches
Phnom Penh	03 (including HQ)
Siem Reap	01
Shihanouk Ville	01

Total number of branches 05

3. Board of Directors/ Senior Management

List members of Board of Directors

Name	Position	Nationality	Member of committee(s)	Other Position Hold (in other legal entity (s))	Last fit & proper check	Other
Mr. Liu Liange	Chairman	Chinese	Chairman of the Strategy and Budget Committee	-	-	-
LIU Jin	Vice Chairman	Chinese	Nomination and Remuneration Committee and the Strategy and Budget Committee	-	-	-
Mr. Lin Jingzhen	Non-executive Director	Chinese	The Strategy and budget committee	-	-	-
SUN Yu	Non-executive Director	Chinese	Risk Committee	-	-	-
CHENG Eva	Independent Non-executive Director	HK	The Audit Committee and the Strategy & Budget Committee	NIL	-	-
CHOI Koon Shum	Independent Non-executive Director	HK	The Audit Committee and the Nomination Committee	Chairman of Sunwah Group	-	-
KOH Beng Seng	Independent Non-executive Director	HK	The Audit Committee, the Remuneration Committee and the Nomination Committee	CEO of Octagon Advisors Pte Ltd	-	-
Mr. Law Yee Kwan Quinn	Independent Non-executive Director	HK	Audit Committee; Risk Committee	-	-	-
TUNG Savio Wai-Hok	Independent Non-executive Director	HK	The Remuneration Committee, the Nomination Committee, the Risk Committee and the Strategy and Budgeting Committee	Chairman of Investcorp Technology Partners	-	-

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION (continued)

As At 31 December 2021

List members of senior management

Name	Position	Nationality	Member of committee(s)	Other Position Hold (in other legal entity (s))	Last fit & proper check	Other
Liu Daozhi	CEO	Chinese	Executive Management Committee	NIL	-	-
Wang Hong Song	Assistant CEO/ Deputy CEO	Chinese	Risk Management, Credit Evaluation, ALCO, and AML Committees	NIL	-	-
Liu Zheng	Assistant CEO/ Deputy CEO	Chinese	ALCO Committee	NIL	-	-
Gung Wing Hang Elsie	Assistant CEO/ Deputy CEO		-	NIL	-	-

1. Executive Management Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Liu Daozhi	Chairman	Chinese	12/02/2021		
2	Mr. Wang Hongsong	Member	Chinese	24/04/2019		
3	Mr. Liu Zheng	Member	Chinese	24/04/2019		
4.	Ms. Gung Wing Hang Elsie	Member	Chinese(HK)	11/11/2020		

2. Credit Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Wang Hongsong	Chairman	Chinese	07/06/2019		
2	Ms. Tian Xiaolin	Member	Chinese	16/08/2020		
3	Mr. Ouyang Chang	Member	Chinese	07/06/2019		
4	Mr. Wang Junwei	Member	Chinese	07/06/2019		
5	Mr. Wang Wenzhe	Member	Chinese	07/06/2019		
6	Mr. Si Zhengqiang	Member	Chinese	07/06/2019		
7	Mrs. Zhang Yuan	Member	Chinese	07/06/2019		
8	Mr. Liu Jianwu	Member	Chinese	07/06/2019		
9	Mr. Liu Xiaofeng	Member	Chinese	07/06/2019		
10	Mr. Guo Huafeng	Member	Chinese	25/12/2019		
11	Mr. Xu Wei	Member	Chinese	30/05/2020		
12	Ms. Kong Bopha	Member	Cambodian	27/10/2021		

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION (continued)
As At 31 December 2021

3. Operational Risk Management and Internal Control Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Wang Hongsong	Chairman	Chinese	08/06/2018		
2	Mr. Liu Zheng	Member	Chinese	28/06/2019		
3	Mr. Liu Daozhi	Observer	Chinese	11/03/2021		
4	Ms. Gung Wing Hang Elsie	Member	Chinese(HK)	11/03/2021		
5	Mr. Ouyang Chang	Member	Chinese	08/06/2018		
6	Ms. Zhang Yuan	Member	Chinese	08/06/2018		
7	Ms. Tian Xiaolin	Member	Chinese	11/03/2021		
8	Mr. Xu Wei	Member	Chinese	11/03/2021		
9	Mr. Wang Wenzhe	Member	Chinese	08/06/2018		
10	Mr. Liu Xiao Feng	Member	Chinese	08/06/2018		
11	Mr. Ma Yan	Member	Chinese	30/03/2022		
12	Mr. Cui Hongbo	Member	Chinese	28/06/2019		
13	Mr. Wang Junwei	Member	Chinese	28/06/2019		
14	Mr. Liu Jianwu	Member	Chinese	28/06/2019		
15	Ms. Chhor Chhunvouch	Member	Cambodian	08/06/2018		
16	Ms. Han Weida	Observer	Chinese	08/06/2018		
17	Ms. Chen Shaoling	Member	Chinese	05/11/2020		
18	Mr. Liu Dehua	Member	Chinese	05/11/2020		
19	Mr. Cai Jiaxin	Member	Chinese	05/11/2020		
20	Ms. Tan Sokim	Member	Cambodian	05/11/2020		
21	Mr. Si Zhengqiang	Member	Chinese	30/03/2022		
22	Ms. Kong Bopha	Member	Cambodian	30/03/2022		

4. Procurement Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Wang Hongsong	Chairman	Chinese	30/06/2019		
2	Mrs. Zhang Yuan	Member	Chinese	28/02/2014		
3	Mr. Liu Xiao Feng	Member	Chinese	03/03/2012		
4	Mr. Ouyang Chang	Member	Chinese	19/04/2011		
5	Mr. Xu Wei	Member	Chinese	11/11/2020		
6	Mr. Cui Hongbo	Member	Chinese	31/01/2017		
7	Mr. Liu Jianwu	Member	Chinese	31/07/2018		
8	Mr. Si Zhengqiang	Member	Chinese	31/01/2019		
9	Ms. Tian Xiaolin	Member	Chinese	11/11/2020		
10	Mr. Guo Huafeng	Member	Chinese	23/04/2020		
11	Mr. Wang Wenzhe	Member	Chinese	31/01/2017		
12	Mrs. Kong Bopha	Member	Cambodia	30/09/2021		
13	Mr. Wang Junwei	Secretary	Chinese	05/05/2017		

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION (continued)
As At 31 December 2021

5. Risk Management Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Wang Hongsong	Chairman	Chinese	07/06/2019		
2	Mr. Liu Daozhi	Member	Chinese	17/03/2021		
3	Mr. Liu Zheng	Member	Chinese	07/06/2019		
4	Ms. Gung Wing Hang Elsie	Member	Chinese(HK)	17/03/2021		
5	Ms. Tian Xiaolin	Member	Chinese	17/03/2021		
6	Mr. Ouyang Chang	Member	Chinese	07/02/2018		
7	Mr. Wang Junwei	Member	Chinese	07/02/2018		
8	Mr. Cui Hongbo	Member	Chinese	07/06/2019		
9	Mr. Liu Xiaofeng	Member	Chinese	07/02/2018		
10	Mr. Wang Wenzhe	Member	Chinese	07/02/2018		
11	Mr. Xu Wei	Member	Chinese	17/03/2021		
12	Ms. Li Chunxiao	Member	Chinese	07/06/2019		
13	Ms. Tan Sokim	Member	Cambodian	07/02/2018		
14	Mr. Guo Huafeng	Member	Chinese	17/03/2021		

6. AML Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Wang Hongsong	Chairman	Chinese	28/03/2018		
2	Mr. Liu Daozhi	Observer	Chinese	12/02/2021		
3	Mr. Liu Zheng	Member	Chinese	25/01/2019		
4	Ms. Gung Wing Hang Elsie	Member	Chinese(HK)	11/11/2020		
5	Mr. Liu Jianwu	Member	Chinese	28/03/2018		
6	Mr. Xu Wei	Member	Chinese	04/09/2020		
7	Mr. Ouyang Chang	Member	Chinese	28/03/2018		
8	Mr. Wang Wenzhe	Member	Chinese	28/03/2018		
9	Ms. Chhor Chhun Vouch	Member	Cambodian	28/03/2018		
10	Mr. Liu Xiaofeng	Member	Chinese	28/03/2018		
11	Mr. Zhang Yuan	Member	Chinese	12/10/2018		
12	Mr. Ma Yan	Member	Chinese	04/09/2020		
13	Mr. Liu Dehua	Member	Chinese	04/09/2020		
14	Mr. Cai Jiaxin	Member	Chinese	04/09/2020		
15	Ms. Chen Shaoling	Member	Chinese	04/09/2020		
16	Ms. Tan Sokim	Member	Cambodian	04/09/2020		
17	Ms. Kong Bopha	Member	Cambodian	29/03/2022		
18	Ms. Han Weida	Observer	Chinese	29/03/2022		

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION (continued)

As At 31 December 2021

7. ALCO Committee

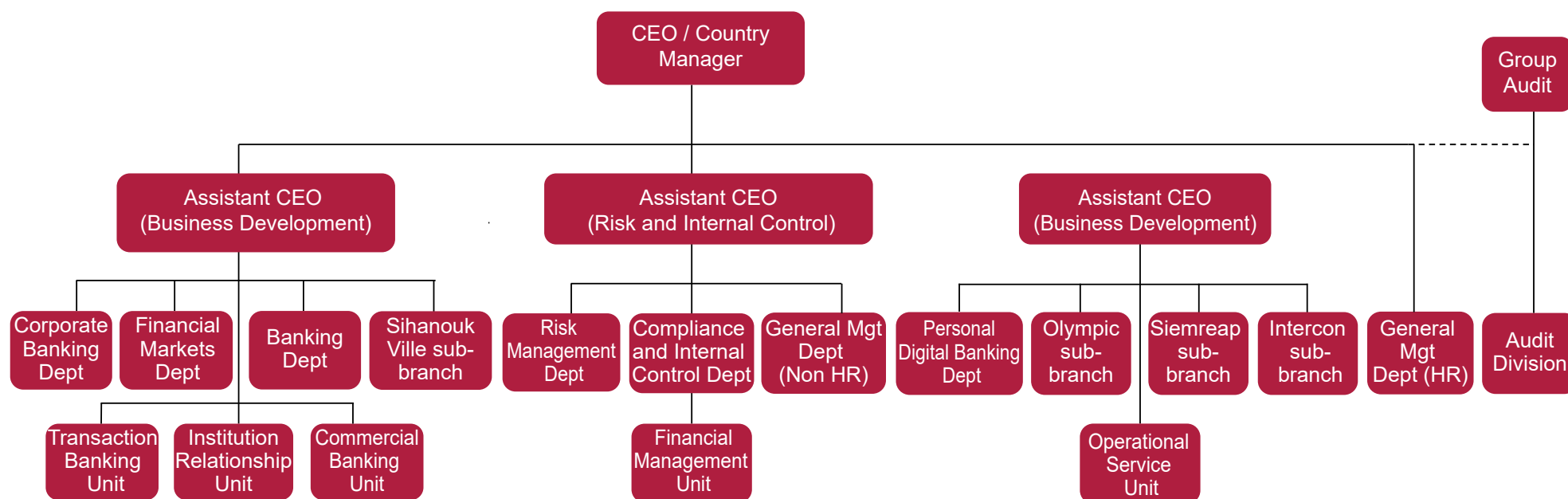
No.	Members	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Liu Daozhi	Chairman	Chinese	22/02/2021		
2	Mr. Wang Hongsong	Member	Chinese	27/07/2017		
3	Mr. Liu Zheng	Member	Chinese	27/07/2017		
4	Ms. Gung Wing Hang Elsie	Member	Chinese(HK)	11/11/2020		
5	Mr. Xu Wei	Member	Chinese	11/11/2020		
6	Mr. Liu Xiaofeng	Member	Chinese	27/07/2017		
7	Mr. Guo Huafeng	Member	Chinese	23/04/2020		
8	Mr. Cui Hongbo	Member	Chinese	27/07/2017		
9	Mr. Wang Wenzhe	Member	Chinese	27/07/2017		
10	Mr. Liu Jianwu	Member	Chinese	01/05/2019		
11	Ms. Tian Xiaolin	Member	Chinese	11/11/2020		
12	Mr. Wang Junwei	Secretary	Chinese	27/07/2017		

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION (continued)

As At 31 December 2021

Bank of China (Hong Kong) Phnom Penh Branch Organization Chart



Bank Of China (Hong Kong) Limited Phnom Penh Branch

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Bank Of China (Hong Kong) Limited Phnom Penh Branch

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

	PAGES
Executive management's report.....	1 – 3
Independent auditor's report.....	4 – 6
Financial statements	
Statement of financial position.....	7
Statement of profit or loss and other comprehensive income.....	8
Statement of changes in equity.....	9
Statement of cash flows.....	10
Notes to the financial statements.....	11 – 80

EXECUTIVE MANAGEMENT'S REPORT

The Executive Management (the Management) hereby submits their report together with the audited financial statements of Bank of China (Hong Kong) Limited Phnom Penh Branch (the Branch) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Branch are the operations of core banking business and the provision of related financial services in Cambodia. There were no changes to the nature of the principal activities during the year.

FINANCIAL PERFORMANCE

The financial performance of the Branch for the year is set out in the statement of profit or loss and other comprehensive income on page 8.

BAD AND DOUBTFUL LOANS AND ADVANCES

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

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

ASSETS

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

At the date of this report and to the best of their knowledge, the Management is not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Branch misleading in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Branch which has arisen since the end of the financial year which secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Branch 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 Branch has become enforceable, or is likely to become enforceable within a period of twelve months after the end of the financial year which, in the opinion of the Management, will or may have a material effect on the ability of the Branch to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Management is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Branch, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Branch for the financial year were not, in the opinion of the Management, materially affected by any items, transactions or events of a material and unusual nature. There has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the Management, to substantially affect the results of the operations of the Branch for the year in which this report is made.

THE MANAGEMENT

The members of the Management of the Branch during the year and as at the date of this report are:

- | | |
|----------------------------|---|
| • Mr. Liu Daozhi | Chief Executive Officer (appointed on 12 February 2021) |
| • Mr. Wang Huabin | Chief Executive Officer (resigned on 2 January 2021) |
| • Mr. Wang Hong Song | Assistant Chief Executive Officer |
| • Mr. Liu Zheng | Assistant Chief Executive Officer |
| • Mr. Gung Wing Hang Elsie | Assistant Chief Executive Officer |

THE MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Management is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRS").

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

The Management confirms that the Branch has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Branch as at 31 December 2021 and the financial performance and cash flows of the Branch for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Executive Management.

Signed in accordance with a resolution of the Executive Management.


Mr. Liu Daozhi
Chief Executive Officer



Phnom Penh, Kingdom of Cambodia

12 APR 2022

Canada Tower, 1st & 2nd Floor, 312 Ang Dong St.
(Corner of Monivong Blvd.) Phnom Penh, Kingdom of Cambodia



Independent auditor's report

To the Head Office of Bank of China (Hong Kong) Limited Phnom Penh Branch

Our opinion

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

What we have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers(Cambodia)Ltd.

58C Sihanouk Boulevard,Sangkat Tonle Bassace, Khan Camkarmon, Phnom Penh.Cambodia.

T:+855(0)23 860 606,F:+(0) 23 211 594,



Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch'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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For PricewaterhouseCoopers (Cambodia) Ltd.

By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
12 April 2022

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION As At 31 December 2021

	Notes	2021		2020	
	Notes	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	23,460,873	95,579,597	35,990,292	145,580,731
Deposits and placements with the central bank	5	376,366,456	1,533,316,942	360,596,739	1,458,613,810
Deposits and placements with other banks	6	231,245,258	942,093,181	104,625,767	423,211,228
Loans and advances at amortised cost	7	740,722,329	3,017,702,768	640,176,291	2,589,513,097
Statutory deposits with the central bank	8	89,080,233	362,912,869	86,526,610	350,000,137
Right-of-use assets	9	2,196,007	8,946,533	2,844,940	11,507,782
Property and equipment	10	1,105,601	4,504,218	1,635,779	6,616,726
Deferred tax assets	11	3,706,266	15,099,328	2,269,568	9,180,403
Other assets	12	991,952	4,041,212	1,290,018	5,218,122
TOTAL ASSETS		<u>1,468,874,975</u>	<u>5,984,196,648</u>	<u>1,235,956,004</u>	<u>4,999,442,036</u>
LIABILITIES AND HEAD OFFICE'S EQUITY					
LIABILITIES					
Deposits from banks	13	50,666,759	206,416,376	835,291	3,378,752
Deposits from customers	14	942,798,665	3,840,961,761	880,504,794	3,561,641,892
Borrowings	15	184,851,644	753,085,598	80,899,690	327,239,246
Lease liabilities	9	2,304,139	9,387,062	2,905,299	11,751,934
Current income tax liabilities	25	4,779,149	19,470,253	3,959,970	16,018,079
Other liabilities	16	8,011,894	32,640,456	6,670,671	26,982,864
TOTAL LIABILITIES		<u>1,193,412,250</u>	<u>4,861,961,506</u>	<u>975,775,715</u>	<u>3,947,012,767</u>
HEAD OFFICE'S EQUITY					
Head office's capital contributions	17	150,000,000	600,000,000	150,000,000	600,000,000
Retained earnings		125,462,725	508,105,975	110,180,289	445,937,024
Other reserves		-	14,129,167	-	6,492,245
TOTAL EQUITY		<u>275,462,725</u>	<u>1,122,235,142</u>	<u>260,180,289</u>	<u>1,052,429,269</u>
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY		<u>1,468,874,975</u>	<u>5,984,196,648</u>	<u>1,235,956,004</u>	<u>4,999,442,036</u>

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME As At 31 December 2021

The accompanying notes on pages 11 to 80 form an integral part of these financial statements.

	Notes	2021		2020	
	Notes	US\$	KHR'000	US\$	KHR'000
Interest income	18	35,135,069	142,929,461	32,797,960	133,717,283
Interest expense	18	(7,782,254)	(31,658,209)	(7,675,637)	(31,293,572)
Net interest income	18	27,352,815	111,271,252	25,122,323	102,423,711
Fee and commission income	19	6,109,049	24,851,611	6,087,651	24,819,353
Fee and commission expense	19	(389,801)	(1,585,710)	(585,271)	(2,386,150)
Net fee and commission income	19	5,719,248	23,265,901	5,502,380	22,433,203
Credit impairment losses	20	(4,256,072)	(17,313,701)	(297,693)	(1,213,694)
Other gains – net	21	2,069,379	8,418,234	1,741,704	7,100,926
Net other operating (losses)/ income		(2,186,693)	(8,895,467)	1,444,011	5,887,232
Personnel expenses	22	(7,686,914)	(31,270,366)	(6,985,356)	(28,479,296)
Depreciation charges	23	(1,600,455)	(6,510,651)	(1,550,750)	(6,322,408)
Other operating expenses	24	(2,410,049)	(9,804,079)	(2,672,383)	(10,895,305)
		(11,697,418)	(47,585,096)	(11,208,489)	(45,697,009)
Profit before income tax		19,187,952	78,056,590	20,860,225	85,047,137
Income tax expenses	25	(3,905,516)	(15,887,639)	(4,553,598)	(18,565,019)
Profit for the year		15,282,436	62,168,951	16,306,627	66,482,118
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	7,636,922	-	(7,838,022)
Other comprehensive income/(losses) for the year, net of tax		-	7,636,922	-	(7,838,022)
Total comprehensive income for the year		15,282,436	69,805,873	16,306,627	58,644,096
Profit attributable to:					
Head Office of the Branch		15,282,436	62,168,951	16,306,627	66,482,118
Total comprehensive income attributable to:					
Head Office of the Branch		15,282,436	69,805,873	16,306,627	58,644,096

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF CHANGES IN EQUITY

As At 31 December 2021

The accompanying notes on pages 11 to 80 form an integral part of these financial statements.

6

	Attributable to the Head Office							
	Head office's capital contributions		Retained earnings		Other reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at 1 January 2020	150,000,000	600,000,000	93,873,662	379,454,906	-	14,330,267	243,873,662	993,785,173
Profit for the year	-	-	16,306,627	66,482,118	-	-	16,306,627	66,482,118
Other comprehensive losses – currency translation differences	-	-	-	-	-	(7,838,022)	-	(7,838,022)
Total comprehensive income for the year	-	-	16,306,627	66,482,118	-	(7,838,022)	16,306,627	58,644,096
Balance at 31 December 2020	150,000,000	600,000,000	110,180,289	445,937,024	-	6,492,245	260,180,289	1,052,429,269
Balance at 1 January 2021	150,000,000	600,000,000	110,180,289	445,937,024	-	6,492,245	260,180,289	1,052,429,269
Profit for the year	-	-	15,282,436	62,168,951	-	-	15,282,436	62,168,951
Other comprehensive income – currency translation differences	-	-	-	-	-	7,636,922	-	7,636,922
Total comprehensive income for the year	-	-	15,282,436	62,168,951	-	7,636,922	15,282,436	69,805,873
Balance at 31 December 2021	150,000,000	600,000,000	125,462,725	508,105,975	-	14,129,167	275,462,725	1,122,235,142

Bank Of China (Hong Kong) Limited Phnom Penh Branch

STATEMENT OF CASH FLOWS As At 31 December 2021

The accompanying notes on pages 11 to 80 form an integral part of these financial statements.

	Notes	2021		2020	
	Notes	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Cash generated from operations	27	4,559,251	18,547,034	30,230,188	123,248,476
Interest received		34,821,687	141,654,623	32,696,154	133,302,220
Interest paid		(8,251,341)	(33,566,455)	(7,000,920)	(28,542,751)
Income tax paid	25 (a)	(4,523,035)	(18,399,706)	(6,577,304)	(26,815,668)
Net cash generated from operating activities		26,606,562	108,235,496	49,348,118	201,192,277
Cash flows from investing activities					
Deposits and placements with the central bank - maturity more than three months		(8,520,000)	(34,659,360)	(7,304,448)	(29,780,234)
Deposits and placements with other banks - maturity more than three month		(35,000,000)	(142,590,000)	2,068	8,431
Purchases of property and equipment	10	(237,534)	(966,288)	(505,711)	(2,061,784)
Net cash used in investing activities		(43,757,534)	(178,215,648)	(7,808,091)	(31,833,587)
Cash flows from financing activities					
Proceeds from borrowings	15	795,016,226	3,234,126,007	708,074,050	2,886,817,902
Repayments of borrowings	15	(690,742,294)	(2,809,939,652)	(670,637,678)	(2,734,189,813)
Principal element of lease payment		(784,971)	(3,193,262)	(794,686)	(3,239,935)
Net cash generated from financing activities		103,488,961	420,993,093	36,641,686	149,388,154
Net increase in cash and cash equivalents		86,337,989	351,012,941	78,181,713	318,746,844
Cash and cash equivalents at the beginning of the year		493,994,093	1,998,206,108	415,812,380	1,696,165,169
Currency translation differences		-	15,053,853	-	(16,705,905)
Cash and cash equivalents at the end of the year	26	580,332,082	2,364,272,902	493,994,093	1,998,206,108

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021



1. BACKGROUND INFORMATION

Bank of China (Hong Kong) Limited Phnom Penh Branch (“the Branch”) was incorporated in Cambodia on 12 July 2010 originally named Bank of China Limited Phnom Penh Branch, a branch of Bank of China Limited, under the Registration Number Co. 0034Br/2010 and was granted a banking license from the National Bank of Cambodia (“NBC” or “the central bank”) on 11 November 2010 for an indefinite period. The Branch commenced its operations on 8 December 2010.

In 2017, the Branch was completely acquired by Bank of China (Hong Kong) Limited from Bank of China Limited. Subsequently, the Branch changed its name from Bank of China Limited Phnom Penh Branch to Bank of China (Hong Kong) Limited Phnom Penh Branch with new registration number 00014630 from the Ministry of Commerce. On 7 September 2017, the Branch obtained an updated banking license under the new name from the NBC to carry out banking operations for an indefinite period.

Its head office, Bank of China (Hong Kong) Limited (“BOCHK”), a bank incorporated and registered in Hong Kong, is listed on the Hong Kong Stock Exchange. BOCHK’s core business is commercial banking, including corporate banking, personal banking and financial market services, providing a comprehensive range of financial services to customers across Hong Kong as well as in eight countries and regions.

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

The Branch’s registered office address is at Canadia Tower, 1st and 2nd Floor, 315 Ang Doung Street Corner of Monivong Blvd., Phnom Penh, Cambodia. As at 31 December 2021, the Branch has four sub-branches, two in Phnom Penh, one in Siem Reap and another one in Preah Sihanouk province.

The financial statements were authorised for issue by the Executive Management on 12 April 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 New standards and interpretation

i) New and amended standards adopted by the Branch

The Branch has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19 Related Rent Concessions – amendment to CIFRS 16

The amendments on Covid-19 Related Rent Concessions did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

- Interest Rate Benchmark Reform – Phase 2 – amendment to CIFRS 9, CIAS 39, CIFRS 7 and CIFRS 16.

Financial instruments measured using amortised cost measurement

"Phase 2" of the amendments requires that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

For the year ended 31 December 2021, the Branch has applied the practical expedients offered under “phase 2” of the amendments to US\$282,994,389 of loans measured at amortised cost.

The Branch’s risk exposure that is directly affected by the interest rate benchmark reform predominantly comprises its portfolio of financial assets which are measured at amortised cost. The Branch is exposed to the effects of LIBOR reform on its loans and advances to customers.

Management is currently assessing the impact of which IBOR to adopt after the cease of LIBOR by end of June 2023.

ii) New standards and interpretations not yet adopted by the Branch

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Branch. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

iii) Presentation in Khmer riel

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

The Branch has used the official rate of exchange published by the National Bank of Cambodia. As at the reporting date, the yearly average rate was US\$ 1 to Riel 4,068 (2020: US\$ 1 to Riel 4,077) and the closing rate was US\$1 to Riel 4,074 (2020: US\$ 1 to Riel 4,045).

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

2.4 Cash and cash equivalents (continued)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Financial assets

a) Classification

The Branch classifies its financial assets as measured at amortised cost and they are cash on hand, deposits and placements with the central bank and banks, loans and advances at amortised cost and other financial assets.

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

The Branch classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

b) Recognition and derecognition

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

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

c) Measurement

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

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

Debt instruments

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

assets measured at amortised cost.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

d) Reclassification of financial assets

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

e) Impairment

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

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

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

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

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

(a) Stage 1: 12-month ECL

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

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

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

(c) Stage 3: Lifetime ECL – credit impaired

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial liabilities

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

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

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

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

2.7 Credit commitments and financial guarantee contracts

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

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

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

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

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

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

2.8 Offsetting financial instruments (continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.9 Property and equipment

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

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

Capital work-in-progress is not depreciated. Depreciation of property and equipment is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets as follows:

	Years
Leasehold improvements	Shorter of its contractual lease term and its economic lives of 5 years
Office equipment	3-5 years
Computer equipment	3 years
Motor vehicles	6 years

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

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

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

2.10 Impairment of non-financial assets

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

Any impairment loss is charged to profit or loss in the period in which it arises. Reversal of impairment losses is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases

The Branch as a lessee

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

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

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

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

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

i) Lease liabilities

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

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

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

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

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

ii) Right-of-use assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

ii) Right-of-use assets (continued)

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

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

iii) Recognition exemptions

Payments associated with all short-term leases and low-value items are recognised on a straight-line basis as an expense in profit or loss. Low-value items comprise small items of office equipment and short-term lease comprise car rentals.

2.12 Income tax

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

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

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

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

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

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

2.13 Provision

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Provision (continued)

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

2.14 Regulatory reserves

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

2.15 Employee benefits

i) Short-term employee benefits

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

ii) Other employee benefits - seniority payments

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

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

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

The past years of seniority service is classified as long-term employee benefits, other than those payable within the next 12 months. Past seniority liability is recognised at the present value of defined obligations at the reporting period using the projected unit credit method to better estimate the ultimate cost to the Branch that employees have earned in return for their service in the current and prior period. That obligation arises as employees render the services that the Branch expected to pay in the future reporting periods. The present value of the past seniority payment is determined by discounting the estimated future payments by references to the high quality corporate bond of the currency that the liability is denominated.

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Interest income and expense

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

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

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

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

2.17 Fee and commission income

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

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

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

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

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Applying assumptions and analysis on expected future cash flows and forward-looking information, including COVID 19 impact on staging criteria which the existing ECL model was not built for
- For individual assessment management makes judgement on the future in respect of the estimation of amount and timing of cash flows from the net realisable value of the underlying collateral value

4. CASH ON HAND

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
US Dollars	21,859,557	89,055,835	32,473,889	131,356,881
Khmer Riel	964,562	3,929,626	1,545,513	6,251,600
Other	636,754	2,594,136	1,970,890	7,972,250
	<u>23,460,873</u>	<u>95,579,597</u>	<u>35,990,292</u>	<u>145,580,731</u>

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Current accounts	170,598,110	695,016,700	173,376,845	701,309,339
Negotiable certificates of deposit (i)	205,825,039	838,531,209	187,300,000	757,628,500
	<u>376,423,149</u>	<u>1,533,547,909</u>	<u>360,676,845</u>	<u>1,458,937,839</u>
Less: Allowance for expected credit loss	<u>(56,693)</u>	<u>(230,967)</u>	<u>(80,106)</u>	<u>(324,029)</u>
	<u>376,366,456</u>	<u>1,533,316,942</u>	<u>360,596,739</u>	<u>1,458,613,810</u>

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK (continued)

- (i) The Branch has pledged Negotiable Certificates of Deposit (“NCD”) amounting to US\$2,820,000 (2020: US\$7,300,000) with the central bank as collateral for borrowing on Liquidity-Providing Collateralized Operation (“LPCO”) (Note 15). Another NCD amounting to US\$13,000,000 pledged as collateral for settlement clearing facility (2020: Nil). As at 31 December 2021, the Branch had yet utilised the overdraft on settlement clearing facility.

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

	2021	2020
Current accounts	Nil	Nil
Negotiable certificates of deposit	0.02% - 0.13%	0.04% - 0.78%

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

a) By account types

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current:				
<i>Deposits and placements with local banks</i>				
Current accounts	57,110	232,666	57,745	233,579
Fixed deposits	167,265,222	681,438,514	60,000,000	242,700,000
	167,322,332	681,671,180	60,057,745	242,933,579
<i>Deposits and placements with overseas banks</i>				
Current accounts	32,803,720	133,642,355	44,569,211	180,282,459
Fixed deposits	31,374,671	127,820,410	-	-
	64,178,391	261,462,765	44,569,211	180,282,459
Less: Allowance for expected credit loss	(255,465)	(1,040,764)	(1,189)	(4,810)
	231,245,258	942,093,181	104,625,767	423,211,228

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

	2021	2020
Current accounts	0.00% - 0.50%	0.00% - 2.40%
Fixed deposits	0.04% - 4.50%	0.04% - 2.75%

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

7. LOANS AND ADVANCES AT AMORTISED COST (continued)

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost:</i>				
Commercial loans:				
Long-term loans	684,724,486	2,789,567,555	620,996,295	2,511,930,014
Short-term loans				
Overdrafts	30,684,702	125,009,476	26,213,741	106,034,582
Trade finance	40,801,753	166,226,342	4,842,911	19,589,575
Credit cards	53,159	216,570	76,559	309,681
Total gross carrying amount	756,264,100	3,081,019,943	652,129,506	2,637,863,852
Less: Allowance for expected credit loss	(15,541,771)	(63,317,175)	(11,953,215)	(48,350,755)
Total net loans	740,722,329	3,017,702,768	640,176,291	2,589,513,097

a) Allowance for expected credit loss

Movements for provision for loan losses are as follows:

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	10,705,951	43,616,045	10,140,124	41,016,802
Lifetime ECL-not credit impaired (Stage 2)	4,387,371	17,874,149	1,359,245	5,498,146
Lifetime ECL-credit impaired (Stage 3)	448,449	1,826,981	453,846	1,835,807
	15,541,771	63,317,175	11,953,215	48,350,755

b) By industry

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Financial institutions	158,597,738	646,127,185	102,069,370	412,870,602
Construction	150,130,300	611,630,842	126,327,794	510,995,927
Utilities	133,380,837	543,393,530	111,434,910	450,754,211
Manufacturing	69,685,797	283,899,937	65,789,418	266,118,196
Real estate	64,407,597	262,396,550	110,732,202	447,911,757
Wholesale and retails	39,026,059	158,992,164	28,369,623	114,755,125
Information media and telecommunications	34,460,613	140,392,537	34,950,811	141,376,030
Rental and operational leading	26,091,100	106,295,141	28,022,426	113,350,713
Hotels and restaurants	25,040,562	102,015,250	23,413,766	94,708,683
Other non-financial services	5,896,264	24,021,380	8,531,068	34,508,170
Personal lending	5,428,134	22,114,218	1,611,232	6,517,433
Agriculture, forestry and fishing	1,305,108	5,317,010	1,341,331	5,425,684
Transport and storage	4,175,557	17,011,219	2,178,990	8,814,015
Other lending	38,638,434	157,412,980	7,356,565	29,757,306
Total gross carrying amount	756,264,100	3,081,019,943	652,129,506	2,637,863,852

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

7. LOANS AND ADVANCES AT AMORTISED COST (continued)

c) By loan classification

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>				
Gross amount	721,463,828	2,939,243,634	621,346,557	2,513,346,823
Exposure at default	721,463,828	2,939,243,634	621,346,557	2,513,346,823
Allowance for expected credit loss	10,705,951	43,616,045	10,140,124	41,016,802
<i>Under-performing</i>				
Gross amount	33,779,791	137,618,869	30,324,970	122,664,504
Exposure at default	33,779,791	137,618,869	30,324,970	122,664,504
Allowance for expected credit loss	4,387,371	17,874,149	1,359,245	5,498,146
<i>Non-performing</i>				
Gross amount	1,020,481	4,157,440	457,979	1,852,525
Exposure at default	1,020,481	4,157,440	457,979	1,852,525
Allowance for expected credit loss	448,449	1,826,981	453,846	1,835,807
Total				
Gross amount	756,264,100	3,081,019,943	652,129,506	2,637,863,852
Exposure at default	756,264,100	3,081,019,943	652,129,506	2,637,863,852
Allowance for expected credit loss	15,541,771	63,317,175	11,953,215	48,350,755

d) By maturity

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	167,530,998	682,521,285	167,958,420	679,391,809
Later than 1 year and no later than 3 years	267,138,709	1,088,323,100	152,330,180	616,175,578
Later than 3 year and no later than 5 years	125,580,845	511,616,363	176,713,424	714,805,800
Later than 5 years	196,013,548	798,559,195	155,127,482	627,490,665
Total gross carrying amount	756,264,100	3,081,019,943	652,129,506	2,637,863,852

e) By exposure

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Large exposure	388,790,399	1,583,932,086	396,477,068	1,603,749,740
Non-large exposure	367,473,701	1,497,087,857	255,652,438	1,034,114,112
Total gross carrying amount	756,264,100	3,081,019,943	652,129,506	2,637,863,852

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

7. LOANS AND ADVANCES AT AMORTISED COST (continued)

f) By relationship

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Non-related parties	756,264,100	3,081,019,943	652,129,506	2,637,863,852
Total gross loans	756,264,100	3,081,019,943	652,129,506	2,637,863,852

g) By residency

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Residents	704,299,356	2,869,315,576	600,026,255	2,427,106,201
Non-residents	51,964,744	211,704,367	52,103,251	210,757,651
Total gross loans	756,264,100	3,081,019,943	652,129,506	2,637,863,852

h) By interest rate

	2021	2020
Long-term loans	2.7% - 8.00%	1.18% - 13.45%
Short-term loans	0.24% - 7.50%	2.98% - 8.50%

8. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current				
Reserve requirement (i)	74,080,233	301,802,869	71,526,610	289,325,137
Non-current				
Capital guarantee deposit (ii)	15,000,000	61,110,000	15,000,000	60,675,000
	89,080,233	362,912,869	86,526,610	350,000,137

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 7% (2020: 7%) of customers' deposits and borrowings in Khmer Riel and other currencies. The reserve requirement on customers' deposits and borrowings bear no interest.

(ii) Capital guarantee deposit

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

8. STATUTORY DEPOSITS WITH THE CENTRAL BANK (continued)

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

	2021	2020
Capital guarantee deposit	0.04% - 0.06%	0.09% - 0.47%
Reserve requirement	Nil	Nil

9. LEASES

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

The Branch has leased various buildings for its branch office and ATM locations. The Branch applies the recognition exemption for short-term leases of vehicles and low-value items for small office equipment.

a) Amounts recognised in the statement of financial position

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>				
Buildings	2,135,953	8,701,873	2,804,422	11,343,887
ATM locations	60,054	244,660	40,518	163,895
	<u>2,196,007</u>	<u>8,946,533</u>	<u>2,844,940</u>	<u>11,507,782</u>
Lease liabilities				
Current	519,799	2,117,661	802,616	3,246,582
Non-current	1,784,340	7,269,401	2,102,683	8,505,352
	<u>2,304,139</u>	<u>9,387,062</u>	<u>2,905,299</u>	<u>11,751,934</u>

Additions to the right-of-use assets during the 2021 were US\$183,811 (2020: US\$1,589,887).

b) Amounts recognised in the statement of profit or loss

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Depreciation charge of right-of-use assets</i>				
Buildings	808,124	3,287,449	762,965	3,110,608
ATM locations	24,619	100,150	21,890	89,246
Depreciation charge (Note 23)	<u>832,743</u>	<u>3,387,599</u>	<u>784,855</u>	<u>3,199,854</u>
Interest expense on lease liabilities (Note 18)	<u>58,218</u>	<u>236,831</u>	<u>60,431</u>	<u>246,378</u>
Expense relating to leases of short-term and low-value assets (included in other operating expenses) (Note 24)	<u>60,910</u>	<u>247,782</u>	<u>78,340</u>	<u>319,392</u>
Total expenses related to leases	<u>951,871</u>	<u>3,872,212</u>	<u>923,626</u>	<u>3,765,624</u>

Total cash outflow for lease for the year ended 31 December 2021 was US\$904,099 (2020: US\$933,457).

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

10. PROPERTY AND EQUIPMENT

Non-current	Leasehold improve- ments	Furniture and equip- ment	Computer equipment	Motor vehicles	Work in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
For the year ended 31 December 2020						
Opening net book value	1,149,229	379,197	215,300	152,240	-	1,895,966
Additions	346,587	75,913	83,211	-	-	505,711
Depreciation charge	(434,425)	(164,982)	(128,149)	(38,342)	-	(765,898)
Closing net book value	1,061,391	290,128	170,362	113,898	-	1,635,779
As at 31 December 2020						
Cost	4,348,400	1,236,306	1,089,385	636,601	-	7,310,692
Accumulated depreciation	(3,287,009)	(946,178)	(919,023)	(522,703)	-	(5,674,913)
Net book value	1,061,391	290,128	170,362	113,898	-	1,635,779
In KHR'000 equivalent	4,293,327	1,173,568	689,114	460,717	-	6,616,726
For the year ended 31 December 2021						
Opening net book value	1,061,391	290,128	170,362	113,898	-	1,635,779
Additions	-	27,772	149,727	-	60,035	237,534
Depreciation charge	(460,386)	(152,858)	(116,126)	(38,342)	-	(767,712)
Closing net book value	601,005	165,042	203,963	75,556	60,035	1,105,601
As at 31 December 2021						
Cost	4,348,400	1,173,156	1,239,112	636,601	60,035	7,457,304
Accumulated depreciation	(3,747,395)	(1,008,114)	(1,035,149)	(561,045)	-	(6,351,703)
Net book value	601,005	165,042	203,963	75,556	60,035	1,105,601
In KHR'000 equivalent	2,448,494	672,381	830,945	307,815	244,583	4,504,218

11. DEFERRED TAX ASSETS

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Non-current</i>				
Deferred tax assets	4,145,467	16,888,633	2,469,923	9,990,839
Deferred tax liabilities	(439,201)	(1,789,305)	(200,355)	(810,436)
Deferred tax assets - net	3,706,266	15,099,328	2,269,568	9,180,403

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	2,269,568	9,180,403	2,321,543	9,460,287
Credited/(charged) to profit or loss (Note 25)	1,436,698	5,844,487	(51,975)	(211,902)
Currency translation differences	-	74,438	-	(67,982)
As at 31 December	3,706,266	15,099,328	2,269,568	9,180,403

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

11. DEFERRED TAX ASSETS (continued)

a) Deferred tax assets

	Impairment loss	Unamor- tised loan fees	Lease liabilities	Accelerat- ed depre- ciation	Others	Total
	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2020	2,177,816	198,665	-	-	7,331	2,383,812
Credited/(charged) to profit or loss	122,375	(34,838)	-	-	(1,426)	86,111
At 31 December 2020	2,300,191	163,827	-	-	5,905	2,469,923
In KHR'000 equivalent	9,304,273	662,680	-	-	23,886	9,990,839
At 1 January 2021	2,300,191	163,827	-	-	5,905	2,469,923
Credited/(charged) to profit or loss	890,611	195,736	460,828	134,274	(5,905)	1,675,544
At 31 December 2021	3,190,802	359,563	460,828	134,274	-	4,145,467
In KHR'000 equivalent	12,999,327	1,464,860	1,877,413	547,033	-	16,888,633

Deferred tax liabilities

	Right-of-use assets	Accelerated depreciation	Total
	US\$	US\$	US\$
At 1 January 2020	-	(62,269)	(62,269)
Charged to profit or loss	(109,242)	(28,844)	(138,086)
At 31 December 2020	(109,242)	(91,113)	(200,355)
In KHR'000 equivalent	(441,884)	(368,552)	(810,436)
At 1 January 2021	(109,242)	(91,113)	(200,355)
(Charged)/credited to profit or loss	(329,959)	91,113	(238,846)
At 31 December 2021	(439,201)	-	(439,201)
In KHR'000 equivalent	(1,789,305)	-	(1,789,305)

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

12. OTHER ASSETS

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Prepayments and advances	573,023	2,334,496	340,533	1,377,456
Security deposits	317,177	1,292,178	324,542	1,312,772
Contract assets related to fees from trade finance	101,752	414,538	602,042	2,435,260
Others	-	-	22,901	92,634
	991,952	4,041,212	1,290,018	5,218,122

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current	571,098	2,326,653	861,799	3,485,977
Non-current	420,854	1,714,559	428,219	1,732,145
	991,952	4,041,212	1,290,018	5,218,122

13. DEPOSITS FROM BANKS

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Current:</i>				
Current accounts	31,204,080	127,125,422	835,291	3,378,752
Fixed deposits	19,462,679	79,290,954	-	-
	50,666,759	206,416,376	835,291	3,378,752

a) By residency status

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Cambodia	49,901,883	203,300,271	288,990	1,168,965
Overseas	764,876	3,116,105	546,301	2,209,787
	50,666,759	206,416,376	835,291	3,378,752

b) By relationship

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Related parties	764,876	3,116,105	546,301	2,209,787
Non-related parties	49,901,883	203,300,271	288,990	1,168,965
	50,666,759	206,416,376	835,291	3,378,752

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

13. DEPOSITS FROM BANKS (continued)

c) By interest rate

	2021	2020
Current accounts	Nil	Nil
Fixed deposits	0.50% - 4.20%	0.50% - 3.50%

14. DEPOSITS FROM CUSTOMERS

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current accounts	655,731,709	2,671,450,983	484,466,392	1,959,666,556
Fixed deposits	137,515,222	560,237,014	283,054,570	1,144,955,736
Savings deposits	129,399,449	527,173,355	109,286,629	442,064,414
Margin deposits	20,152,285	82,100,409	3,697,203	14,955,186
	<u>942,798,665</u>	<u>3,840,961,761</u>	<u>880,504,794</u>	<u>3,561,641,892</u>

a) By maturity

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current	925,043,331	3,768,626,530	878,864,645	3,555,007,489
Non-current	17,755,334	72,335,231	1,640,149	6,634,403
	<u>942,798,665</u>	<u>3,840,961,761</u>	<u>880,504,794</u>	<u>3,561,641,892</u>

b) By residency status

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Cambodia	849,094,121	3,459,209,449	805,012,771	3,256,276,659
Overseas	93,704,544	381,752,312	75,492,023	305,365,233
	<u>942,798,665</u>	<u>3,840,961,761</u>	<u>880,504,794</u>	<u>3,561,641,892</u>

c) By relationship

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Related parties	146,699	597,652	578,219	2,338,896
Non-related parties	942,651,966	3,840,364,109	879,926,575	3,559,302,996
	<u>942,798,665</u>	<u>3,840,961,761</u>	<u>880,504,794</u>	<u>3,561,641,892</u>

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

14. DEPOSITS FROM CUSTOMERS (continued)

d) By interest rate

	2021	2020
Current accounts	0% - 0.35%	Nil
Fixed deposits	0.50% - 5.25%	0.50% - 3.50%
Savings deposits	0.15% - 0.35%	0.15% - 0.35%
Margin deposits	Nil	Nil

15. BORROWINGS

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current				
Related parties				
Bank of China (Hong Kong) Limited (i)	160,002,667	651,850,865	50,000,000	202,250,000
Bank of China Limited (ii)	23,553,319	95,956,222	23,557,243	95,289,048
	183,555,986	747,807,087	73,557,243	297,539,048
Non-related parties (iii)	1,295,658	5,278,511	7,267,007	29,395,043
Others	-	-	75,440	305,155
	184,851,644	753,085,598	80,899,690	327,239,246

- (i) The Branch obtained an unsecured short-term borrowings from Bank of China (Hong Kong) Limited, Head office, with an annual interest rate of 0.20% (2020: 0.24%) and the borrowing will be repaid on maturity date which is 7 February 2022.
- (ii) The Branch obtained an unsecured short term borrowing from Bank of China Limited, affiliate, with an interest rate at six-month LIBOR plus 110 basis points and the borrowing will be repaid on maturity date which is 28 April 2022. As the borrowings mature in 2022, so the Branch assesses that there is no impact from IBOR reform because six-month LIBOR is still available until the end of June 2023.
- (iii) The Branch obtained borrowings under a form of liquidity-providing collateralised operations ("LPCOs") from the National Bank of Cambodia with a maturity of less than 12 months. The Branch used negotiable certificates of deposits as the collaterals (Note 5).

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Principal amount	184,764,284	752,729,693	80,568,274	325,898,668
Interest payables	87,360	355,905	331,416	1,340,578
	184,851,644	753,085,598	80,899,690	327,239,246

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

15. BORROWINGS (continued)

Changes in liabilities arising from financing activities

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	80,568,274	325,898,668	43,131,902	175,762,501
Additions	795,016,226	3,234,126,007	708,074,050	2,886,817,902
Repayments	(690,742,294)	(2,809,939,652)	(670,637,678)	(2,734,189,813)
Exchange differences	(77,922)	(316,987)	-	-
Currency translation differences	-	2,961,657	-	(2,491,922)
At 31 December	184,764,284	752,729,693	80,568,274	325,898,668
<i>Interest payables</i>				
At 1 January	331,416	1,340,578	185,835	757,278
Charge during the year	1,261,148	5,130,350	1,276,732	5,205,236
Interest payment	(1,502,461)	(6,112,011)	(1,131,151)	(4,611,703)
Exchange differences	(2,743)	(11,159)	-	-
Currency translation differences	-	8,147	-	(10,233)
At 31 December	87,360	355,905	331,416	1,340,578

Annual interest rates for borrowing are as follows:

	2021	2020
Related parties	0.07% - 3%	0.12% - 2.29%
Non-related parties	2.20% - 6.00%	2.90% - 5.00%

16. OTHER LIABILITIES

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Outward remittances	4,293,273	17,490,794	4,232,420	17,120,139
Accrued bonus	1,266,823	5,161,037	1,003,289	4,058,304
Loss allowance for ECL on credit commitment and financial guarantee contracts	861,308	3,508,969	424,655	1,717,729
Banker cheques	567,025	2,310,060	100,606	406,951
Contract liabilities related to fees from trade finance	482,352	1,965,102	325,045	1,314,807
Tax payables	221,248	901,365	261,695	1,058,556
Accrued expenses	124,970	509,128	252,006	1,019,364
Others	194,895	794,001	70,955	287,014
	8,011,894	32,640,456	6,670,671	26,982,864

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS As At 31 December 2021

16. OTHER LIABILITIES (continued)

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current	7,652,248	31,175,258	6,410,553	25,930,687
Non-current	359,646	1,465,198	260,118	1,052,177
	<u>8,011,894</u>	<u>32,640,456</u>	<u>6,670,671</u>	<u>26,982,864</u>

Loss allowance for ECL on credit commitment and financial guarantee contracts

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	424,655	1,717,729	417,014	1,699,332
Charge to profit or loss	436,653	1,776,304	7,641	31,152
Currency translation differences	-	14,936	-	(12,755)
As at 31 December	<u>861,308</u>	<u>3,508,969</u>	<u>424,655</u>	<u>1,717,729</u>

17. HEAD OFFICE'S CAPITAL CONTRIBUTIONS

This represented the capital contributions of its head office.

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Head office's capital contributions	<u>150,000,000</u>	<u>600,000,000</u>	<u>150,000,000</u>	<u>600,000,000</u>

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

18. NET INTEREST INCOME

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Interest income from financial assets at amortised cost:</i>				
Loans and advances	34,224,137	139,223,790	30,338,778	123,691,198
Deposits and placements with the central bank	70,765	287,872	143,415	584,703
Deposits and placements with other banks				
- Local banks	737,709	3,001,000	1,399,980	5,707,718
- Overseas banks	102,458	416,799	915,787	3,733,664
Total Interest income	35,135,069	142,929,461	32,797,960	133,717,283
<i>Interest expense on financial liabilities at amortised cost:</i>				
Fixed deposits	(4,737,933)	(19,273,911)	(4,945,806)	(20,164,049)
Current accounts	(1,594,406)	(6,486,044)	(1,234,905)	(5,034,708)
Savings accounts	(237,722)	(967,053)	(159,085)	(648,590)
Borrowings	(1,153,975)	(4,694,370)	(1,275,410)	(5,199,847)
Lease liabilities	(58,218)	(236,831)	(60,431)	(246,378)
Total interest expense	(7,782,254)	(31,658,209)	(7,675,637)	(31,293,572)
Net interest income	27,352,815	111,271,252	25,122,323	102,423,711

19. NET FEE AND COMMISSION INCOME

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>				
Remittance	4,247,356	17,278,244	3,124,258	12,737,600
Loans and trade finance	1,467,132	5,968,293	2,337,833	9,531,345
Card related charges	139,984	569,455	155,072	632,229
Others	254,577	1,035,619	470,488	1,918,179
Total fee and commission income	6,109,049	24,851,611	6,087,651	24,819,353
Fee and commission expenses	(389,801)	(1,585,710)	(585,271)	(2,386,150)
Net fee and commission income	5,719,248	23,265,901	5,502,380	22,433,203

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS As At 31 December 2021

20. CREDIT IMPAIRMENT LOSSES

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Expected Credit Loss:</i>				
Loans and advances	3,588,556	14,598,246	283,608	1,156,270
Credit commitment and financial guarantee contracts	436,653	1,776,304	7,641	31,152
Deposits and placements with the central bank	254,276	1,034,395	(178)	(726)
Deposits and placements with other banks	(23,413)	(95,244)	6,622	26,998
	4,256,072	17,313,701	297,693	1,213,694

21. OTHER GAINS – NET

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Net foreign exchange gains	2,067,881	8,412,140	1,741,704	7,100,926
Others	1,498	6,094	-	-
	2,069,379	8,418,234	1,741,704	7,100,926

22. PERSONNEL EXPENSES

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	5,530,515	22,498,135	5,080,222	20,712,065
Allowances	1,839,897	7,484,701	1,727,357	7,042,434
Other benefits	316,502	1,287,530	177,777	724,797
	7,686,914	31,270,366	6,985,356	28,479,296

23. DEPRECIATION AND AMORTISATION CHARGES

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Depreciation of right-of-use assets (Note 9)	832,743	3,387,599	784,855	3,199,854
Depreciation of property and equipment	767,712	3,123,052	765,895	3,122,554
	1,600,455	6,510,651	1,550,750	6,322,408

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

24. OTHER OPERATING EXPENSES (continued)

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Legal and professional fees	278,167	1,131,583	222,385	906,664
Insurances	239,547	974,477	232,528	948,017
Network and telecommunication	238,747	971,223	242,168	987,319
License fees	189,256	769,893	176,328	718,889
Outsource services	184,242	749,496	205,617	838,301
Management fees	146,671	596,658	119,765	488,282
Repairs and maintenance	132,524	539,108	134,181	547,056
Travelling expenses	131,418	534,608	50,645	206,480
Utilities	130,056	529,068	132,387	539,742
Other taxes	123,341	501,751	149,209	608,325
Social activities	119,058	484,328	195,016	795,080
Office supplies	64,245	261,349	65,313	266,281
Advertising and marketing expenses	61,369	249,649	170,001	693,094
Rental expenses related to short term and low value leases	60,910	247,782	78,340	319,392
Training expense	36,680	149,214	47,305	192,862
Others	273,818	1,113,892	451,195	1,839,521
	2,410,049	9,804,079	2,672,383	10,895,305

25. INCOME TAX EXPENSE

a) Current income tax liabilities

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	3,959,970	16,018,079	6,035,651	24,595,278
Income tax expense	5,177,974	21,063,998	4,501,623	18,353,117
Income tax paid	(4,523,035)	(18,399,706)	(6,577,304)	(26,815,668)
Adjustments for current tax of prior period	164,240	668,128	-	-
Currency translation differences	-	119,754	-	(114,648)
As at 31 December	4,779,149	19,470,253	3,959,970	16,018,079

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

25. INCOME TAX EXPENSE (continued)

b) Income tax expense

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Current income tax	5,177,974	21,063,998	4,501,623	18,353,117
Adjustments for current tax of prior period	164,240	668,128	-	-
	5,342,214	21,732,126	4,501,623	18,353,117
Deferred income tax	(1,436,698)	(5,844,487)	51,975	211,902
Income tax expense	3,905,516	15,887,639	4,553,598	18,565,019

c) Reconciliation of income tax expense and accounting profit:

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	19,187,952	78,056,590	20,860,225	85,047,137
Tax at rate of 20%	3,837,590	15,611,318	4,172,045	17,009,426
<i>Tax effects in respect of:</i>				
Expenses not deductible for tax purposes	198,774	808,613	381,553	1,555,593
Utilised previously unrecognised deferred tax	(295,088)	(1,200,420)	-	-
Adjustments for current tax of prior period	164,240	668,128	-	-
Income tax expense	3,905,516	15,887,639	4,553,598	18,565,019

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

d) Other matter

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

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

26. CASH AND CASH EQUIVALENTS (continued)

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Cash on hand (Note 4)	23,460,873	95,579,597	35,990,292	145,580,731
Deposits and placements with the central bank:				
Current accounts	170,598,110	695,016,700	173,376,845	701,309,339
Negotiable certificates of deposit with maturity three months or less	190,002,170	774,068,841	180,000,000	728,100,000
Deposits and placements with other banks:				
Current accounts	32,860,830	133,875,021	44,626,956	180,516,038
Fixed deposits with maturity three months or less	163,410,099	665,732,743	60,000,000	242,700,000
	<u>580,332,082</u>	<u>2,364,272,902</u>	<u>493,994,093</u>	<u>1,998,206,108</u>

27. CASH FLOWS INFORMATION

a) Cash flow from operations

	Notes	2021		2020	
		US\$	KHR'000	US\$	KHR'000
Profit before income tax		19,187,952	78,056,590	20,860,225	85,047,137
<i>Adjustments for:</i>					
Depreciation charges	23	1,600,455	6,510,651	1,550,750	6,322,408
Credit impairment losses	20	4,256,072	17,313,701	297,693	1,213,694
Gain on disposals of property and equipment		-	-	(479)	(1,953)
Net interest income and expense	18	(27,352,815)	(111,271,252)	(25,122,323)	(102,423,711)
Unrealised exchange gains	15	(77,922)	(316,987)	-	-
<i>Change in working capital</i>					
Reserve requirement		(2,553,623)	(10,388,138)	31,264,542	127,465,538
Loans and advances		(104,053,874)	(423,291,159)	(64,117,598)	(261,407,447)
Other assets		298,066	1,212,532	225,789	920,542
Deposits from banks		49,819,378	202,665,230	(20,545,189)	(83,762,736)
Deposits from customers		62,530,992	254,376,075	85,409,698	348,215,339
Other liabilities		904,570	3,679,791	407,080	1,659,665
Cash generated from operations		<u>4,559,251</u>	<u>18,547,034</u>	<u>30,230,188</u>	<u>123,248,476</u>

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

27. CASH FLOWS INFORMATION (continued)

b) Net debt reconciliation

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

Net debt	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Cash and cash equivalents	580,332,082	2,364,272,902	493,994,093	1,998,206,108
Borrowings	(184,851,644)	(753,085,598)	(80,899,690)	(327,239,246)
Lease liabilities	(2,304,139)	(9,387,062)	(2,905,299)	(11,751,934)
Net debt	393,176,299	1,601,800,242	410,189,104	1,659,214,928
Cash and liquid investments	580,332,082	2,364,272,902	493,994,093	1,998,206,108
Gross debt – fixed interest rates	(163,602,464)	(666,516,438)	(60,247,746)	(243,702,132)
Gross debt – variable interest rates	(23,553,319)	(95,956,222)	(23,557,243)	(95,289,048)
Net debt	393,176,299	1,601,800,242	410,189,104	1,659,214,928

	Liabilities from financing activities			Other assets	
	Borrowings	Lease liabilities	Sub-total	Cash and cash equivalents	Total
	US\$	US\$	US\$	US\$	US\$
Non-current					
Net debt as at 1 January 2020	(43,317,737)	(2,110,098)	(45,427,835)	415,812,380	370,384,545
Cash flows	(37,436,372)	794,686	(36,641,686)	78,181,713	41,540,027
New leases	-	(1,589,887)	(1,589,887)	-	(1,589,887)
Other changes (i)	(145,581)	-	(145,581)	-	(145,581)
Net debt as at 31 December 2020	(80,899,690)	(2,905,299)	(83,804,989)	493,994,093	410,189,104
In KHR'000 equivalent	(327,239,246)	(11,751,934)	(338,991,180)	1,998,206,106	1,659,214,926
Net debt as at 1 January 2021	(80,899,690)	(2,905,299)	(83,804,989)	493,994,093	410,189,104
Cash flows	(104,273,932)	784,971	(103,488,961)	86,337,989	(17,150,972)
New leases	-	(183,811)	(183,811)	-	(183,811)
Other changes (i)	321,978	-	321,978	-	321,978
Net debt as at 31 December 2021	(184,851,644)	(2,304,139)	(187,155,783)	580,332,082	393,176,299
In KHR'000 equivalent	(753,085,598)	(9,387,062)	(762,472,660)	2,364,272,902	1,601,800,242

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

28. COMMITMENTS AND CONTINGENCIES (continued)

a) Loan commitments, guarantees and other financial commitments

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Loan commitments	88,705,329	361,385,509	56,932,923	230,293,674
Bank guarantees and others	72,565,789	295,633,024	87,623,114	354,435,496
Letters of credit	17,542,631	71,468,679	9,055,198	36,628,276
Unused portion of overdrafts	13,042,859	53,136,609	14,951,209	60,477,640
Total exposure	191,856,608	781,623,821	168,562,444	681,835,086
Less: Allowance for expected credit loss	(861,308)	(3,508,969)	(424,655)	(1,717,729)
Net exposure	190,995,300	778,114,852	168,137,789	680,117,357

b) Operating lease commitments

The Branch recognised right-of-use assets and lease liabilities for lease contracts where the Branch is a lessee, except for low value lease and short-term leases, see Note 2.11.iii and Note 9 for further information. The lease commitments of low value lease and short-term leases are insignificant.

29. RELATED-PARTY TRANSACTIONS

a) Related parties and relationships

The related parties of the Branch are as follows:

Related party	Relationship
Bank of China (Hong Kong) Limited	Head office
Bank of China Limited	Affiliate
Bank of China Grand Cayman Branch	Affiliate
Bank of China Limited Shanghai Branch	Affiliate
Bank of China Zweigniederlassung Frankfurt am Main Frankfurt Branch	Affiliate
Key management personnel	All executive management of the Branch who make critical decisions in relation to the strategic direction of the Branch (including their immediate family)

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

29. RELATED-PARTY TRANSACTIONS (continued)

b) Deposits and placements with related parties

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
<i>Current accounts</i>				
Bank of China (Hong Kong) Limited	21,126,235	86,068,281	35,652,347	144,213,744
Bank of China Limited	4,814,162	19,612,896	7,604,728	30,761,125
Bank of China Limited Shanghai Branch	4,294,930	17,497,545	84,619	342,284
Bank of China Zweigniederlassung Frankfurt Main Frankfurt Branch	243,072	990,275	15,255	61,706
<i>Fixed deposits</i>				
Bank of China (Hong Kong) Limited	31,374,671	127,820,410	-	-
	61,853,070	251,989,407	43,356,949	175,378,859
Interest income	102,458	416,799	914,665	3,729,089

Annual interest rates during the year are as follows:

	2021	2020
Current accounts	0% to 0.50%	0% to 0.50%
Fixed deposits	3%	Nil

c) Deposits from related parties

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Bank of China Limited - current account	764,876	3,116,105	546,301	2,209,788
Key management personnel:				
Savings accounts	107,069	436,199	13,613	55,065
Fixed deposits	39,230	159,823	-	-
Current deposits	400	1,630	18,305	74,044
	911,575	3,713,757	578,219	2,338,897
Interest expense	1,011	4,113	490	1,998

Annual interest rates during the year are as follows:

	2021	2020
Savings accounts	0.15% - 0.35%	0.15% - 0.35%
Fixed deposits	2% - 3%	2% - 2.50%
Current accounts	Nil	Nil

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

29. RELATED-PARTY TRANSACTIONS (continued)

d) Borrowings

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Bank of China (Hong Kong) Limited	160,002,667	651,850,865	50,001,000	202,254,045
Bank of China Limited	23,553,319	95,956,222	23,556,243	95,285,003
Total borrowings (Note 15)	183,555,986	747,807,087	73,557,243	297,539,048
Interest expense	399,150	1,623,742	570,639	2,326,495

e) Other transactions charged from related parties

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Bank of China Limited:				
Information technology fees	47,330	192,538	128,988	525,884
Bank of China (Hong Kong) Limited:				
Management fees	28,330	115,246	-	-
	75,660	307,784	128,988	525,884

Transactions with related parties are under normal business terms and conditions.

f) Key management compensation

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Salaries and short-term employee benefits	1,374,860	5,592,930	1,303,576	5,314,679
Long-term benefits	195,250	794,277	-	-
Salaries and other benefits	1,570,110	6,387,207	1,303,576	5,314,679

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

30. PRIOR YEAR RECLASSIFICATION (continued)

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

	2020		Reclassification		2020	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	Previously reported	Previously reported			Reclassified	Reclassified
Statement of financial position (extract)						
Deposits and placements with the central bank	447,123,349	1,808,613,947	(86,526,610)	(350,000,137)	360,596,739	1,458,613,810
Statutory deposits with the central bank	-	-	86,526,610	350,000,137	86,526,610	350,000,137
	<u>447,123,349</u>	<u>1,808,613,947</u>	<u>-</u>	<u>-</u>	<u>447,123,349</u>	<u>1,808,613,947</u>



Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

30. PRIOR YEAR RECLASSIFICATION (continued)

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

	2020		Reclassification		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	Previously reported	Previously reported			Reclassified	Reclassified
Cash flows from operating activities						
Profit before income tax	20,860,225	85,047,137	-	-	20,860,225	85,047,137
<i>Adjustments for:</i>						
Depreciation charges	1,550,750	6,322,408	-	-	1,550,750	6,322,408
Credit impairment losses	297,693	1,213,694	-	-	297,693	1,213,694
Gain on disposals of property and equipment	-	-	(479)	(1,953)	(479)	(1,953)
Net interest income and expense	-	-	(25,122,323)	(102,423,711)	(25,122,323)	(102,423,711)
<i>Change in working capital</i>						
Reserve requirement	-	-	31,264,542	127,465,538	31,264,542	127,465,538
Loans and advances	(64,117,598)	(261,407,447)	-	-	(64,117,598)	(261,407,447)
Other assets	225,789	920,542	-	-	225,789	920,542
Deposits from banks	(20,545,189)	(83,762,736)	-	-	(20,545,189)	(83,762,736)
Deposits from customers	85,409,698	348,215,339	-	-	85,409,698	348,215,339
Other liabilities	407,080	1,659,665	-	-	407,080	1,659,665
Interest expense on lease liabilities	60,431	246,377	(60,431)	(246,377)	-	-
Balance with other banks	2,068	8,431	(2,068)	(8,431)	-	-
Balance with central bank	24,386,945	99,425,575	(24,386,945)	(99,425,575)	-	-
Income tax paid	(6,577,304)	(26,815,668)	6,577,304	26,815,668	-	-
Cash generated from operations	41,960,588	171,073,317	(11,730,400)	(47,824,841)	30,230,188	123,248,476
Interest received	-	-	32,696,154	133,302,220	32,696,154	133,302,220
Interest paid	-	-	(7,000,920)	(28,542,751)	(7,000,920)	(28,542,751)
Income tax paid	-	-	(6,577,304)	(26,815,668)	(6,577,304)	(26,815,668)
Net cash generated from operating activities	41,960,588	171,073,317	7,387,530	30,118,960	49,348,118	201,192,277
Cash flows from investing activities						
Deposits and placements with the central bank - maturity more than three months	-	-	(7,304,448)	(29,780,234)	(7,304,448)	(29,780,234)
Deposits and placements with other banks - maturity more than three month	-	-	2,068	8,431	2,068	8,431
Purchases of property and equipment	(505,711)	(2,061,784)	-	-	(505,711)	(2,061,784)
Net cash used in investing activities	(505,711)	(2,061,784)	(7,302,380)	(29,771,803)	(7,808,091)	(31,833,587)
Cash flows from financing activities						
Proceeds from borrowings	50,290,448	205,034,156	657,783,602	2,681,783,746	708,074,050	2,886,817,902
Repayments of borrowings	(12,708,495)	(51,812,534)	(657,929,183)	(2,682,377,279)	(670,637,678)	(2,734,189,813)
Principal element of lease payment	(855,117)	(3,486,311)	60,431	246,376	(794,686)	(3,239,935)
Net cash generated from financing activities	36,726,836	149,735,311	(85,150)	(347,157)	36,641,686	149,388,154
Net increase in cash and cash equivalents	78,181,713	318,746,844	-	-	78,181,713	318,746,844
Cash and cash equivalents at the beginning of the year	415,812,380	1,696,165,169	-	-	415,812,380	1,696,165,169
Currency translation differences	-	(16,705,905)	-	-	-	(16,705,905)
Cash and cash equivalents at the end of the year	493,994,093	1,998,206,108	-	-	493,994,093	1,998,206,108

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Financial assets at amortised costs				
Cash on hand	23,460,873	95,579,597	35,990,292	145,580,731
Deposits and placements with the central bank	376,366,456	1,533,316,942	360,596,739	1,458,613,810
Deposits and placements with other banks	231,245,258	942,093,181	104,625,767	423,211,228
Loans and advances at amortised cost	740,722,329	3,017,702,768	640,176,291	2,589,513,097
Other financial assets	644,773	2,626,805	854,175	3,455,139
Total financial assets	1,372,439,689	5,591,319,293	1,142,243,264	4,620,374,005
Financial liabilities				
Financial liabilities at amortised cost				
Deposits from banks	50,666,759	206,416,376	835,291	3,378,752
Deposits from customers	942,798,665	3,840,961,761	880,504,794	3,561,641,892
Borrowings	184,851,644	753,085,598	80,899,690	327,239,246
Lease liabilities	2,304,139	9,387,062	2,905,299	11,751,934
Other financial liabilities	5,180,163	21,103,984	5,659,276	22,891,771
Total financial liabilities	1,185,801,370	4,830,954,781	970,804,350	3,926,903,595
Net financial assets	186,638,319	760,364,512	171,438,914	693,470,410

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk

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

(a) Credit risk measurement

Credit risk is managed on a group basis.

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

Deposits and placements with the central bank and other banks are considered to be of low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows three-stage approach in Note 31.1 (c).

(b) Risk limit control and mitigation policies

The Branch operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Branch manages limits and controls the concentration of credit risk whenever it is identified.

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

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

(c) Impairment (expected credit loss) policies

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

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(c) Impairment (expected credit loss) policies (continued)

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

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

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

(i) Significant increase in credit risk ("SICR")

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition. A borrower is considered to have credit risk increased significantly since initial recognition if past due is 30 days or more for long-term facilities and 15 days past due for short-term facilities. For a loan that has been restructured due to COVID 19 and not meeting default definition is also considered to have significant increase in credit risk.

(ii) Definition of default and credit impaired

The Branch defines a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

- The borrower/obligor is 30 days past due or more on its contractual payments for a short-term facility.
- The borrower/obligor is 90 days past due or more on its contractual payments for a long-term facility.
- In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of 90 days or more consecutive days.
- The loan is forced impaired due to various reasons, such as bankruptcy, significant financial difficulty, etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by the management.
- Restructuring and rescheduling of a loan facility involves any substantial modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of an obligor/counterparty.

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(c) Impairment (expected credit loss) policies (continued)

(ii) Definition of default and credit impaired (continued)

- When an obligor/counterparty has multiple loans with the Branch and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts.

(iii) Measuring (ECL - inputs, assumptions and estimation techniques)

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

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

For individual assessment, the ECL allowance by comparing the outstanding exposure with the present value of cash flow which is expected to receive from the borrowers.

Probability of default (PD)

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

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

The PD is derived using historical default rates adjusted for forward-looking information and reflecting current portfolio composition and market data.

For portfolios without sufficient default data, forward-looking proxy PDs are used.

Exposure at Default (EAD)

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

31. FINANCIAL RISK MANAGEMENT (continued)**31.1 Credit risk (continued)****(c) Impairment (expected credit loss) policies (continued)****(iii) Measuring (ECL - inputs, assumptions and estimation techniques) (continued)****Loss Given Default (LGD)**

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

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

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

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

The calculation of ECL incorporates forward-looking information. To compute the final ECL, the Branch applies forward-looking adjustments and management overlay, taking into account past events, current conditions and future macroeconomic conditions.

Macroeconomic variable assumptions

The weightings assigned to each economic scenario as at 31 December 2020 and 31 December 2021 are as follows:

	Best	Base	Downturn
As at 31 December 2021	%	%	%
Scenario probability weighting	25	65	10
	Best	Base	Downturn
As at 31 December 2020	%	%	%
Scenario probability weighting	25	65	10

Sensitivity analysis

The Branch has performed ECL sensitivity assessment on loans, advances and financing based on the changes in key macroeconomic variables. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Branch.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

	Changes
Scenario probability weighting	+/-5%

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(c) Impairment (expected credit loss) policies (continued)

(v) Grouping of exposure for ECL measured on collective basis

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes in key variables	(335,702)	(1,367,650)	(258,189)	(1,044,375)
Total increase in ECL on the negative changes in key variables	382,328	1,557,604	293,994	1,189,206

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

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

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

(vi) Write off policy

Loans 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 Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

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

(vii) Modification of loans

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

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

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(c) Impairment (expected credit loss) policies (continued)

(vii) Modification of loans (continued)

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

(viii) Off-balance sheet exposures

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

- 20% CCF is assumed for unused portion of letter of credits and loans with maturity less than one year
- 50% CCF is assumed for unused portion of commitment of credit facilities and loans with maturity more than one year
- 50% CCF is assumed for bank guarantees issued not for financing
- 100% CCF is assumed for bank guarantees issued for financing

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit Risk (Continued)

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

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with the central bank	376,423,149	1,533,547,909	360,676,845	1,458,937,839
Deposits and placements with other banks	231,500,723	943,133,945	104,626,956	423,216,038
Loans and advances at amortised cost	756,264,100	3,081,019,943	652,129,506	2,637,863,852
Other financial assets	644,773	2,626,805	854,175	3,455,139
	<u>1,364,832,745</u>	<u>5,560,328,602</u>	<u>1,118,287,482</u>	<u>4,523,472,868</u>
Credit risk exposure relating to off-balance sheet items:				
Loan commitments	88,705,329	361,385,509	56,932,923	230,293,674
Guarantees and others	72,565,789	295,633,024	87,623,114	354,435,496
Letters of credits	17,542,631	71,468,679	9,055,198	36,628,276
Unutilised portion of overdrafts	13,042,859	53,136,609	14,951,209	60,477,640
	<u>191,856,608</u>	<u>781,623,821</u>	<u>168,562,444</u>	<u>681,835,086</u>
Total maximum credit risk exposure that are subject to impairment	1,556,689,353	6,341,952,423	1,286,849,926	5,205,307,954
Less: Allowance for expected credit loss	(16,715,237)	(68,097,875)	(12,459,165)	(50,397,323)
Total net credit exposure	<u>1,539,974,116</u>	<u>6,273,854,548</u>	<u>1,274,390,761</u>	<u>5,154,910,631</u>

The above table represents a worst-case scenario of credit risk exposure to the Branch, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As shown above, 55% (2020: 58%) of total maximum exposure is derived from loans and advances. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Branch's loans and advances due to the following:

- Almost all loans and advances are collateralised and loan to collateral value not exceeding 70%.
- The Branch has a proper credit evaluation process in place for granting of loans and advances to customers.
- 23% of deposits and placements with other banks is held with its Head Office, a bank with credit rating "investment grade" (2020: 34%). The remaining balances were held with local banks and overseas banks and management has done proper risk assessment and believe there will be no material loss from these local banks and overseas banks.

31. FINANCIAL RISK MANAGEMENT (continued)**31.1 Credit risk (continued)****(e) Credit quality of financial assets**Loans and advances and credit commitments

The Branch assesses credit quality of loans, advances and financing using internal rating techniques tailored in combination with the day past due (“DPD”) information and NBC’s classification for staging criteria.

Long-term facilities (more than one year)

Stages	Credit risk status	NBC’s grades	Day past due	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD < 30	Performing
2	Credit risk increased significantly	Special Mention	30 ≤ DPD < 90	Under-performing
3	Credit impaired assets	Substandard	90 ≤ DPD < 180	Non-performing
		Doubtful	180 ≤ DPD < 360	
		Loss	DPD ≥ 360	

Short-term facilities (one year or less)

Stages	Credit risk status	NBC’s grades	Day past due	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD ≤ 14	Performing
2	Credit risk increased significantly	Special Mention	15 ≤ DPD ≤ 30	Under-performing
3	Credit impaired assets	Substandard	31 ≤ DPD ≤ 60	Non-performing
		Doubtful	61 ≤ DPD ≤ 90	
		Loss	DPD ≥ 91	

Financial assets other than loans and advances and credit commitments

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

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2021				2020			
	12-month ECL US\$	Lifetime ECL not Credit-Im- paired US\$	Lifetime ECL Credit-Im- paired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Cred- it-Impaired US\$	Lifetime ECL Credit-Im- paired US\$	Total US\$
Deposits and placements with the central bank								
Sovereign	376,423,149	-	-	376,423,149	360,676,845	-	-	360,676,845
Gross carrying amount	376,423,149	-	-	376,423,149	360,676,845	-	-	360,676,845
Less: Allowance for expected credit loss	(56,693)	-	-	(56,693)	(80,106)	-	-	(80,106)
Net carrying amount	376,366,456	-	-	376,366,456	360,596,739	-	-	360,596,739
In KHR'000 equivalent	1,533,316,942	-	-	1,533,316,942	1,458,613,810	-	-	1,458,613,810

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2021				2020			
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Deposits and placements with other banks								
Investment grade	64,178,391	-	-	64,178,391	44,569,211	-	-	44,569,211
Non-investment grade	167,322,332	-	-	167,322,332	60,057,745	-	-	60,057,745
Gross carrying amount	231,500,723	-	-	231,500,723	104,626,956	-	-	104,626,956
Less: Allowance for expected credit loss	(255,465)	-	-	(255,465)	(1,189)	-	-	(1,189)
Net carrying amount	231,245,258	-	-	231,245,258	104,625,767	-	-	104,625,767
In KHR'000 equivalent	942,093,181	-	-	942,093,181	423,211,228	-	-	423,211,228

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2021				2020			
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Loans and advances at amortised cost								
Normal	721,463,828	-	-	721,463,828	620,646,238	30,323,976	-	650,970,214
Special mention	-	33,779,791	-	33,779,791	-	994	-	994
Substandard	-	-	-	-	-	-	235	235
Doubtful	-	-	-	-	-	-	4,724	4,724
Loss	-	-	1,020,481	1,020,481	700,319	-	453,020	1,153,339
Gross carrying amount	721,463,828	33,779,791	1,020,481	756,264,100	621,346,557	30,324,970	457,979	652,129,506
Less: Allowance for expected credit loss	(10,705,951)	(4,387,371)	(448,449)	(15,541,771)	(10,140,124)	(1,359,245)	(453,846)	(11,953,215)
Net carrying amount	710,757,877	29,392,420	572,032	740,722,329	611,206,433	28,965,725	4,133	640,176,291
In KHR'000 equivalent	2,895,627,589	119,744,720	2,330,459	3,017,702,768	2,472,330,021	117,166,358	16,718	2,589,513,097

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	2021				2020			
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Off-balance sheet items								
Normal	191,777,808	-	-	191,777,808	168,560,138	-	-	168,560,138
Special mention	-	78,800	-	78,800	-	2,306	-	2,306
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Gross carrying amount	191,777,808	78,800	-	191,856,608	168,560,138	2,306	-	168,562,444
Less: Allowance for expected credit loss	(857,537)	(3,771)		(861,308)	(423,857)	(798)		(424,655)
Net carrying amount	190,920,271	75,029	-	190,995,300	168,136,281	1,508	-	168,137,789
In KHR'000 equivalent	777,809,184	305,668	-	778,114,852	680,111,257	6,100	-	680,117,357

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance

(i) Expected credit loss reconciliation – loans and advances at amortised cost

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2021	10,140,124	1,359,245	453,846	11,953,215
Changes due to exposure:				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(349,727)	349,727	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance(*)	(1,846,164)	1,344,515	(4,500)	(506,149)
New financial assets originated or purchased	4,293,912	2,293,021	-	6,586,933
Financial assets derecognised during the period other than write off	(1,532,194)	(959,137)	(897)	(2,492,228)
Loss allowance as at 31 December 2021	10,705,951	4,387,371	448,449	15,541,771
In KHR'000 equivalent	43,616,045	17,874,149	1,826,981	63,317,175

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2021	621,346,557	30,324,970	457,979	652,129,506
Changes due to exposure:				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(11,415,152)	11,415,152	-	-
Transfer to stage 3	(700,319)	-	700,319	-
New financial assets originated or purchased	305,395,743	10,941,619	-	316,337,362
Financial assets derecognised during the period other than write off	(193,163,001)	(18,901,950)	(137,817)	(212,202,768)
Gross carrying amount as at 31 December 2021	721,463,828	33,779,791	1,020,481	756,264,100
In KHR'000 equivalent	2,939,243,634	137,618,869	4,157,440	3,081,019,943

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance (continued)

(i) Expected credit loss reconciliation – loans and advances at amortised cost (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2020	11,187,371	7,970	474,266	11,669,607
<i>Changes due to exposure:</i>				
Transfer to stage 1	5,008	(5,008)	-	-
Transfer to stage 2	(153,321)	156,326	(3,005)	-
Transfer to stage 3	(9)	-	9	-
Net remeasurement of loss allowance(*)	(2,026,844)	1,202,878	(7,817)	(831,783)
New financial assets originated or purchased	2,626,908	41	662	2,627,611
Financial assets derecognised during the period other than write off	(1,498,989)	(2,962)	(10,269)	(1,512,220)
Loss allowance as at 31 December 2020	10,140,124	1,359,245	453,846	11,953,215
In KHR'000 equivalent	41,016,802	5,498,146	1,835,807	48,350,755

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2020	587,521,981	15,661	474,266	588,011,908
<i>Changes due to exposure:</i>				
Transfer to stage 1	10,061	(10,061)	-	-
Transfer to stage 2	(11,601,388)	11,604,394	(3,006)	-
Transfer to stage 3	(193)	-	193	-
New financial assets originated or purchased	219,895,249	8,865,032	4,795	228,765,076
Financial assets derecognised during the period other than write off	(174,479,153)	9,849,944	(18,269)	(164,647,478)
Gross carrying amount as at 31 December 2020	621,346,557	30,324,970	457,979	652,129,506
In KHR'000 equivalent	2,513,346,823	122,664,504	1,852,525	2,637,863,852

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – deposits and placements with the central banks

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2021	80,106	-	-	80,106
Changes due to exposure:				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(23,413)	-	-	(23,413)
New financial assets originated or purchased	-	-	-	-
Financial assets derecognised during the period other than write off	-	-	-	-
Loss allowance as at 31 December 2021	56,693	-	-	56,693
In KHR'000 equivalent	230,967	-	-	230,967

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Exposure amount				
Exposure amount as at 1 January 2021	360,676,845	-	-	360,676,845
Changes due to exposure:				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	15,746,304			15,746,304
Financial assets derecognised during the period other than write off	-	-	-	-
Gross carrying amount as at 31 December 2021	376,423,149	-	-	376,423,149
In KHR'000 equivalent	1,533,547,909	-	-	1,533,547,909

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – deposits and placements with the central banks (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2020	73,484	-	-	73,484
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance(*)	6,622			6,622
Financial assets derecognised during the period other than write off	-	-	-	-
Loss allowance as at 31 December 2020	80,106	-	-	80,106
In KHR'000 equivalent	324,029	-	-	324,029

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2020	165,434,027	-	-	165,434,027
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	195,242,818	-	-	195,242,818
Financial assets derecognised during the period other than write off	-	-	-	-
Gross carrying amount as at 31 December 2020	360,676,845	-	-	360,676,845
In KHR'000 equivalent	1,458,937,839	-	-	1,458,937,839

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance (continued)

(iii) Expected credit loss reconciliation – deposits and placements with other banks

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2021	1,189	-	-	1,189
Changes due to exposure:				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	254,276	-	-	254,276
Financial assets derecognised during the period other than write off	-	-	-	-
Loss allowance as at 31 December 2021	255,465	-	-	255,465
In KHR'000 equivalent	1,040,764	-	-	1,040,764

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Exposure amount				
Exposure amount as at 1 January 2021	104,626,956	-	-	104,626,956
Changes due to exposure:				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	126,873,767	-	-	126,873,767
Financial assets derecognised during the period other than write off	-	-	-	-
Gross carrying amount as at 31 December 2021	231,500,723	-	-	231,500,723
In KHR'000 equivalent	943,133,945	-	-	943,133,945

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance (continued)

(iii) Expected credit loss reconciliation – deposits and placements with other banks (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2020	1,367	-	-	1,367
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(178)	-	-	(178)
Financial assets derecognised during the period other than write off	-	-	-	-
Loss allowance as at 31 December 2020	1,189	-	-	1,189
In KHR'000 equivalent	4,810	-	-	4,810

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2020	216,451,655	-	-	216,451,655
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	(111,824,699)	-	-	(111,824,699)
Financial assets derecognised during the period other than write off	-	-	-	-
Gross carrying amount as at 31 December 2020	104,626,956	-	-	104,626,956
In KHR'000 equivalent	423,216,038	-	-	423,216,038

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2021	423,857	798	-	424,655
Changes due to exposure:				
Transfer to stage 1	259	(259)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(83,605)	-	-	(83,605)
New financial assets originated or purchased	581,406	3,771	-	585,177
Exposure derecognised or expired	(64,380)	(539)	-	(64,919)
Loss allowance as at 31 December 2021	857,537	3,771	-	861,308
In KHR'000 equivalent	3,493,606	15,363	-	3,508,969

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Exposure amount				
Exposure amount as at 1 January 2021	168,560,138	2,306	-	168,562,444
Changes due to exposure:				
Transfer to stage 1	300	(300)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(14,745,304)	41	-	(14,745,263)
New financial assets originated or purchased	107,563,024	78,800	-	107,641,824
Financial assets derecognised during the period other than write off	-	-	-	-
Exposure derecognised or expired	(69,600,350)	(2,047)	-	(69,602,397)
Gross carrying amount as at 31 December 2021	191,777,808	78,800	-	191,856,608
In KHR'000 equivalent	781,302,790	321,031	-	781,623,821

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(f) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
Loss allowance as at 1 January 2020	415,089	1,925	-	417,014
Changes due to exposure:				
Transfer to stage 1	1,743	(1,743)	-	-
Transfer to stage 2	(9)	9	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	271,346	251	-	271,597
New financial assets originated or purchased	91,683	538	-	92,221
Exposure derecognised or expired	(355,995)	(182)	-	(356,177)
Loss allowance as at 31 December 2020	423,857	798	-	424,655
In KHR'000 equivalent	1,714,501	3,228	-	1,717,729

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Im-paired	Lifetime ECL Credit-Im-paired	Total
	US\$	US\$	US\$	US\$
Exposure amount				
Exposure amount as at 1 January 2020	17,804,990	3,643	-	174,808,633
Changes due to exposure:				
Transfer to stage 1	3,173	(3,173)	-	-
Transfer to stage 2	(300)	300	-	-
Transfer to stage 3	-	-	-	-
New exposure	80,678,244	2,047	-	80,680,291
Financial assets derecognised during the period other than write off	10,519,227	(41)	-	10,519,186
Exposure derecognised or expired	(97,445,196)	(470)	-	(97,445,666)
Gross carrying amount as at 31 December 2020	168,560,138	2,306	-	168,562,444
In KHR'000 equivalent	681,825,758	9,328	-	681,835,086

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

(g) Concentration of financial assets with credit risk exposure

(i) Geographical sector

The following table breaks down the Branch's main credit exposure at their carrying amount, as categorised by geographical region as at 31 December 2021. For this table, the Branch has allocated exposure to countries based on the country of domicile of its counterparties.

	Cambodia	China	Hong Kong	Others	Total
	US\$	US\$	US\$	US\$	US\$
At 31 December 2021					
<i>On-balance sheet assets:</i>					
Deposits and placements with the central bank	376,423,149	-	-	-	376,423,149
Deposits and placements with other banks	167,322,332	9,109,092	52,500,907	2,568,392	231,500,723
Loans and advances at amortised cost	704,013,004	16,834,440	35,416,656	-	756,264,100
Other financial assets	601,930	36,731	-	6,112	644,773
	<u>1,248,360,415</u>	<u>25,980,263</u>	<u>87,917,563</u>	<u>2,574,504</u>	<u>1,364,832,745</u>
<i>Off-balance sheet assets:</i>					
Loan commitments	88,705,329	-	-	-	88,705,329
Guarantees and others	65,559,819	6,705,970	-	300,000	72,565,789
Letters of credits	17,542,631	-	-	-	17,542,631
Unutilised portion of overdrafts	13,042,859	-	-	-	13,042,859
	<u>184,850,638</u>	<u>6,705,970</u>	<u>-</u>	<u>300,000</u>	<u>191,856,608</u>
Gross carrying amount	1,433,211,053	32,686,233	87,917,563	2,874,504	1,556,689,353
Less: Expected credit loss	<u>(16,687,683)</u>	<u>(22,183)</u>	<u>(5,371)</u>	<u>-</u>	<u>(16,715,237)</u>
Net carrying amount	<u>1,416,523,370</u>	<u>32,664,050</u>	<u>87,912,192</u>	<u>2,874,504</u>	<u>1,539,974,116</u>
In KHR'000 equivalents	<u>5,770,916,209</u>	<u>133,073,340</u>	<u>358,154,270</u>	<u>11,710,729</u>	<u>6,273,854,548</u>

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

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

(i) Geographical sector (continued)

	Cambodia	China	Hong Kong	Others	Total
	US\$	US\$	US\$	US\$	US\$
At 31 December 2020					
<i>On-balance sheet assets:</i>					
Deposits and placements with the central bank	360,676,845	-	-	-	360,676,845
Deposits and placements with other banks	60,057,745	7,604,728	35,652,347	1,312,136	104,626,956
Loans and advances at amortised cost	600,026,255	-	20,061,433	32,041,818	652,129,506
Other financial assets	854,175	-	-	-	854,175
	<u>1,021,615,020</u>	<u>7,604,728</u>	<u>55,713,780</u>	<u>33,353,954</u>	<u>1,118,287,482</u>
<i>Off-balance sheet assets:</i>					
Loan commitments	56,932,923	-	-	-	56,932,923
Guarantees and others	3,855,455	83,767,659	-	-	87,623,114
Letters of credits	9,055,198	-	-	-	9,055,198
Unutilised portion of overdrafts	14,951,209	-	-	-	14,951,209
	<u>84,794,785</u>	<u>83,767,659</u>	<u>-</u>	<u>-</u>	<u>168,562,444</u>
Gross carrying amount	1,106,409,805	91,372,387	55,713,780	33,353,954	1,286,849,926
Less: Expected credit loss	<u>(12,138,933)</u>	<u>(9,439)</u>	<u>(15,668)</u>	<u>(295,125)</u>	<u>(12,459,165)</u>
Net carrying amount	<u>1,094,270,872</u>	<u>91,362,948</u>	<u>55,698,112</u>	<u>33,058,829</u>	<u>1,274,390,761</u>
In KHR'000 equivalents	<u>4,426,325,677</u>	<u>369,563,125</u>	<u>225,298,863</u>	<u>133,722,966</u>	<u>5,154,910,631</u>

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

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

(ii) Industry sectors

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

	2021					
	Deposits and placements with the central bank US\$	Deposits and placements with other banks US\$	Loans and advances at amortised cost US\$	Other assets US\$	Off-bal- ance-sheet items US\$	Total US\$
Financial intermediaries	376,423,149	231,500,723	158,597,738	-	1,678,684	768,200,294
Construction	-	-	150,130,300	-	124,500,705	274,631,005
Manufacturing	-	-	69,685,797	-	36,228,791	105,914,588
Real Estate	-	-	64,407,597	-	4,260,000	68,667,597
Others - community, social and personal activities	-	-	313,442,668	644,773	25,188,428	339,275,869
Gross carrying amount	376,423,149	231,500,723	756,264,100	644,773	191,856,608	1,556,689,353
Less: Expected credit loss	(56,693)	(255,465)	(15,541,771)	-	(861,308)	(16,715,237)
Net carrying amount	376,366,456	231,245,258	740,722,329	644,773	190,995,300	1,539,974,116
In KHR'000 equivalents	1,533,316,942	942,093,181	3,017,702,768	2,626,805	778,114,852	6,273,854,548

	2020					
	Deposits and placements with the central bank US\$	Deposits and placements with other banks US\$	Loans and advances at amortised cost US\$	Other assets US\$	Off-bal- ance-sheet items US\$	Total US\$
Financial intermediaries	360,676,845	104,626,956	102,069,370	854,175	86,041,122	654,268,468
Construction	-	-	126,327,794	-	723,060	127,050,854
Manufacturing	-	-	65,789,418	-	20,271,621	86,061,039
Real Estate	-	-	110,732,202	-	2,221,186	112,953,388
Others - community, social and personal activities	-	-	247,210,722	-	59,305,455	306,516,177
Gross carrying amount	360,676,845	104,626,956	652,129,506	854,175	168,562,444	1,286,849,926
Less: Expected credit loss	(80,106)	(1,189)	(11,953,215)	-	(424,655)	(12,459,165)
Net carrying amount	360,596,739	104,625,767	640,176,291	854,175	168,137,789	1,274,390,761
In KHR'000 equivalents	1,458,613,809	423,211,228	2,589,513,097	3,455,140	680,117,357	5,154,910,631

(h) Repossessed collateral

Reposessed collaterals are sold as soon as practicable. The Branch does not utilise the reposessed collaterals for its business use.

The Branch did not obtain assets by taking possession of collateral held as security as at 31 December 2021 and 31 December 2020.

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 Market risk

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

(i) Foreign exchange risk

The Branch operates in Cambodia and transacts in United States Dollars, Khmer Riel and China Yuan (CNY), and is exposed to various currency risks, primarily with respect to KHR and CNY.

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

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

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

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

	In US\$ equivalent				
	KHR	USD	CNY	Others	Total
As at 31 December 2021					
Financial assets					
Cash on hand	964,562	21,859,557	636,754	-	23,460,873
Deposits and placements with the central bank	28,148,307	348,218,149	-	-	376,366,456
Deposits and placements with other banks	-	194,702,470	36,178,456	364,332	231,245,258
Loans and advances at amortised cost	46,884,247	689,905,205	3,932,877	-	740,722,329
Other financial assets	-	644,773	-	-	644,773
Total financial assets	75,997,116	1,255,330,154	40,748,087	364,332	1,372,439,689
Financial liabilities					
Deposits from banks	20,228,731	625,450	29,812,578	-	50,666,759
Deposits from customers	57,879,073	874,124,635	10,453,099	341,858	942,798,665
Borrowings	1,295,658	183,555,986	-	-	184,851,644
Lease liabilities	-	2,304,139	-	-	2,304,139
Other financial liabilities	197,034	4,868,108	115,011	10	5,180,163
Total financial liabilities	79,600,496	1,065,478,318	40,380,688	341,868	1,185,801,370
Net on-balance sheet position	(3,603,380)	189,851,836	367,399	22,464	186,638,319
KHR'000 equivalent	(14,680,170)	773,456,380	1,496,784	91,518	760,364,512
Off-balance-sheet items					
Loan commitments	1,497,045	87,096,449	111,835	-	88,705,329
Guarantees and others	-	72,565,789	-	-	72,565,789
Letters of credits	-	17,205,325	-	337,306	17,542,631
Unutilised portion of overdrafts	-	13,042,859	-	-	13,042,859
	1,497,045	189,910,422	111,835	337,306	191,856,608
HR'000 equivalent	6,098,961	773,695,059	455,616	1,374,185	781,623,821

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 Market risk (continued)

(i) Foreign exchange risk (continued)

	In US\$ equivalent				
	KHR	USD	CNY	Others	Total
As at 31 December 2020					
Financial assets					
Cash on hand	1,545,513	32,473,889	1,970,890	-	35,990,292
Deposits and placements with the central bank	14,920,847	345,675,892	-	-	360,596,739
Deposits and placements with other banks	-	103,220,642	1,373,442	31,683	104,625,767
Loans and advances at amortised cost	45,678,424	593,718,242	779,625	-	640,176,291
Other financial assets	-	854,175	-	-	854,175
Total financial assets	62,144,784	1,075,942,840	4,123,957	31,683	1,142,243,264
Financial liabilities					
Deposits from banks	547,506	278,822	8,963	-	835,291
Deposits from customers	54,617,634	822,455,964	3,427,319	3,877	880,504,794
Borrowings	7,267,007	73,632,683	-	-	80,899,690
Lease liabilities	-	2,905,299	-	-	2,905,299
Other financial liabilities	-	5,659,276	-	-	5,659,276
Total financial liabilities	62,432,147	904,932,044	3,436,282	3,877	970,804,350
Net on-balance sheet position	(287,363)	171,010,796	687,675	27,806	171,438,914
KHR'000 equivalent	(1,162,383)	691,738,670	2,781,645	112,478	693,470,410
Off-balance-sheet items					
Loan commitments	-	56,932,923	-	-	56,932,923
Guarantees and others	-	87,623,114	-	-	87,623,114
Letters of credits	-	9,055,198	-	-	9,055,198
Unutilised portion of overdrafts	-	14,951,209	-	-	14,951,209
	-	168,562,444	-	-	168,562,444
HR'000 equivalent	-	681,835,086	-	-	681,835,086

Sensitivity analysis

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Asset/(Liability)				
Khmer Riel ("KHR")	(3,603,380)	(14,680,170)	(287,363)	(1,162,383)
China Yen ("CNY")	367,399	1,496,784	687,675	2,781,645
Others	22,464	91,518	27,806	112,475
	(3,213,517)	(13,091,868)	428,118	1,731,737

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 Market risk (continued)

(i) Foreign exchange risk (continued)

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

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Increase/(Decrease)				
-5%				
Khmer Riel ("KHR")	(151,721)	(618,111)	(12,099)	(48,940)
Renminbi ("CNY")	15,469	63,021	28,955	117,123
Others	946	3,854	1,171	4,737
	<u>(135,306)</u>	<u>(551,236)</u>	<u>18,027</u>	<u>72,920</u>

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Increase/(Decrease)				
+5%				
Khmer Riel ("KHR")	137,272	559,246	10,947	44,281
Renminbi ("CNY")	(13,996)	(57,020)	(26,197)	(105,967)
Others	(856)	(3,487)	(1,059)	(4,284)
	<u>122,420</u>	<u>498,739</u>	<u>(16,309)</u>	<u>(65,970)</u>

(ii) Price risk

The Branch is not exposed to a securities price risk because it does not have any investment held and classified on the statement of financial position at fair value.

(iii) Interest rate risk

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

The Branch's main interest rate risk arises from loans and advances to customers and borrowings with variable rates, which exposes the Branch to cash flow interest rate risk. The Branch's loans and advances to customers and borrowing consists of both fixed rates and variable rates, in which majority of the loans and advances to customers and borrowings are at fixed rates (around 63% and 85% of the total loans and advances to customers and borrowings, respectively). The Branch does not have fair value interest rate risk as the interest rates of financial instruments measured at amortised cost are similar to prevailing market rates.

The management of the Branch at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch. In addition, the management regularly analyses and foresees the expected changes in the interest rates and manages cash flow interest rate risk by assessing its impacts and developed actions to respond to the interest rate risk.

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 Market risk (continued)

(iii) Interest rate risk

As at 31 December 2021

Financial assets

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest rate sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cash on hand	-	-	-	-	-	23,460,873	23,460,873
Deposits and placements with the central bank	202,952,116	1,000,270	1,821,308	-	-	170,592,762	376,366,456
Deposits and placements with other banks	111,983,311	104,105,322	15,156,625	-	-	-	231,245,258
Loans and advances at amortised cost	190,704,208	56,829,284	209,300,133	254,460,917	29,427,787	-	740,722,329
Other financial assets	-	-	-	-	-	644,773	644,773
Total financial assets	505,639,635	161,934,876	226,278,066	254,460,917	29,427,787	194,698,408	1,372,439,689

Financial liabilities

Deposits from banks and other financial institutions	19,462,679	-	-	-	-	31,204,080	50,666,759
Deposits from customers	633,255,942	31,872,106	52,987,662	17,755,334	-	206,927,621	942,798,665
Borrowings	-	160,049,257	24,802,387	-	-	-	184,851,644
Lease liabilities	-	-	519,799	1,784,340	-	-	2,304,139
Other financial liabilities	-	-	-	-	-	5,180,163	5,180,163
Total financial liabilities	652,718,621	191,921,363	78,309,848	19,539,674	-	243,311,864	1,185,801,370
Net interest repricing gap	(147,078,986)	(29,986,487)	147,968,218	234,921,243	29,427,787	(48,613,456)	186,638,319
In KHR'000 equivalent	(599,199,788)	(122,164,948)	602,822,520	957,069,144	119,888,804	(198,051,220)	760,364,512

Off-balance-sheet items

Loan commitments	88,705,329	-	-	-	-	-	88,705,329
Guarantees and others	72,565,789	-	-	-	-	-	72,565,789
Letters of credits	17,542,631	-	-	-	-	-	17,542,631
Unutilised portion of overdrafts	13,042,859	-	-	-	-	-	13,042,859
	191,856,608	-	-	-	-	-	191,856,608
In KHR'000 equivalent	781,623,821	-	-	-	-	-	781,623,821

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2020

Financial assets

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest rate sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cash on hand	-	-	-	-	-	35,990,292	35,990,292
Deposits and placements with the Central Bank	179,919,894	7,300,000	-	-	-	173,376,845	360,596,739
Deposits and placements with other banks	67,618,794	-	-	-	-	37,006,973	104,625,767
Loans and advances at amortised cost	230,308,484	22,668,406	186,096,125	178,906,129	22,197,147	-	640,176,291
Other financial assets	-	-	-	-	-	854,175	854,175
Total financial assets	477,847,172	29,968,406	186,096,125	178,906,129	22,197,147	247,228,285	1,142,243,264

Financial liabilities

Deposits from banks and other financial institutions	-	-	-	-	-	835,291	835,291
Deposits from customers	555,707,780	72,738,746	66,931,815	1,640,150	-	183,486,303	880,504,794
Borrowings	-	57,268,007	23,556,243	-	-	75,440	80,899,690
Lease liabilities	-	-	802,616	2,102,683	-	-	2,905,299
Other financial liabilities	-	-	-	-	-	5,659,276	5,659,276
Total financial liabilities	555,707,780	130,006,753	91,290,674	3,742,833	-	190,056,310	970,804,350
Net interest repricing gap	(77,860,608)	(100,038,347)	94,805,451	175,163,296	22,197,147	57,171,975	171,438,914
In KHR'000 equivalent	(314,946,159)	(404,655,114)	383,488,049	708,535,532	89,787,460	231,260,642	693,470,410

Off-balance-sheet items

Loan commitments	56,932,923	-	-	-	-	-	56,932,923
Guarantees and others	87,623,114	-	-	-	-	-	87,623,114
Letters of credits	9,055,198	-	-	-	-	-	9,055,198
Unutilised portion of overdrafts	14,951,209	-	-	-	-	-	14,951,209
	168,562,444	-	-	-	-	-	168,562,444
In KHR'000 equivalent	681,835,086	-	-	-	-	-	681,835,086

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 Market risk (continued)

(iii) Interest rate risk (continued)

Sensitivity analysis

Profit or loss is sensitive to higher or lower interest income from financial instruments at floating rate as a result of changes in interest rates. There are no other components of equity sensitive to higher or lower interest income from financial instruments at floating rate as a result of changes in interest rates.

	Impact on post tax profit	
	US\$	KHR'000
2021		
Interest rate increased by 1%	10,301,204	41,905,298
Interest rate decreased by 1%	(5,773,294)	(23,485,760)
2020		
Interest rate increased by 1%	10,753,676	43,842,737
Interest rate decreased by 1%	(6,334,133)	(25,824,260)

Profit or loss is sensitive to higher or lower interest expense from financial instruments at floating rate as a result of changes in interest rates. There are no other components of equity sensitive to higher or lower interest income from financial instruments at floating rate as a result of changes in interest rates.

	Impact on post tax profit	
	US\$	KHR'000
2021		
Interest rate increased by 1%	427,935	1,740,840
Interest rate decreased by 1%	51,935	211,272
2020		
Interest rate increased by 1%	620,000	2,527,740
Interest rate decreased by 1%	(380,000)	(1,549,260)

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 Liquidity risk

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

(a) Liquidity risk management process

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

(b) Funding approach

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

(c) Non-derivative cash flows

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

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

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2021						
Financial assets						
Cash on hand	23,460,873	-	-	-	-	23,460,873
Deposits and placements with the central bank	373,603,779	1,000,349	1,822,300	-	-	376,426,428
Deposits and placements with other banks	112,269,295	104,207,891	15,317,146	-	-	231,794,332
Loans and advances at amortised cost	78,419,622	95,934,519	185,604,281	352,580,138	125,626,007	838,164,567
Other financial assets	-	225,844	101,752	317,177	-	644,773
Total financial assets	587,753,569	201,368,603	202,845,479	352,897,315	125,626,007	1,470,490,973
Financial liabilities						
Deposits from banks	50,697,400	-	-	-	-	50,697,400
Deposits from customers	840,233,129	32,020,109	53,864,726	17,901,694	-	944,019,658
Borrowings	-	160,085,750	24,922,685	-	-	185,008,435
Lease liabilities	-	-	519,799	1,784,340	-	2,304,139
Other financial liabilities	4,613,138	-	567,025	-	-	5,180,163
Total financial liabilities	895,543,667	192,105,859	79,874,235	19,686,034	-	1,235,679,247
Net financial assets/(liabilities)	(307,790,098)	9,262,744	122,971,244	333,211,281	125,626,007	283,281,178
In KHR'000 equivalents	(1,253,936,859)	37,736,419	500,984,848	1,357,502,759	511,800,353	1,154,087,520
Off-balance sheet items						
Loan commitments	88,705,329	-	-	-	-	88,705,329
Guarantees and others	72,565,789	-	-	-	-	72,565,789
Letters of credits	17,542,631	-	-	-	-	17,542,631
Unutilised portion of overdrafts	13,042,859	-	-	-	-	13,042,859
	191,856,608	-	-	-	-	191,856,608
In KHR'000 equivalents	781,623,821	-	-	-	-	781,623,821

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2020						
Financial assets						
Cash on hand	35,990,292	-	-	-	-	35,990,292
Deposits and placements with the central bank	353,297,627	7,326,243	-	-	-	360,623,870
Deposits and placements with other banks	104,642,600	-	-	-	-	104,642,600
Loans and advances at amortised cost	62,298,904	73,540,522	185,819,962	304,965,923	90,093,864	716,719,175
Other financial assets	854,175	-	-	-	-	854,175
Total financial assets	557,083,598	80,866,765	185,819,962	304,965,923	90,093,864	1,218,830,112
Financial liabilities						
Deposits from banks	835,291	-	-	-	-	835,291
Deposits from customers	739,262,067	72,961,569	68,361,990	1,791,821	-	882,377,447
Borrowings	-	57,352,616	23,733,961	-	-	81,086,577
Lease liabilities	164,773	87,352	550,491	2,102,683	-	2,905,299
Other financial liabilities	4,555,381	100,606	1,003,289	-	-	5,659,276
Total financial liabilities	744,817,512	130,502,143	93,649,731	3,894,504	-	972,863,890
Net financial assets/(liabilities)	(187,733,914)	(49,635,378)	92,170,231	301,071,419	90,093,864	245,966,222
In KHR'000 equivalents	(759,383,682)	(200,775,104)	372,828,584	1,217,833,890	364,429,680	994,933,368
Off-balance sheet items						
Loan commitments	56,932,923	-	-	-	-	56,932,923
Guarantees and others	87,623,114	-	-	-	-	87,623,114
Letters of credits	9,055,198	-	-	-	-	9,055,198
Unutilised portion of overdrafts	14,951,209	-	-	-	-	14,951,209
	168,562,444	-	-	-	-	168,562,444
In KHR'000 equivalents	681,835,086	-	-	-	-	681,835,086

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value (continued)

The Branch did not have financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

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

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

i. Deposits and placements with the Central Bank and other banks

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

ii. Loans and advances to customers

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

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

iii. Deposits from banks and customers

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

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

iv. Other financial assets and other financial liabilities

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

v. Borrowings

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

Bank Of China (Hong Kong) Limited Phnom Penh Branch

NOTES TO THE FINANCIAL STATEMENTS

As At 31 December 2021

31. FINANCIAL RISK MANAGEMENT (continued)

31.5 Capital management (continued)

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

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

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

The table below summarises the composition of regulatory capital:

	2021		2020	
	US\$	KHR'000	US\$	KHR'000
Tier 1 capital				
Share capital	150,000,000	600,000,000	150,000,000	600,000,000
Retained earnings	56,592,725	230,558,762	57,883,284	234,137,884
Less: Loans to related parties	-	-	-	-
	<u>206,592,725</u>	<u>830,558,762</u>	<u>207,883,284</u>	<u>834,137,884</u>
Tier 2 complementary capital				
General provision	11,409,812	46,483,574	8,977,639	36,314,550
	<u>11,409,812</u>	<u>46,483,574</u>	<u>8,977,639</u>	<u>36,314,550</u>
	<u>218,002,537</u>	<u>877,042,336</u>	<u>216,860,923</u>	<u>870,452,434</u>

