

# Bank of China (Hong Kong) Limited Phnom Penh Branch



## Annual Report 2022

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## 中国银行总行介绍

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60多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。

## 中国银行（香港）金边分行

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银香港，并更名为中国银行（香港）金边分行。金边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；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。金边分行在2017年至2018年、2019年至2020年、2023年至2024年被柬埔寨税务局授予金牌纳税人称号。

中国银行（香港）金边分行与您一路同行、一起发展！

分行网站及网址：

网站：<https://www.bankofchina.com.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 62 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(Hong Kong) Limited Phnom Penh Branch

Bank of China Limited Phnom Penh Branch was incorporated in Cambodia in November 2010 under the name Bank of China Limited, 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(Hong Kong) 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(Hong Kong) Limited 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 2022, the Branches have a total of 210 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(Hong Kong) Limited 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, Tuek Thla 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: <https://www.bankofchina.com.kh>

Address: Bank of China(Hong Kong) 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



2022年，新冠疫情逐渐消散，柬埔寨经济开始恢复，人民生活趋于正常，作为支柱行业的旅游业出现复苏趋势，纾困贷款客户数量得到有效控制；但是国际环境不确定性加大，美联储陆续7次加息收紧货币政策，金融市场波动加剧，2023年初在美国和瑞士相继爆发银行倒闭事件，导致危机情绪蔓延。分行在总行及中银香港的指导下，坚持稳健发展策略，“抓业务、促增长；打通路，开新局；防风险，保平稳”，主要业务指标实现较大改善，净利润不仅恢复至疫情前水平，并达到了历史新高。

2022年，我们坚定推进发展战略，本地业务和中资业务并重，先后为一批涉及柬埔寨国计民生的项目提供授信支持。“一带一路”项目实现新突破，充分利用自身专业优势，作为牵头行为制造业、电力等项目提供综合融资方案；及时满足本地重点客户业务发展的资金需求，涉及消费、物流、贸易等关键行业。

2022年，我们坚持进行产品创新，融入本地金融基建体系，成功投产央行Bakong系统，为客户小额、跨行汇款提供便利；不断提升电子银行功能，企业网银和个人网银实现升级；成为柬埔寨第一家在借记卡、ATM和POS机全面上线CSS1.10标准的银行。

2022年，我们坚持便利客户的宗旨，成功实现奥林支行搬迁至德克拉，极大方便了工业园区客户办理业务，同时，适时调整周末营业时间，更好满足客户办理业务的需求；中银理财中心成功启动，重点客户得以体验更优质银行服务；大力推广代发薪、人民币薪金直汇等金融产品，为企业客户和来柬务工人员提供良好的金融体验。

In 2022, whilst the pandemic gradually dissipated, Cambodia's economy began to recover, and people's life started to resume back to normal. The tourism industry, which serves as the pillar industry, also showed a recovery trend, and that the number of customers who applied for the restructure of issued loan is under effective control. However, we also see that there is an increase in economic uncertainty around the globe, especially when FOMC raised the federal fund rate 7 times accumulatively in 2022, the volatility of financial market has thus been intensified. In early 2023, there are bank failures occurred in the United States and Switzerland, leading to concerns on the potential spread of crisis around the world.

Under the guidance of BOC Group and BOCHK, the Branch strictly adheres to a steady development strategy, "Focus on business and promote growth; Expand market and create opportunities; Prevent risks and ensure stability", we have seen a big improvement in the major business indicators - Net profit not only returns to the level before the pandemic, but also reaches a record high level.

In 2022, we firmly promoted development strategy that pays equal attention to both Local business and Chinese-funded business, and we successively provided credit support for a number of projects which are important to both Cambodia's national economy and people's livelihood. Meanwhile, we have also achieved new breakthrough for The "Belt and Road" project, by making full use of our professional advantages, we provided comprehensive financing solutions for the projects as arranger for a wide range of industries, including manufacturing and electric power area, we also met the capital needs of local core customers for their business development, involving key industries such as consumption, logistics, and trading industries.

In 2022, we continued to carry out product innovations, integrated into local financial infrastructure, and successfully put Bakong system into operation to provide efficient platform for customer to transfer funds freely between banks. In addition, we further improved the functions of electronic banking, upgrading corporate online banking and personal mobile banking and became the first bank in Cambodia that fully implements CSS1.10 standard for debit cards, ATMs and POS machines.



2022年，我们重点推进场景建设，吴哥景区门票线上线下一体化收费项目使客户有了更多支付选择，实现了政府项目的重大突破，美丽的吴哥景区有了中资银行的身影；以人民币业务为中心，为客户提供更多元的融资方案和保值措施，便利中柬两国企业以人民币进行跨境交易。

2022年，我们实施全面风险管理，有效改革风险管理体系，做好纾困客户管理，严控信用风险的同时，重点做好反洗钱和合规工作，以时时放心不下的心态经营业务，保障银行财产安全；同时与外部智库合作，加强本地研究，更好的指导后续业务发展。

2022年，我们持续关心关爱员工，通过疫情防控、关键业务的BCP演练等方式，确保员工生命安全；响应央行号召，与IBF合作，为员工参加外部培训、提升自我能力提供支持；对员工调查中关注的问题进行回应和改进，进一步提升员工归属感，提高凝聚力。

最后，请允许我在此代表分行管理层，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！疫情虽已告一段落，但是距离经济的全面恢复依然任重道远，在新的一年里，我们将以敏锐的嗅觉，及时发现机会；以敏捷的身手，善于把握机会；以敏感的风险意识，守住风险底线，为客户提供更好的服务、为集团创造更大的价值、为本地经济发展做出更大的贡献。

In 2022, we adhered to the objective of providing best experience to our customers, we relocated the Olympic Sub-branch to TuekThla, which greatly facilitates business for the customers stationed in the industrial zone. In the meantime, we adjusted the business hours on weekends to better meet the banking needs for our customers. In order to provide the best financial experience for our customers, we also launched WM (Wealth Management) Center, promoted financial products such as Payroll and RMB Salary Direct Remittance, providing unique financial experience to both corporate customers and migrants workers in Cambodia.

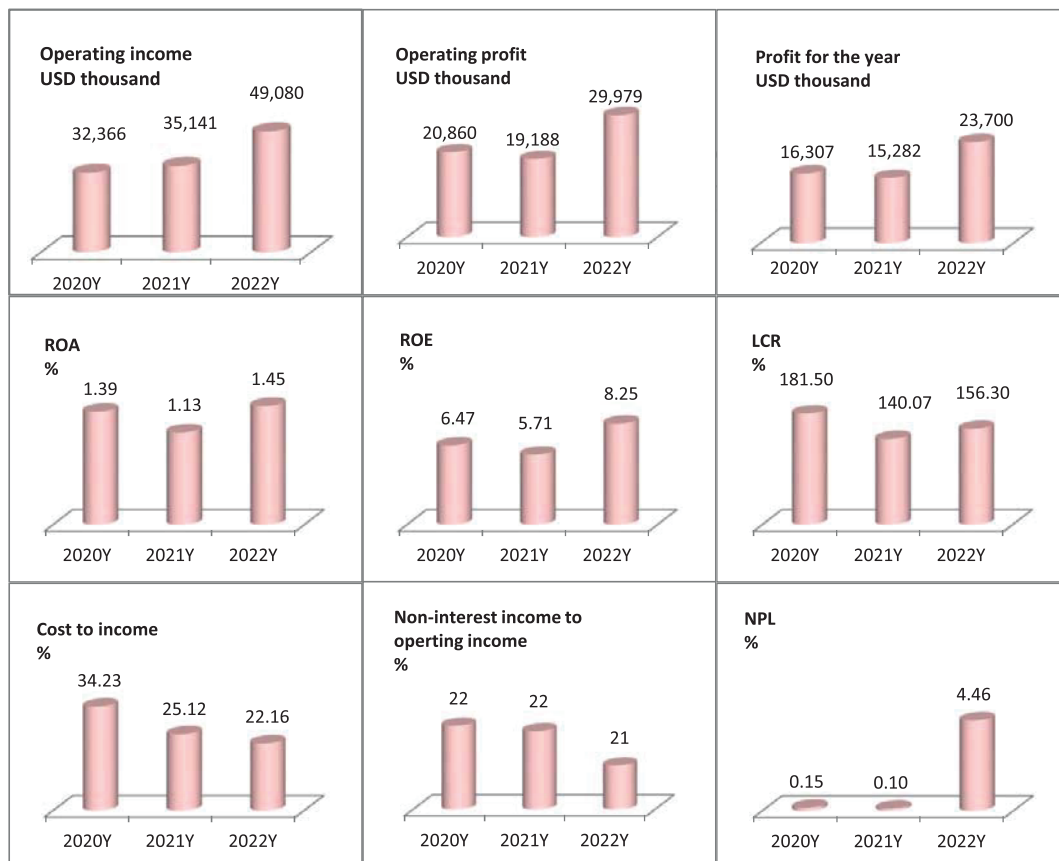
In 2022, we focused on scene-based development. The integrated online and offline payment project for Angkor ticket enables customers to have more payment options, which a major breakthrough is achieved in terms of government project, and we can now see the presence of China-based bank under the beauty of Angkor Archaeological Park. With a view to promoting RMB business, we also provide customers with a wide range financial solutions, facilitating cross-border RMB transactions between Chinese and Cambodian enterprises.

In 2022, we reformed the risk management framework and implemented a series of comprehensive measures, which includes managing restructure loan to an appropriate level, and strictly controlling credit risks. Apart from the above, we strictly focused on anti-money laundering and compliance controls, educated our staffs to have a cautious mindset at all times to ensure the safety of bank property. We also cooperate with external think-tanks to strengthen local research and to better guide for the future business development of the bank.

In 2022, we continued our focus on employees care, ensured the safety of employees through a series of pandemic preventions, controls and BCP drills for key businesses etc. To echo with NBC's call on employees' support, we cooperated with IBF to provide resources for employees to participate to external trainings to improve their knowledge. In addition, we also studied and responded to the employee survey to further enhance employees' sense of belonging and cohesion to our bank.

Last but not least, on behalf of the management of the branch, please allow me to express my heartfelt thanks to all the employees of the bank for their hard work in the past year. I would also like to express my gratitude to the National Bank of Cambodia, customers and friends from all walks of life for their support! Although the pandemic has now come to an end, there is still a long way to go to achieve full recovery of the economy. For 2023, with keen competition in the market, we will continue to discover opportunities from time to time, and will continue to work with agile mindset to capture every business opportunity. For risk management perspective, we will continue to put risk awareness as our top priority, to hold the bottom line of risks, to provide customers with better services, to create greater value for the group, and to make more contributions to the development of the local economy.

## Financial Highlights



## Notes

1. Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/losses on investment securities + other operating income
2. Operating income = net interest income + non-interest income
3. 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
4. Return on average equity = profit attributable to equity holders of the bank ÷ weighted average capital and reserves attributable to equity holders of the bank
5. 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).
6. Non-interest income to operating income = non-interest income ÷ operating income
7. 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

**Profile of “Bank of China (Hong Kong) Limited Phnom Penh Branch”**  
**Last updated on 31 Dec 2022**

**1. Background**

- **Licensing details**
  - License number: 31
  - Date licensed in 07<sup>th</sup> September 2017
  - Date of permanent license 07<sup>th</sup> September 2017
  - Operations commencement date: 08 December 2010
  - Type of license: Commercial Bank
- **Significant Shareholding (10% and more)**

SHAREHOLD ER'S NAMES  A	NUMBER OF SHARES  B	VALUE KHR “000”  C	% of shareholding  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	617,550,000	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)**

- **Customers categories**

No.	Customer Categories	Yes/No
1	Political Expose Persons (PEPs)	<u>Yes</u>
2	Individual	<u>Yes</u>
3	Non-Resident clients	<u>Yes</u>
4	Domestic legal entities	<u>Yes</u>
5	Dealer in precious metals and stones	<u>No</u>
6	Pooled accounts (Lawyers, Accountants, Security Brokers, Nominees, etc.)	<u>Yes</u>
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	

o **Product and Services**

No.	Customer Categories	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

o **Delivery channels**

No.	Customer Categories	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

o **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
Sihanouk Ville	01

**Total number of branches** 05



### 3. Board of Directors/Senior Management

#### ○ List members of senior management

No.	Members	Position	Nationality	Approval Date	Others
1	Mr. Liu Daozhi	CEO	Chinese	22/02/2021	
2	Mr. Wang Hongsong	Assistant CEO/Deputy CEO	Chinese	31/12/2016	
3	Mr. Liu Zheng	Assistant CEO/Deputy CEO	Chinese	24/06/2017	Resigned on 10/12/2022
4	Ms. Gung Wing Hung Elsie	Assistant CEO/Deputy CEO	Chinese	19/10/2020	Resigned on 26/01/2023

#### 1. Executive Management Committee

No.	Members	Position	Nationality	Others
1	Mr. Liu Daozhi	Chairman	Chinese	
2	Mr. Wang Hongsong	Member	Chinese	
3	Mr. Liu Zheng	Member	Chinese	Resigned on 10/12/2022
4	Ms. Gung Wing Hung Elsie	Member	Chinese	Resigned on 26/01/2023

#### 2. Credit Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Hongsong	Chairman	Chinese	07/06/2019		
2	Mr. Shan Qiang	Member	Chinese	28/04/2023		
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	Mr. Luo Yan	Member	Chinese	28/04/2023		
8	Mr. Liu Jianwu	Member	Chinese	07/06/2019		
9	Ms. Ma Yan	Member	Chinese	27/10/2022		
10	Ms. Xu Wei	Member	Chinese	30/05/2020		
11	Ms. Kong Bopha	Member	Cambodian	27/10/2021		

#### 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		Resigned on 10/12/2022
3	Mr. Liu Daozhi	Observer	Chinese	11/03/2021		
4	Ms. Gung Wing Hung Elsie	Member	Chinese	11/03/2021		Resigned on 26/01/2023
5	Mr. Ouyang Chang	Member	Chinese	08/06/2018		
6	Ms. Zhang Yuan	Member	Chinese	08/06/2018		Resigned on 30/12/2022
7	Ms. Tian Xiaolin	Member	Chinese	11/03/2021		Resigned on 30/10/2022
8	Mr. Xu Wei	Member	Chinese	11/03/2021		
9	Mr. Wang Wenzhe	Member	Chinese	08/06/2018		
10	Mr. Ma Yan	Member	Chinese	30/03/2022		
11	Mr. Cui Hongbo	Member	Chinese	28/06/2019		Resigned on 10/06/2023
12	Mr. Wang Junwei	Member	Chinese	28/06/2019		
13	Mr. Liu Jianwu	Member	Chinese	28/06/2019		
14	Ms. Chhor Chhunvouch	Member	Cambodian	08/06/2018		

15	Ms. Han Weida	Observer	Chinese	08/06/2018	
16	Ms. Chen Shaoling	Member	Chinese	05/11/2020	
17	Mr. Liu Dehua	Member	Chinese	05/11/2020	Resigned on 30/12/2022
18	Mr. Cai Jiaxin	Member	Chinese	05/11/2020	
19	Ms. Tan Sokim	Member	Cambodian	05/11/2020	
20	Mr. Si Zhengqiang	Member	Chinese	30/03/2022	
21	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		Resigned on 30/12/2022
3	Mr. Liu Xiao Feng	Member	Chinese	03/03/2012		Resigned on 28/02/2022
4	Ms. Ma Yan	Member	Chinese	03/10/2022		
5	Mr. Ouyang Chang	Member	Chinese	19/04/2011		
6	Mr. Xu Wei	Member	Chinese	11/11/2020		
7	Mr. Cui Hongbo	Member	Chinese	31/01/2017		Resigned on 10/06/2023
8	Mr. Liu Jianwu	Member	Chinese	31/07/2018		
9	Mr. Si Zhengqiang	Member	Chinese	31/01/2019		
10	Ms. Tian Xiaolin	Member	Chinese	11/11/2020		Resigned on 30/10/2022
11	Mr. Shan Qiang	Member	Chinese	26/12/2022		
12	Mr. Guo Huafeng	Member	Chinese	23/04/2020		Resigned on 15/04/2022
13	Mr. Tian Ye	Member	Chinese	06/01/2023		
14	Mr. Wang Wenzhe	Member	Chinese	31/01/2017		
15	Mrs. Kong Bopha	Member	Cambodian	30/09/2021		
16	Mr. Wang Junwei	Secretary	Chinese	05/05/2017		

#### 5. Risk Management Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Hongsong	Chairman	Chinese	30/06/2022		
2	Mr. Liu Daozhi	Member	Chinese	30/06/2022		
3	Mr. Liu Zheng	Member	Chinese	28/06/2019		Resigned on 10/12/2022
4	Ms. Gung Wing Hung Elsie	Member	Chinese	11/03/2021		Resigned on 26/01/2023
5	Mr. Shan Qiang	Member	Chinese	28/04/2023		
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		Resigned on 10/06/2023
9	Mr. Wang Wenzhe	Member	Chinese	07/02/2018		
10	Mr. Xu Wei	Member	Chinese	17/03/2021		
11	Ms. Ma Yan	Member	Chinese	30/06/2022		
12	Mr. Luo Yan	Member	Chinese	28/04/2023		
13	Ms. Kong Bopha	Member	Cambodian	30/06/2022		
14	Ms. Tan Sokim	Member	Cambodian	27/10/2022		

## 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		Resigned on 10/12/2022
4	Ms. Gung Wing Hang Elsie	Member	Chinese	01/11/2020		Resigned on 26/01/2023
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. Zhang Yuan	Member	Chinese	12/10/2018		Resigned on 30/12/2022
11	Mr. Ma Yan	Member	Chinese	04/09/2020		
12	Mr. Liu Dehua	Member	Chinese	04/09/2020		Resigned on 30/12/2022
13	Mr. Cai Jiaxin	Member	Chinese	04/09/2020		
14	Ms. Chen Shaoling	Member	Chinese	04/09/2020		
15	Ms. Tan Sokim	Member	Cambodian	04/09/2020		
16	Ms. Kong Bopha	Member	Cambodian	29/03/2022		
17	Ms. Han Weida	Observer	Chinese	29/03/2022		

## 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		Resigned on 10/12/2022
4	Ms. Wing Hang Elsie Gung	Member	Chinese	11/11/2020		Resigned on 26/01/2023
5	Mr. Xu Wei	Member	Chinese	11/11/2020		
6	Mr. Liu Xiaofeng	Member	Chinese	27/07/2017		Resigned on 28/02/2022
7	Ms. Ma Yan	Member	Chinese	03/10/2022		
8	Mr. Guo Huafeng	Member	Chinese	23/04/2020		Resigned on 15/04/2022
9	Mr. Tian Ye	Member	Chinese	06/01/2023		
10	Mr. Cui Hongbo	Member	Chinese	27/07/2017		Resigned on 10/06/2023
11	Mr. Wang Wenzhe	Member	Chinese	27/07/2017		
12	Mr. Liu Jianwu	Member	Chinese	01/05/2019		
13	Ms. Tian Xiaolin	Member	Chinese	11/11/2020		Resigned on 30/10/2022
14	Mr. Shan Qiang	Member	Chinese	26/12/2022		
15	Mr. Wang Junwei	Secretary	Chinese	27/07/2017		





ធនាគារ ប៊ីន (ហុងកុង) សាខាភ្នំពេញ  
**中國銀行(香港)** 金边分行  
 BANK OF CHINA (HONG KONG) PHNOM PENH BRANCH



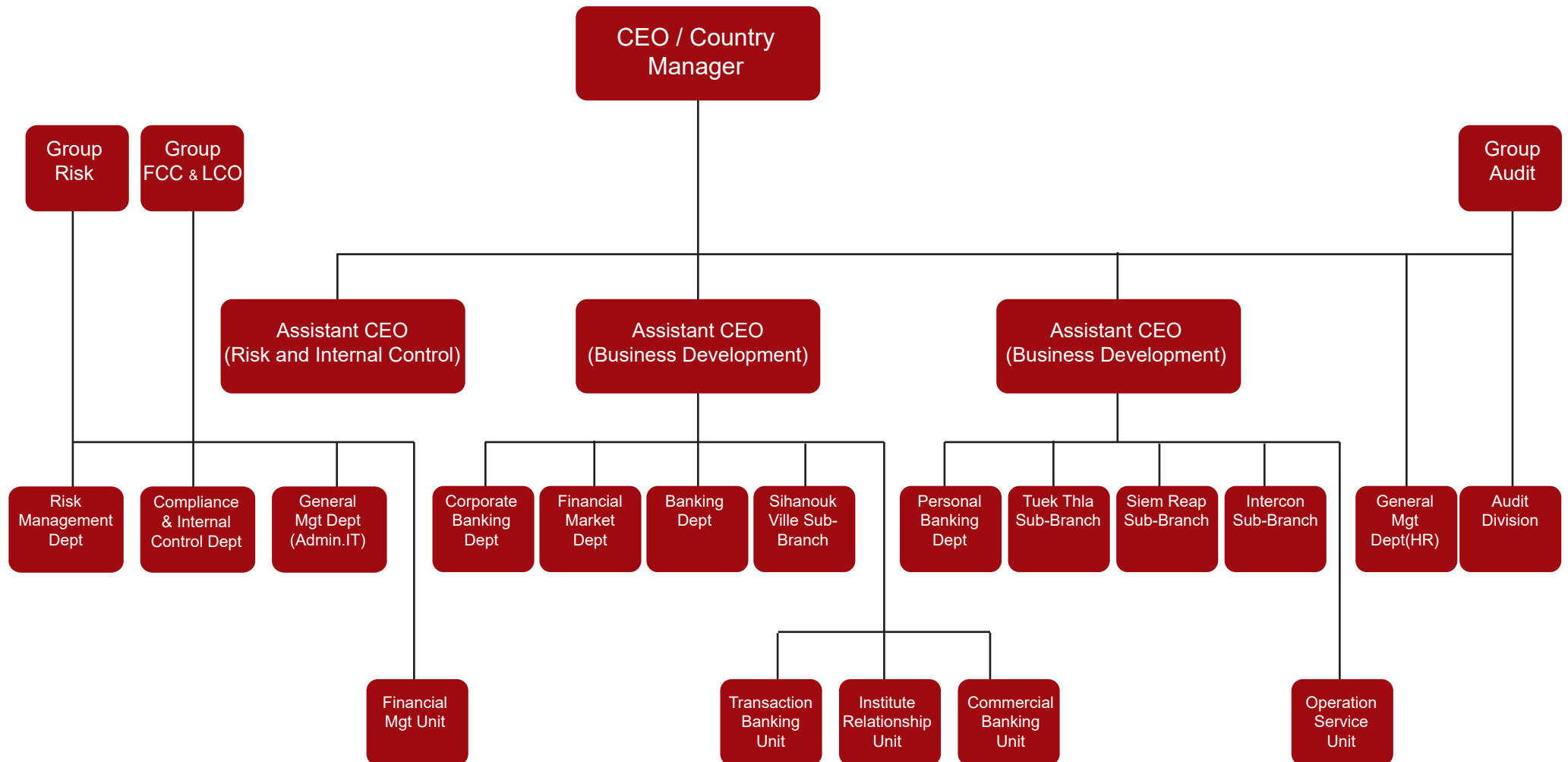
ធនាគារ ប៊ីន (ហុងកុង) សាខាភ្នំពេញ  
**中國銀行(香港)** 金边分行  
 BANK OF CHINA (HONG KONG) PHNOM PENH BRANCH

ពិធីប្រគល់វិញ្ញាបនបត្រប្រាក់បញ្ញើទំនួលខុសត្រូវសង្គមលើកដំបូង  
 នៃធនាគារប៊ីន (ហុងកុង) លីមីតធីត សាខាភ្នំពេញ  
**首期 “中银金边-社会责任存款”  
 证书颁发仪式**

ថ្ងៃទី៦ ខែមករា ឆ្នាំ២០២៣  
 二零二三年一月六日



## 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 2022**

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## 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 2022.

## 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
- Mr. Wang Hong Song                              Assistant Chief Executive Officer
- Mr. Liu Zheng                                        Assistant Chief Executive Officer (resigned on 10 December 2022)
- Mr. Gung Wing Hang Elsie                      Assistant Chief Executive Officer (resigned on 26 January 2023)

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

In preparing these financial statements, the 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 2022 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

31 MAR 2023



## **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 2022, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (CIFRS).

#### *What we have audited*

The Branch's financial statements comprise:

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

### **Basis for opinion**

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

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

#### *Independence*

We are independent of the 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.





### **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 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 Touch Sovannara  
Partner

Phnom Penh, Kingdom of Cambodia  
31 March 2023

**BANK OF CHINA (HONG KONG) LIMITED  
PHNOM PENH BRANCH**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022**

	Notes	2022		2021	
		US\$	K R'000	US\$	KHR'000
<b>Assets</b>					
Cash on hand	4	26,360,281	108,525,277	23,460,873	95,579,597
Deposits and placements with the central bank	5	425,746,270	1,752,797,394	376,366,456	1,533,316,942
Deposits and placements with other banks	6	385,623,844	1,587,613,366	231,245,258	942,093,181
Loans and advances at amortised cost	7	845,023,231	3,478,960,642	740,722,329	3,017,702,768
Statutory deposits with the central bank	8	100,079,067	412,025,519	89,080,233	362,912,869
Right-of-use assets	9	2,850,823	11,736,838	2,196,007	8,946,533
Property and equipment	10	1,696,481	6,984,412	1,105,601	4,504,218
Deferred tax assets	11	3,118,508	12,838,897	3,706,266	15,099,328
Other assets	12	978,092	4,026,805	991,952	4,041,212
<b>Total assets</b>		<b>1,791,476,597</b>	<b>7,375,509,150</b>	<b>1,468,874,975</b>	<b>5,984,196,648</b>
<b>Liabilities and Head office's equity</b>					
<b>Liabilities</b>					
Deposits from banks	13	40,948,461	168,584,814	50,666,759	206,416,376
Deposits from customers	14	925,730,083	3,811,230,752	942,798,665	3,840,961,761
Borrowings	15	511,834,517	2,107,222,706	184,851,644	753,085,598
Lease liabilities	9	3,027,362	12,463,649	2,304,139	9,387,062
Current income tax liabilities	25	5,127,698	21,110,733	4,779,149	19,470,253
Other liabilities	16	5,646,186	23,245,348	8,011,894	32,640,456
<b>Total liabilities</b>		<b>1,492,314,307</b>	<b>6,143,858,002</b>	<b>1,193,412,250</b>	<b>4,861,961,506</b>
<b>Head office's equity</b>					
Head Office's capital contributions	17	150,000,000	600,000,000	150,000,000	600,000,000
Regulatory reserves		1,675,370	6,897,498	-	-
Retained earnings		147,486,920	598,068,600	125,462,725	508,105,975
Other reserves		-	26,685,050	-	14,129,167
<b>Total equity</b>		<b>299,162,290</b>	<b>1,231,651,148</b>	<b>275,462,725</b>	<b>1,122,235,142</b>
<b>Total liabilities and head office's equity</b>		<b>1,791,476,597</b>	<b>7,375,509,150</b>	<b>1,468,874,975</b>	<b>5,984,196,648</b>

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

**BANK OF CHINA (HONG KONG) LIMITED  
PHNOM PENH BRANCH**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Interest income	18	50,319,806	205,657,047	35,135,069	142,929,461
Interest expense	18	(11,435,149)	(46,735,454)	(7,782,254)	(31,658,209)
<b>Net interest income</b>	18	<u>38,884,657</u>	<u>158,921,593</u>	<u>27,352,815</u>	<u>111,271,252</u>
Fee and commission income	19	7,556,387	30,882,954	6,109,049	24,851,611
Fee and commission expense	19	(682,298)	(2,788,552)	(389,801)	(1,585,710)
<b>Net fee and commission income</b>	19	<u>6,874,089</u>	<u>28,094,402</u>	<u>5,719,248</u>	<u>23,265,901</u>
Credit impairment losses	20	(6,784,463)	(27,728,100)	(4,256,072)	(17,313,701)
Other gains – net	21	3,321,485	13,574,909	2,069,379	8,418,234
<b>Net other operating losses</b>		<u>(3,462,978)</u>	<u>(14,153,191)</u>	<u>(2,186,693)</u>	<u>(8,895,467)</u>
Personnel expenses	22	(7,572,418)	(30,948,472)	(7,686,914)	(31,270,366)
Depreciation charges	23	(1,658,395)	(6,777,860)	(1,600,455)	(6,510,651)
Other operating expenses	24	(3,085,865)	(12,611,930)	(2,410,049)	(9,804,079)
		<u>(12,316,678)</u>	<u>(50,338,262)</u>	<u>(11,697,418)</u>	<u>(47,585,096)</u>
<b>Profit before income tax</b>		29,979,090	122,524,542	19,187,952	78,056,590
Income tax expenses	25	(6,279,525)	(25,664,419)	(3,905,516)	(15,887,639)
<b>Profit for the year</b>		<u>23,699,565</u>	<u>96,860,123</u>	<u>15,282,436</u>	<u>62,168,951</u>
<b>Other comprehensive income:</b> <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	12,555,883	-	7,636,922
Other comprehensive income for the year, net of tax		-	12,555,883	-	7,636,922
<b>Total comprehensive income for the year</b>		<u>23,699,565</u>	<u>109,416,006</u>	<u>15,282,436</u>	<u>69,805,873</u>
<b>Profit attributable to:</b>					
Head Office of the Branch		<u>23,699,565</u>	<u>96,860,123</u>	<u>15,282,436</u>	<u>62,168,951</u>
<b>Total comprehensive income attributable to:</b>					
Head Office of the Branch		<u>23,699,565</u>	<u>109,416,006</u>	<u>15,282,436</u>	<u>69,805,873</u>

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



**BANK OF CHINA (HONG KONG) LIMITED  
PHNOM PENH BRANCH**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Attributable to the Head Office									
	Head office's capital contributions		Regulatory reserves		Retained earnings		Other reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<b>Balance at 1 January 2021</b>	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
<b>Total comprehensive income for the year</b>	-	-	-	-	15,282,436	62,168,951	-	7,636,922	15,282,436	69,805,873
<b>Balance at 31 December 2021</b>	150,000,000	600,000,000	-	-	125,462,725	508,105,975	-	14,129,167	275,462,725	1,122,235,142
<b>Balance at 1 January 2022</b>	150,000,000	600,000,000	-	-	125,462,725	508,105,975	-	14,129,167	275,462,725	1,122,235,142
Profit for the year	-	-	-	-	23,699,565	96,860,123	-	-	23,699,565	96,860,123
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	12,555,883	-	12,555,883
<b>Total comprehensive income for the year</b>	-	-	-	-	23,699,565	96,860,123	-	12,555,883	23,699,565	109,416,006
<b>Transactions with owners in their capacity as owners:</b>										
Transfer to regulatory reserves	-	-	1,675,370	6,847,237	(1,675,370)	(6,847,237)	-	-	-	-
Currency translation differences	-	-	-	50,261	-	(50,261)	-	-	-	-
<b>Total transactions with owners</b>	-	-	1,675,370	6,897,498	(1,675,370)	(6,897,498)	-	-	-	-
<b>Balance at 31 December 2022</b>	150,000,000	600,000,000	1,675,370	6,897,498	147,486,920	598,068,600	-	26,685,050	299,162,290	1,231,651,148

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



**BANK OF CHINA (HONG KONG) LIMITED  
PHNOM PENH BRANCH**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022		2021	
	Notes	US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating activities</b>					
Cash (used in)/generated from operations	27	(149,667,459)	(611,690,906)	4,559,251	18,547,034
Interest received		47,250,592	193,113,170	34,821,687	141,654,623
Interest paid		(10,399,793)	(42,503,954)	(8,251,341)	(33,566,455)
Income tax paid	25 (a)	(5,343,218)	(21,837,732)	(4,523,035)	(18,399,706)
Net cash (used in)/generated from operating activities		(118,159,878)	(482,919,422)	26,606,562	108,235,496
<b>Cash flows from investing activities</b>					
Deposits and placements with the central bank - maturity more than three months		720,000	2,942,640	(8,520,000)	(34,659,360)
Deposits and placements with other banks - maturity more than three month		5,000,000	20,435,000	(35,000,000)	(142,590,000)
Purchases of property and equipment	10	(1,352,734)	(5,528,624)	(237,534)	(966,288)
Net cash generated from/(used in) investing activities		4,367,266	17,849,016	(43,757,534)	(178,215,648)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	15	3,255,508,115	13,305,261,666	795,016,226	3,234,126,007
Repayments of borrowings	15	(2,929,273,361)	(11,971,940,226)	(690,742,294)	(2,809,939,652)
Principal element of lease payments		(828,134)	(3,384,584)	(784,971)	(3,193,262)
Net cash generated from financing activities		325,406,620	1,329,936,856	103,488,961	420,993,093
<b>Net increase in cash and cash equivalents</b>		211,614,008	864,866,450	86,337,989	351,012,941
Cash and cash equivalents at the beginning of the year		580,332,082	2,364,272,902	493,994,093	1,998,206,108
Currency translation differences		-	31,302,700	-	15,053,853
<b>Cash and cash equivalents at the end of the year</b>	26	<u>791,946,090</u>	<u>3,260,442,052</u>	<u>580,332,082</u>	<u>2,364,272,902</u>

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

**BANK OF CHINA (HONG KONG) LIMITED  
PHNOM PENH BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**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.

Bank of China (Hong Kong) Limited (BOCHK or the Head Office), is a bank incorporated and registered in Hong Kong, and 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 nine 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 2022, 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 31 March 2023.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

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

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

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 (continued)**

### **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 2022:

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

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

#### **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 2022 reporting period and have not been early adopted by the Branch. These standards are not expected to have a material impact on the Branch in the current or future reporting periods and on foreseeable future transactions.

### **2.3 Foreign currency translation**

#### *i) Functional and presentation currency*

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the Branch operates (the functional currency). The functional currency is the United States dollars (US\$) because of the significant influence of the US\$ on its operations. The financial statements are presented in 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, and as at the reporting date, the yearly average rate was US\$ 1 to Riel 4,087 (2021: US\$ 1 to Riel 4,068) and the closing rate was US\$1 to Riel 4,117 (2021: US\$ 1 to Riel 4,074).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, unrestricted deposits and placements with the central bank and other banks, and other short-term highly liquid investments with original maturities of three months or less where the 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.

**2.5 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 Financial assets (continued)**

**c) Measurement (continued)**

*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 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.

**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 (ECLs) associated with its debt instrument assets carried at amortised cost and with the exposure arising from credit commitments (including undrawn overdrafts 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 overdrafts and revolving facilities) and financial guarantee contracts

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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 Financial assets (continued)**

**e) Impairment (continued)**

**(c) Stage 3: Lifetime ECL – credit impaired**

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

**2.6 Financial liabilities**

Financial liabilities are recognised when the 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 financial 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 overdrafts 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 overdrafts 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.7 Credit commitments and financial guarantee contracts (continued)**

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.

**2.8 Offsetting financial instruments**

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

**2.9 Property and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the 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:

	<b>Years</b>
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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.10 Impairment of non-financial assets (continued)**

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.

**2.11 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.

The economic circumstance and the observable interest rate set the foundation in determining the incremental borrowing rate. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the Branch and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Leases (continued)**

**ii) Right-of-use assets**

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the 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 and adjusted for any remeasurement of the lease liability.

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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, and Circular No. B7-021-2314 dated 28 December 2021 (implemented from 1 January 2022) on classification and provisioning requirements on restructured loan. If the total 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) Pension fund scheme

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.15 Employee benefits (continued)**

iii) Other employee benefits - seniority payments

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

- Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six month on 30 June and 31 December (7.5 days each payment).
- Past years of seniority service - employees are entitled to 15 days of their salary per year of service since the commencement of employment up to 31 December 2018 and still continue working with the 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.

**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 gross 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.16 Interest income and expense (continued)**

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.

### **2.18 Rounding of amounts**

All amounts in US\$ disclosed in the financial statements and notes are in whole US\$ currency unit. All amounts in KHR in the financial statements and notes have been rounded off to the nearest thousand KHR currency unit unless otherwise stated.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**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:

**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
- 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**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
US Dollars	23,994,635	98,785,912	21,859,557	89,055,835
Khmer Riel	1,863,233	7,670,930	964,562	3,929,626
Others	502,413	2,068,435	636,754	2,594,136
	<u>26,360,281</u>	<u>108,525,277</u>	<u>23,460,873</u>	<u>95,579,597</u>

**5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Current accounts	410,588,257	1,690,391,854	170,598,110	695,016,700
Negotiable certificates of deposit (i)	15,191,863	62,544,900	205,825,039	838,531,209
	<u>425,780,120</u>	<u>1,752,936,754</u>	<u>376,423,149</u>	<u>1,533,547,909</u>
Less: Allowance for expected credit loss	<u>(33,850)</u>	<u>(139,360)</u>	<u>(56,693)</u>	<u>(230,967)</u>
	<u>425,746,270</u>	<u>1,752,797,394</u>	<u>376,366,456</u>	<u>1,533,316,942</u>



**BANK OF CHINA (HONG KONG) LIMITED  
PHNOM PENH BRANCH**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

- (i) The Branch has pledged Negotiable Certificates of Deposit (NCD) amounting to US\$1,108,423 (2021: US\$2,820,000) with the central bank as collateral for borrowing on Liquidity-Providing Collateralized Operation (LPCO) (Note 15). Another NCD amounting to US\$14,083,440 pledged as collateral for settlement clearing facility (2021: 13,000,000). As at 31 December 2022, 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:

	2022	2021
Current accounts	Nil	Nil
Negotiable certificates of deposit	0.02% - 3.23%	0.02% - 0.13%

**6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
<i>Deposits and placements with local banks</i>				
Current accounts	56,655	233,249	57,110	232,666
Fixed deposits	110,985,589	456,927,670	167,265,222	681,438,514
	<u>111,042,244</u>	<u>457,160,919</u>	<u>167,322,332</u>	<u>681,671,180</u>
<i>Deposits and placements with overseas banks</i>				
Current accounts	84,940,897	349,701,672	32,803,720	133,642,355
Fixed deposits	190,045,706	782,418,172	31,374,671	127,820,410
	<u>274,986,603</u>	<u>1,132,119,844</u>	<u>64,178,391</u>	<u>261,462,765</u>
Less: Allowance for expected credit loss	<u>(405,003)</u>	<u>(1,667,397)</u>	<u>(255,465)</u>	<u>(1,040,764)</u>
	<u>385,623,844</u>	<u>1,587,613,366</u>	<u>231,245,258</u>	<u>942,093,181</u>

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

	2022	2021
Current accounts	0.00% - 0.50%	0.00% - 0.50%
Fixed deposits	0.05% - 5.30%	0.04% - 4.50%

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**7. LOANS AND ADVANCES AT AMORTISED COST**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost:</i>				
Commercial loans:				
Long-term loans	818,080,939	3,368,039,226	684,724,486	2,789,567,555
Short-term loans				
Overdrafts	41,763,683	171,941,083	30,684,702	125,009,476
Trade finance	7,590,425	31,249,780	40,801,753	166,226,342
Credit cards	83,275	342,843	53,159	216,570
Total gross carrying amount	867,518,322	3,571,572,932	756,264,100	3,081,019,943
Less: Allowance for expected credit loss	(22,495,091)	(92,612,290)	(15,541,771)	(63,317,175)
Total net loans	845,023,231	3,478,960,642	740,722,329	3,017,702,768

**a) Allowance for expected credit loss**

Allowance for expected credit losses by stages are as follows:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	11,828,586	48,698,289	10,705,951	43,616,045
Lifetime ECL-not credit impaired (Stage 2)	442,057	1,819,949	4,387,371	17,874,149
Lifetime ECL-credit impaired (Stage 3)	10,224,448	42,094,052	448,449	1,826,981
	22,495,091	92,612,290	15,541,771	63,317,175

**b) By industry**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Financial institutions	190,872,723	785,823,001	158,597,738	646,127,185
Construction	175,490,711	722,495,257	150,130,300	611,630,842
Utilities	142,643,109	587,261,680	133,380,837	543,393,530
Manufacturing	113,236,606	466,195,107	69,685,797	283,899,937
Real estate	59,741,285	245,954,870	64,407,597	262,396,550
Wholesale and retails	52,396,037	215,714,484	39,026,059	158,992,164
Personal lending	28,383,196	116,853,618	5,428,134	22,114,218
Hotels and restaurants	23,547,954	96,946,927	25,040,562	102,015,250
Rental and operational leading	19,239,913	79,210,722	26,091,100	106,295,141
Information media and telecommunications	14,076,110	57,951,345	34,460,613	140,392,537
Transport and storage	10,264,478	42,258,856	4,175,557	17,011,219
Agriculture, forestry and fishing	9,792,388	40,315,261	1,305,108	5,317,010
Other non-financial services	4,669,978	19,226,299	5,896,264	24,021,380
Other lending	23,163,834	95,365,505	38,638,434	157,412,980
Total gross carrying amount	867,518,322	3,571,572,932	756,264,100	3,081,019,943

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**7. LOANS AND ADVANCES AT AMORTISED COST (continued)**

**c) By loan classification**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>				
Gross amount	828,446,337	3,410,713,570	721,463,828	2,939,243,634
Exposure at default	828,446,337	3,410,713,570	721,463,828	2,939,243,634
Allowance for expected credit loss	11,828,586	48,698,289	10,705,951	43,616,045
<i>Under-performing</i>				
Gross amount	7,347,601	30,250,073	33,779,791	137,618,869
Exposure at default	7,347,601	30,250,073	33,779,791	137,618,869
Allowance for expected credit loss	442,057	1,819,949	4,387,371	17,874,149
<i>Non-performing</i>				
Gross amount	31,724,384	130,609,289	1,020,481	4,157,440
Exposure at default	31,724,384	130,609,289	1,020,481	4,157,440
Allowance for expected credit loss	10,224,448	42,094,052	448,449	1,826,981
<b>Total</b>				
Gross amount	867,518,322	3,571,572,932	756,264,100	3,081,019,943
Exposure at default	867,518,322	3,571,572,932	756,264,100	3,081,019,943
Allowance for expected credit loss	22,495,091	92,612,290	15,541,771	63,317,175

**d) By maturity**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	175,547,026	722,727,106	167,530,998	682,521,285
Later than 1 year and no later than 3 years	262,927,694	1,082,473,316	267,138,709	1,088,323,100
Later than 3 year and no later than 5 years	104,351,074	429,613,372	125,580,845	511,616,363
Later than 5 years	324,692,528	1,336,759,138	196,013,548	798,559,195
<b>Total gross carrying amount</b>	<b>867,518,322</b>	<b>3,571,572,932</b>	<b>756,264,100</b>	<b>3,081,019,943</b>

**e) By exposure**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Large exposure	500,415,381	2,060,210,124	388,790,399	1,583,932,086
Non-large exposure	367,102,941	1,511,362,808	367,473,701	1,497,087,857
<b>Total gross carrying amount</b>	<b>867,518,322</b>	<b>3,571,572,932</b>	<b>756,264,100</b>	<b>3,081,019,943</b>

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.

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**7. LOANS AND ADVANCES AT AMORTISED COST (continued)**

**f) By relationship**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Non-related parties	867,518,322	3,571,572,932	756,264,100	3,081,019,943
Total gross loans	867,518,322	3,571,572,932	756,264,100	3,081,019,943

**g) By residency**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Residents	867,518,322	3,571,572,932	704,299,356	2,869,315,576
Non-residents	-	-	51,964,744	211,704,367
Total gross loans	867,518,322	3,571,572,932	756,264,100	3,081,019,943

**h) By interest rate**

	2022	2021
Long-term loans	2.70% - 8.50%	2.70% - 8.00%
Short-term loans	0.24% - 7.50%	0.24% - 7.50%

**8. STATUTORY DEPOSITS WITH THE CENTRAL BANK**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Reserve requirement (i)	85,079,067	350,270,519	74,080,233	301,802,869
<i>Non-current</i>				
Capital guarantee deposit (ii)	15,000,000	61,755,000	15,000,000	61,110,000
	100,079,067	412,025,519	89,080,233	362,912,869

**(i) Reserve requirement**

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

**(ii) Capital guarantee deposit**

Pursuant to Prakas No. B7-01-136 on bank capital guarantees, dated 15 October 2001, issued by the central bank, the 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.



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**8. STATUTORY DEPOSITS WITH THE CENTRAL BANK (continued)**

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

	2022	2021
Capital guarantee deposit	0.04% - 0.65%	0.04% - 0.06%
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**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>				
Buildings	2,767,547	11,393,991	2,135,953	8,701,873
ATM locations	83,276	342,847	60,054	244,660
	<u>2,850,823</u>	<u>11,736,838</u>	<u>2,196,007</u>	<u>8,946,533</u>
<i>Lease liabilities</i>				
Current	876,179	3,607,229	519,799	2,117,661
Non-current	2,151,183	8,856,420	1,784,340	7,269,401
	<u>3,027,362</u>	<u>12,463,649</u>	<u>2,304,139</u>	<u>9,387,062</u>

Additions to the right-of-use assets during the 2022 were US\$1,551,357 (2021: US\$183,811).

**b) Amounts recognised in the statement of profit or loss**

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

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Depreciation charge of right-of-use assets</i>				
Buildings	869,520	3,553,728	808,124	3,287,449
ATM locations	27,021	110,435	24,619	100,150
Depreciation charge (Note 23)	<u>896,541</u>	<u>3,664,163</u>	<u>832,743</u>	<u>3,387,599</u>
Interest expense on lease liabilities (Note 18)	<u>80,384</u>	<u>328,528</u>	<u>58,218</u>	<u>236,831</u>
Expense relating to leases of short-term and low-value assets (included in other operating expenses) (Note 24)	<u>86,844</u>	<u>354,931</u>	<u>60,910</u>	<u>247,782</u>
Total expenses related to leases	<u>1,063,769</u>	<u>4,347,622</u>	<u>951,871</u>	<u>3,872,212</u>

Total cash outflow for lease for the year ended 31 December 2022 was US\$995,362 (2021: US\$904,099).

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**10. PROPERTY AND EQUIPMENT**

Non-current	Leasehold improvement	Furniture and equipment	Computer equipment	Motor vehicles	Work in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>For the year ended 31 December 2021</b>						
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
<b>As at 31 December 2021</b>						
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
<b>In KHR'000 equivalent</b>	2,448,494	672,381	830,945	307,815	244,583	4,504,218
<b>For the year ended 31 December 2022</b>						
Opening net book value	601,005	165,042	203,963	75,556	60,035	1,105,601
Additions	-	80,311	292,526	-	979,897	1,352,734
Transfers	1,039,932	-	-	-	(1,039,932)	-
Depreciation charge	(509,216)	(98,138)	(127,833)	(26,667)	-	(761,854)
Closing net book value	1,131,721	147,215	368,656	48,889	-	1,696,481
<b>As at 31 December 2022</b>						
Cost	5,388,332	1,209,450	1,457,635	636,601	-	8,692,018
Accumulated depreciation	(4,256,611)	(1,062,235)	(1,088,979)	(587,712)	-	(6,995,537)
Net book value	1,131,721	147,215	368,656	48,889	-	1,696,481
<b>In KHR'000 equivalent</b>	4,659,295	606,084	1,517,757	201,276	-	6,984,412

**11. DEFERRED TAX ASSETS**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Non-current</i>				
Deferred tax assets	3,688,671	15,186,258	4,145,467	16,888,633
Deferred tax liabilities	(570,163)	(2,347,361)	(439,201)	(1,789,305)
Deferred tax assets - net	3,118,508	12,838,897	3,706,266	15,099,328

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

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	3,706,266	15,099,328	2,269,568	9,180,403
Credited/(charged) to profit or loss (Note 25)	(587,758)	(2,402,167)	1,436,698	5,844,487
Currency translation differences	-	141,736	-	74,438
As at 31 December	3,118,508	12,838,897	3,706,266	15,099,328

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**11. DEFERRED TAX ASSETS (continued)**

**a) Deferred tax assets**

	Impairment loss	Unamortised loan fees	Lease liabilities	Accelerated depreciation	Others	Total
	US\$	US\$	US\$	US\$	US\$	US\$
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
At 1 January 2022	3,190,802	359,563	460,828	134,274	-	4,145,467
Credited/(charged) to profit or loss	(704,245)	106,073	144,644	(3,268)	-	(456,796)
At 31 December 2022	2,486,557	465,636	605,472	131,006	-	3,688,671
In KHR'000 equivalent	10,237,155	1,917,023	2,492,728	539,352	-	15,186,258

**Deferred tax liabilities**

	Right-of-use assets	Accelerated depreciation	Total
	US\$	US\$	US\$
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)
At 1 January 2022	(439,201)	-	(439,201)
(Charged)/credited to profit or loss	(130,962)	-	(130,962)
At 31 December 2022	(570,163)	-	(570,163)
In KHR'000 equivalent	(2,347,361)	-	(2,347,361)

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**12. OTHER ASSETS**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Prepayments and advances	543,135	2,236,087	573,023	2,334,496
Security deposits	399,249	1,643,708	317,177	1,292,178
Contract assets related to fees from trade finance	33,646	138,521	101,752	414,538
Others	2,062	8,489	-	-
	<u>978,092</u>	<u>4,026,805</u>	<u>991,952</u>	<u>4,041,212</u>

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current	549,316	2,261,534	571,098	2,326,653
Non-current	428,776	1,765,271	420,854	1,714,559
	<u>978,092</u>	<u>4,026,805</u>	<u>991,952</u>	<u>4,041,212</u>

**13. DEPOSITS FROM BANKS**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current:</i>				
Current accounts	6,885,834	28,348,979	31,204,080	127,125,422
Fixed deposits	34,062,627	140,235,835	19,462,679	79,290,954
	<u>40,948,461</u>	<u>168,584,814</u>	<u>50,666,759</u>	<u>206,416,376</u>

**a) By residency status**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cambodia	40,184,328	165,438,878	49,901,883	203,300,271
Overseas	764,133	3,145,936	764,876	3,116,105
	<u>40,948,461</u>	<u>168,584,814</u>	<u>50,666,759</u>	<u>206,416,376</u>

**b) By relationship**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Related parties	764,133	3,145,936	764,876	3,116,105
Non-related parties	40,184,328	165,438,878	49,901,883	203,300,271
	<u>40,948,461</u>	<u>168,584,814</u>	<u>50,666,759</u>	<u>206,416,376</u>



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**13. DEPOSITS FROM BANKS (continued)**

**c) By interest rate**

	2022	2021
Current accounts	Nil	Nil
Fixed deposits	0.25% - 4.50%	0.50% - 4.20%

**14. DEPOSITS FROM CUSTOMERS**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current accounts	625,676,111	2,575,908,549	655,731,709	2,671,450,983
Fixed deposits	155,055,379	638,362,995	137,515,222	560,237,014
Savings deposits	139,025,624	572,368,494	129,399,449	527,173,355
Margin deposits	5,972,969	24,590,714	20,152,285	82,100,409
	<u>925,730,083</u>	<u>3,811,230,752</u>	<u>942,798,665</u>	<u>3,840,961,761</u>

**a) By maturity**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current	923,628,093	3,802,576,859	925,043,331	3,768,626,530
Non-current	2,101,990	8,653,893	17,755,334	72,335,231
	<u>925,730,083</u>	<u>3,811,230,752</u>	<u>942,798,665</u>	<u>3,840,961,761</u>

**b) By residency status**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cambodia	817,941,952	3,367,467,016	849,094,121	3,459,209,449
Overseas	107,788,131	443,763,736	93,704,544	381,752,312
	<u>925,730,083</u>	<u>3,811,230,752</u>	<u>942,798,665</u>	<u>3,840,961,761</u>

**c) By relationship**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Related parties	163,307	672,335	146,699	597,652
Non-related parties	925,566,776	3,810,558,417	942,651,966	3,840,364,109
	<u>925,730,083</u>	<u>3,811,230,752</u>	<u>942,798,665</u>	<u>3,840,961,761</u>

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**14. DEPOSITS FROM CUSTOMERS (continued)**

**d) By interest rate**

	2022	2021
Current accounts	0% - 4.20%	0% - 0.35%
Fixed deposits	0.50% - 5.25%	0.50% - 5.25%
Savings deposits	0.15% - 2.00%	0.15% - 0.35%
Margin deposits	Nil	Nil

**15. BORROWINGS**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Related parties				
Bank of China (Hong Kong) Limited (i)	510,832,750	2,103,098,432	160,002,667	651,850,865
Bank of China Limited	-	-	23,553,319	95,956,222
	<u>510,832,750</u>	<u>2,103,098,432</u>	<u>183,555,986</u>	<u>747,807,087</u>
Non-related parties (ii)	<u>1,001,767</u>	<u>4,124,274</u>	<u>1,295,658</u>	<u>5,278,511</u>
	<u>511,834,517</u>	<u>2,107,222,706</u>	<u>184,851,644</u>	<u>753,085,598</u>

(i) The Branch obtained two unsecured short-term borrowings from Bank of China (Hong Kong) Limited, Head Office, with an annual interest rate at 0.09% to 4.45% per annum (2021: 0.20% per annum). The borrowings will be repaid on maturity date on 6 January 2023 and 1 February 2023.

(ii) The Branch obtained borrowings under a form of Liquidity-Providing Collateralized Operation (LPCO) from the National Bank of Cambodia with a maturity of less than 12 months. The Branch used negotiable certificates of deposits as the collateral (Note 5).

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Principal amount	510,971,581	2,103,669,999	184,764,284	752,729,693
Interest payables	<u>862,936</u>	<u>3,552,707</u>	<u>87,360</u>	<u>355,905</u>
	<u>511,834,517</u>	<u>2,107,222,706</u>	<u>184,851,644</u>	<u>753,085,598</u>

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**15. BORROWINGS (continued)**

*Changes in liabilities arising from financing activities*

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	184,764,284	752,729,693	80,568,274	325,898,668
Additions	3,255,508,115	13,305,261,666	795,016,226	3,234,126,007
Repayments	(2,929,273,361)	(11,971,940,226)	(690,742,294)	(2,809,939,652)
Exchange differences	(27,457)	(112,217)	(77,922)	(316,987)
Currency translation differences	-	17,731,083	-	2,961,657
At 31 December	510,971,581	2,103,669,999	184,764,284	752,729,693
<i>Interest payables</i>				
At 1 January	87,360	355,905	331,416	1,340,578
Charge during the year	4,485,870	18,333,751	1,261,148	5,130,350
Interest payment	(3,710,940)	(15,166,612)	(1,502,461)	(6,112,011)
Exchange differences	646	2,640	(2,743)	(11,159)
Currency translation differences	-	27,023	-	8,147
At 31 December	862,936	3,552,707	87,360	355,905

Annual interest rates for borrowings are as follows:

	2022	2021
Related parties	0.09% - 4.45%	0.07% - 3.00%
Non-related parties	3.00% - 4.90%	2.20% - 6.00%

**16. OTHER LIABILITIES**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Outward remittances	2,015,520	8,297,896	4,293,273	17,490,794
Accrued bonus	1,487,433	6,123,762	1,266,823	5,161,037
Contract liabilities related to fees from trade finance	734,006	3,021,903	482,352	1,965,102
Loss allowance for ECL on credit commitment and financial guarantee contracts	565,756	2,329,217	861,308	3,508,969
Tax payables	351,130	1,445,602	221,248	901,365
Accrued expenses	257,265	1,059,160	124,970	509,128
Banker cheques	150,606	620,045	567,025	2,310,060
Others	84,470	347,763	194,895	794,001
	5,646,186	23,245,348	8,011,894	32,640,456

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**16. OTHER LIABILITIES (continued)**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current	5,033,993	20,724,949	7,652,248	31,175,258
Non-current	612,193	2,520,399	359,646	1,465,198
	<u>5,646,186</u>	<u>23,245,348</u>	<u>8,011,894</u>	<u>32,640,456</u>

*Loss allowance for ECL on credit commitment and financial guarantee contracts*

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	861,308	3,508,969	424,655	1,717,729
Charge to profit or loss	(295,552)	(1,207,921)	436,653	1,776,304
Currency translation differences	-	28,169	-	14,936
As at 31 December	<u>565,756</u>	<u>2,329,217</u>	<u>861,308</u>	<u>3,508,969</u>

**17. HEAD OFFICE'S CAPITAL CONTRIBUTIONS**

This represents the capital contributions of its head office.

	2022		2021	
	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>

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**18. NET INTEREST INCOME**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Interest income from financial assets at amortised cost:</i>				
Loans and advances	45,286,541	185,086,093	34,224,137	139,223,790
Deposits and placements with the central bank	1,110,559	4,538,855	70,765	287,872
Deposits and placements with other banks	-	-		
- Local banks	2,620,260	10,709,003	737,709	3,001,000
- Overseas banks	1,302,446	5,323,096	102,458	416,799
Total interest income	50,319,806	205,657,047	35,135,069	142,929,461
<i>Interest expense on financial liabilities at amortised cost:</i>				
Fixed deposits	(4,790,386)	(19,578,308)	(4,737,933)	(19,273,911)
Current accounts	(1,880,897)	(7,687,226)	(1,594,406)	(6,486,044)
Savings accounts	(197,612)	(807,641)	(237,722)	(967,053)
Borrowings	(4,485,870)	(18,333,751)	(1,153,975)	(4,694,370)
Lease liabilities	(80,384)	(328,528)	(58,218)	(236,831)
Total interest expense	(11,435,149)	(46,735,454)	(7,782,254)	(31,658,209)
Net interest income	38,884,657	158,921,593	27,352,815	111,271,252

**19. NET FEE AND COMMISSION INCOME**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>				
Remittance	5,833,725	23,842,434	4,247,356	17,278,244
Loans and trade finance	1,339,102	5,472,910	1,467,132	5,968,293
Card related charges	116,053	474,309	139,984	569,455
Others	267,507	1,093,301	254,577	1,035,619
Total fee and commission income	7,556,387	30,882,954	6,109,049	24,851,611
Fee and commission expenses	(682,298)	(2,788,552)	(389,801)	(1,585,710)
Net fee and commission income	6,874,089	28,094,402	5,719,248	23,265,901



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**20. CREDIT IMPAIRMENT LOSSES**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Impairment charge/(written back):</i>				
Loans and advances	6,953,320	28,418,219	3,588,556	14,598,246
Credit commitment and financial guarantee contracts	(22,843)	(93,359)	436,653	1,776,304
Deposits and placements with the central bank	149,538	611,162	254,276	1,034,395
Deposits and placements with other banks	(295,552)	(1,207,922)	(23,413)	(95,244)
	<u>6,784,463</u>	<u>27,728,100</u>	<u>4,256,072</u>	<u>17,313,701</u>

**21. OTHER GAINS – NET**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Net foreign exchange gains	3,316,335	13,553,861	2,067,881	8,412,140
Others	5,150	21,048	1,498	6,094
	<u>3,321,485</u>	<u>13,574,909</u>	<u>2,069,379</u>	<u>8,418,234</u>

**22. PERSONNEL EXPENSES**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	5,716,372	23,362,812	5,530,515	22,498,135
Allowances	1,540,633	6,296,567	1,839,897	7,484,701
Other benefits	315,413	1,289,093	316,502	1,287,530
	<u>7,572,418</u>	<u>30,948,472</u>	<u>7,686,914</u>	<u>31,270,366</u>

**23. DEPRECIATION AND AMORTISATION CHARGES**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation of right-of-use assets (Note 9)	896,541	3,664,163	832,743	3,387,599
Depreciation of property and equipment	761,854	3,113,697	767,712	3,123,052
	<u>1,658,395</u>	<u>6,777,860</u>	<u>1,600,455</u>	<u>6,510,651</u>

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**24. OTHER OPERATING EXPENSES**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Legal and professional fees	336,730	1,376,216	278,167	1,131,583
Management fees	329,838	1,348,048	222,331	904,443
Insurances	249,370	1,019,175	239,547	974,477
Social activities	249,096	1,018,055	119,058	484,328
Other taxes	247,232	1,010,437	123,341	501,751
Network and telecommunication	245,508	1,003,391	238,747	971,223
License fees	176,920	723,072	189,256	769,893
Repairs and maintenance	168,296	687,826	132,524	539,108
Outsource services	165,455	676,215	184,242	749,496
IT related expense	165,014	674,412	42,530	173,012
Travelling expenses	136,153	556,457	131,418	534,608
Utilities	134,800	550,928	130,056	529,068
Advertising and marketing expenses	125,430	512,632	61,369	249,649
Rental expenses related to short-term and low value leases	86,844	354,931	60,910	247,782
Office supplies	39,940	163,235	64,245	261,349
Training expense	36,464	149,028	36,680	149,214
Others	192,775	787,872	155,628	633,095
	<u>3,085,865</u>	<u>12,611,930</u>	<u>2,410,049</u>	<u>9,804,079</u>

**25. INCOME TAX EXPENSE**

**a) Current income tax liabilities**

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

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	4,779,149	19,470,253	3,959,970	16,018,079
Current income tax	5,681,755	23,221,333	5,177,974	21,063,998
Income tax paid	(5,343,218)	(21,837,732)	(4,523,035)	(18,399,706)
Adjustments for current tax of prior period	10,012	40,919	164,240	668,128
Currency translation differences	-	215,960	-	119,754
As at 31 December	<u>5,127,698</u>	<u>21,110,733</u>	<u>4,779,149</u>	<u>19,470,253</u>

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**25. INCOME TAX EXPENSE** (continued)

**b) Income tax expense**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Current income tax	5,681,755	23,221,333	5,177,974	21,063,998
Adjustments for current tax of prior period	10,012	40,919	164,240	668,128
	<u>5,691,767</u>	<u>23,262,252</u>	<u>5,342,214</u>	<u>21,732,126</u>
Deferred income tax	587,758	2,402,167	(1,436,698)	(5,844,487)
Income tax expense	<u>6,279,525</u>	<u>25,664,419</u>	<u>3,905,516</u>	<u>15,887,639</u>

**c) Reconciliation of income tax expense and accounting profit:**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	29,979,090	122,524,542	19,187,952	78,056,590
Tax at rate of 20%	5,995,818	24,504,909	3,837,590	15,611,318
<i>Tax effects in respect of:</i>				
Expenses not deductible for tax purposes	273,695	1,118,591	198,774	808,613
Utilised previously unrecognised deferred tax	-	-	(295,088)	(1,200,420)
Adjustments for current tax of prior period	10,012	40,919	164,240	668,128
Income tax expense	<u>6,279,525</u>	<u>25,664,419</u>	<u>3,905,516</u>	<u>15,887,639</u>

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.

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**26. CASH AND CASH EQUIVALENTS**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cash on hand (Note 4)	26,360,281	108,525,277	23,460,873	95,579,597
Deposits and placements with the central bank:				
Current accounts	410,588,257	1,690,391,854	170,598,110	695,016,700
Negotiable certificates of deposit with maturity three months or less	-	-	190,002,170	774,068,841
Deposits and placements with other banks:				
Current accounts	84,997,552	349,934,921	32,860,830	133,875,021
Fixed deposits with maturity three months or less	270,000,000	1,111,590,000	163,410,099	665,732,743
	<u>791,946,090</u>	<u>3,260,442,052</u>	<u>580,332,082</u>	<u>2,364,272,902</u>

**27. CASH FLOWS INFORMATION**

**a) Cash flow from operations**

	Notes	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Profit before income tax		29,979,090	122,524,542	19,187,952	78,056,590
<i>Adjustments for:</i>					
Depreciation charges	23	1,658,395	6,777,860	1,600,455	6,510,651
Credit impairment losses	20	6,784,463	27,728,100	4,256,072	17,313,701
Net interest income and expense	18	(38,884,657)	(158,921,593)	(27,352,815)	(111,271,252)
Unrealised exchange gains		(27,457)	(112,217)	(77,922)	(316,987)
<i>Change in working capital</i>					
Reserve requirement with the central bank		(10,998,834)	(44,952,235)	(2,553,623)	(10,388,138)
Loans and advances		(109,075,503)	(445,791,581)	(104,053,874)	(423,291,159)
Other assets		13,860	56,646	298,066	1,212,532
Deposits from banks		(9,763,424)	(39,903,114)	49,819,378	202,665,230
Deposits from customers		(17,283,236)	(70,636,586)	62,530,992	254,376,075
Other liabilities		(2,070,156)	(8,460,728)	904,570	3,679,791
Cash (used in)/generated from operations		<u>(149,667,459)</u>	<u>(611,690,906)</u>	<u>4,559,251</u>	<u>18,547,034</u>

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**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	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cash and cash equivalents	791,946,090	3,260,442,052	580,332,082	2,364,272,902
Borrowings	(511,834,517)	(2,107,222,706)	(184,851,644)	(753,085,598)
Lease liabilities	(3,027,362)	(12,463,649)	(2,304,139)	(9,387,062)
Net debt	277,084,211	1,140,755,697	393,176,299	1,601,800,242
Cash and liquid investments	791,946,090	3,260,442,052	580,332,082	2,364,272,902
Gross debt – fixed interest rates	(514,861,879)	(2,119,686,355)	(163,602,464)	(666,516,438)
Gross debt – variable interest rates	-	-	(23,553,319)	(95,956,222)
Net debt	277,084,211	1,140,755,697	393,176,299	1,601,800,242

	Liabilities from financing activities			Other assets Cash and cash equivalents	Total
	Borrowings	Lease liabilities	Sub-total		
	US\$	US\$	US\$	US\$	US\$
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
Net debt as at 1 January 2022	(184,851,644)	(2,304,139)	(187,155,783)	580,332,082	393,176,299
Cash flows	(326,234,754)	828,134	(325,406,620)	211,614,008	(113,792,612)
New leases	-	(1,551,357)	(1,551,357)	-	(1,551,357)
Other changes (i)	(748,119)	-	(748,119)	-	(748,119)
Net debt as at 31 December 2022	(511,834,517)	(3,027,362)	(514,861,879)	791,946,090	277,084,211
In KHR'000 equivalent	(2,107,222,706)	(12,463,649)	(2,119,686,355)	3,260,442,052	1,140,755,697

- (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.



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**28. COMMITMENTS AND CONTINGENCIES**

**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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Loan commitments	83,139,322	342,284,589	88,705,329	361,385,509
Bank guarantees and others	77,300,914	318,247,863	72,565,789	295,633,024
Letters of credit	11,278,589	46,433,951	17,542,631	71,468,679
Unused portion of overdrafts	7,407,048	30,494,816	13,042,859	53,136,609
Total exposure	179,125,873	737,461,219	191,856,608	781,623,821
Less: Allowance for expected credit loss	(565,756)	(2,329,217)	(861,308)	(3,508,969)
Net exposure	178,560,117	735,132,002	190,995,300	778,114,852

**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 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)

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**29. RELATED-PARTY TRANSACTIONS (continued)**

**b) Deposits and placements with related parties**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<i>Current accounts</i>				
Bank of China (Hong Kong) Limited	66,001,430	271,727,887	21,126,235	86,068,281
Bank of China Limited	14,157,908	58,288,107	4,814,162	19,612,896
Bank of China Limited Shanghai Branch	1,040,822	4,285,064	4,294,930	17,497,545
Bank of China Zweigniederlassung Frankfurt Main Frankfurt Branch	2,744,495	11,299,086	243,072	990,275
<i>Fixed deposits</i>				
Bank of China (Hong Kong) Limited	190,044,203	782,411,984	31,374,671	127,820,410
	<u>273,988,858</u>	<u>1,128,012,128</u>	<u>61,853,070</u>	<u>251,989,407</u>
Interest income	<u>1,302,446</u>	<u>5,323,097</u>	<u>102,458</u>	<u>416,799</u>
Annual interest rates during the year are as follows:				
			2022	2021
Current accounts			0% to 0.50%	0% to 0.50%
Fixed deposits			3% to 4.33%	3%

**c) Deposits from related parties**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Bank of China Limited - current account	764,133	3,145,936	764,876	3,116,105
Key management personnel:				
Savings accounts	133,611	550,076	107,069	436,199
Fixed deposits	29,598	121,855	39,230	159,823
Current accounts	100	412	400	1,630
	<u>927,442</u>	<u>3,818,279</u>	<u>911,575</u>	<u>3,713,757</u>
Interest expense	<u>878</u>	<u>3,588</u>	<u>1,011</u>	<u>4,113</u>
Annual interest rates during the year are as follows:				
			2022	2021
Savings accounts			0.15% - 0.35%	0.15% - 0.35%
Fixed deposits			2% - 3%	2% - 3%
Current accounts			Nil	Nil

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**29. RELATED-PARTY TRANSACTIONS (continued)**

**d) Borrowings**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Bank of China (Hong Kong) Limited	510,832,750	2,103,098,432	160,002,667	651,850,865
Bank of China Limited	-	-	23,553,319	95,956,222
Total borrowings (Note 15)	<u>510,832,750</u>	<u>2,103,098,432</u>	<u>183,555,986</u>	<u>747,807,087</u>
Interest expense	<u>4,429,866</u>	<u>18,104,862</u>	<u>399,150</u>	<u>1,623,742</u>

**e) Other transactions charged from related parties**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Bank of China Limited:				
Information technology fees	115,216	470,888	47,330	192,538
Bank of China (Hong Kong) Limited:				
Management fees	<u>59,972</u>	<u>245,106</u>	<u>28,330</u>	<u>115,246</u>
	<u>175,188</u>	<u>715,994</u>	<u>75,660</u>	<u>307,784</u>

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

**f) Key management compensation**

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and short-term employee benefits	1,298,498	5,306,961	1,374,860	5,592,930
Long-term benefits	<u>21,929</u>	<u>89,624</u>	<u>195,250</u>	<u>794,277</u>
Salaries and other benefits	<u>1,320,427</u>	<u>5,396,585</u>	<u>1,570,110</u>	<u>6,387,207</u>

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**30. FINANCIAL RISK MANAGEMENT**

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.

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<b>Financial assets</b>				
Financial assets at amortised costs				
Cash on hand	26,360,281	108,525,277	23,460,873	95,579,597
Deposits and placements with the central bank	425,746,270	1,752,797,394	376,366,456	1,533,316,942
Deposits and placements with other banks	385,623,844	1,587,613,366	231,245,258	942,093,181
Loans and advances at amortised cost	845,023,231	3,478,960,642	740,722,329	3,017,702,768
Other financial assets	711,005	2,927,208	644,773	2,626,805
Total financial assets	<u>1,683,464,631</u>	<u>6,930,823,887</u>	<u>1,372,439,689</u>	<u>5,591,319,293</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost				
Deposits from banks	40,948,461	168,584,814	50,666,759	206,416,376
Deposits from customers	925,730,083	3,811,230,752	942,798,665	3,840,961,761
Borrowings	511,834,517	2,107,222,706	184,851,644	753,085,598
Lease liabilities	3,027,362	12,463,649	2,304,139	9,387,062
Other financial liabilities	2,507,861	10,324,864	5,180,163	21,103,984
Total financial liabilities	<u>1,484,048,284</u>	<u>6,109,826,785</u>	<u>1,185,801,370</u>	<u>4,830,954,781</u>
Net financial assets	<u>199,416,347</u>	<u>820,997,102</u>	<u>186,638,319</u>	<u>760,364,512</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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 30.1 (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);
- Charges over business assets
- 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.



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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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. overdrafts), 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.

**NOTES TO THE FINANCIAL STATEMENTS  
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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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).

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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 Branch considers possible scenarios along with scenario weightings. The number of scenarios and their attributes are reassessed at each reporting date.

The weightings assigned to each economic scenario as at 31 December 2022 and 31 December 2021 are as follows:

	<b>Alternative</b>	<b>Best</b>	<b>Base</b>	<b>Downturn</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
As at 31 December 2022				
Scenario probability weighting	10%	10%	60%	20%
As at 31 December 2021		<b>Best</b>	<b>Base</b>	<b>Downturn</b>
Scenario probability weighting		<b>%</b>	<b>%</b>	<b>%</b>
		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:

	<b>Changes</b>
Scenario probability weighting	+/-5%

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 Credit risk (continued)**

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

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

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes in key variables	<u>(128,222)</u>	<u>(524,043)</u>	<u>(335,702)</u>	<u>(1,367,650)</u>
Total increase in ECL on the negative changes in key variables	<u>290,187</u>	<u>1,185,994</u>	<u>382,328</u>	<u>1,557,604</u>

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

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

In performing this grouping, there must be sufficient information for the 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.

**NOTES TO THE FINANCIAL STATEMENTS  
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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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



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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with the central bank	425,780,120	1,752,936,754	376,423,149	1,533,547,909
Deposits and placements with other banks	386,028,847	1,589,280,763	231,500,723	943,133,945
Loans and advances at amortised cost	867,518,322	3,571,572,932	756,264,100	3,081,019,943
Other financial assets	711,005	2,927,208	644,773	2,626,805
	<u>1,680,038,294</u>	<u>6,916,717,657</u>	<u>1,364,832,745</u>	<u>5,560,328,602</u>
Credit risk exposure relating to off-balance sheet items:				
Loan commitments	83,139,322	342,284,589	88,705,329	361,385,509
Guarantees and others	77,300,914	318,247,863	72,565,789	295,633,024
Letters of credits	11,278,589	46,433,951	17,542,631	71,468,679
Unutilised portion of overdrafts	7,407,048	30,494,816	13,042,859	53,136,609
	<u>179,125,873</u>	<u>737,461,219</u>	<u>191,856,608</u>	<u>781,623,821</u>
Total maximum credit risk exposure that are subject to impairment	1,859,164,167	7,654,178,876	1,556,689,353	6,341,952,423
Less: Allowance for expected credit loss	<u>(23,499,700)</u>	<u>(96,748,264)</u>	<u>(16,715,237)</u>	<u>(68,097,875)</u>
Total net credit exposure	<u>1,835,664,467</u>	<u>7,557,430,612</u>	<u>1,539,974,116</u>	<u>6,273,854,548</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, 52% (2021: 55%) 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.
- 66% of deposits and placements with other banks is held with its Head Office, a bank with credit rating investment grade (2021: 23%). The remaining balances were held with local banks and oversea banks and management has done proper risk assessment and believes there will be no material loss from these local banks and oversea banks.

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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	$0 \leq \text{DPD} < 30$	Performing
2	Credit risk increased significantly	Special mention	$30 \leq \text{DPD} < 90$	Under-performing
3	Credit-impaired assets	Substandard	$90 \leq \text{DPD} < 180$	Non-performing
		Doubtful	$180 \leq \text{DPD} < 360$	
		Loss	$\text{DPD} \geq 360$	

Short-term facilities (one year or less)

Stages	Credit risk status	NBC's grades	Day past due	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special mention	$15 \leq \text{DPD} \leq 30$	Under-performing
3	Credit-impaired assets	Substandard	$31 \leq \text{DPD} \leq 60$	Non-performing
		Doubtful	$61 \leq \text{DPD} \leq 90$	
		Loss	$\text{DPD} \geq 91$	

*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 unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

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**30. FINANCIAL RISK MANAGEMENT** (continued)

**30.1 Credit risk** (continued)

(e) Credit quality of financial assets (continued)

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

	2022				2021			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Deposits and placements with the central bank</b>								
Sovereign	425,780,120	-	-	425,780,120	376,423,149	-	-	376,423,149
Gross carrying amount	425,780,120			425,780,120	376,423,149			376,423,149
Less: Allowance for expected credit loss	(33,850)	-	-	(33,850)	(56,693)	-	-	(56,693)
Net carrying amount	425,746,270	-	-	425,746,270	376,366,456	-	-	376,366,456
In KHR'000 equivalent	1,752,797,394			1,752,797,394	1,533,316,942	-	-	1,533,316,942

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 Credit risk (continued)**

(e) Credit quality of financial assets (continued)

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

	2022				2021			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Deposits and placements with other banks</b>								
Investment grade	335,313,751	-	-	335,313,751	64,178,391	-	-	64,178,391
Non-investment grade	30,625,068	-	-	30,625,068	147,248,388	-	-	147,248,388
Un-graded	20,090,028	-	-	20,090,028	20,073,944	-	-	20,073,944
Gross carrying amount	386,028,847	-	-	386,028,847	231,500,723	-	-	231,500,723
Less: Allowance for expected credit loss	(405,003)	-	-	(405,003)	(255,465)	-	-	(255,465)
Net carrying amount	385,623,844	-	-	385,623,844	231,245,258	-	-	231,245,258
In KHR'000 equivalent	1,587,613,366	-	-	1,587,613,366	942,093,181	-	-	942,093,181

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**30. FINANCIAL RISK MANAGEMENT** (continued)

**30.1 Credit risk** (continued)

(e) Credit quality of financial assets (continued)

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

	2022				2021			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Loans and advances at amortised cost</b>								
Normal	828,446,337	-	-	828,446,337	721,463,828	-	-	721,463,828
Special mention	-	7,347,601	-	7,347,601	-	33,779,791	-	33,779,791
Substandard	-	-	16,595,706	16,595,706	-	-	-	-
Doubtful	-	-	14,076,110	14,076,110	-	-	-	-
Loss	-	-	1,052,568	1,052,568	-	-	1,020,481	1,020,481
Gross carrying amount	828,446,337	7,347,601	31,724,384	867,518,322	721,463,828	33,779,791	1,020,481	756,264,100
Less: Allowance for expected credit loss	(11,828,586)	(442,057)	(10,224,448)	(22,495,091)	(10,705,951)	(4,387,371)	(448,449)	(15,541,771)
Net carrying amount	816,617,751	6,905,544	21,499,936	845,023,231	710,757,877	29,392,420	572,032	740,722,329
In KHR'000 equivalent	3,362,015,281	28,430,124	88,515,237	3,478,960,642	2,895,627,589	119,744,720	2,330,459	3,017,702,768

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 Credit risk (continued)**

(e) Credit quality of financial assets (continued)

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

	2022				2021			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Off-balance sheet items</b>								
Normal	178,625,195	-	-	178,625,195	191,777,808	-	-	191,777,808
Special mention	-	495,568	-	495,568	-	78,800	-	78,800
Substandard	-	-	5,110	5,110	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Gross carrying amount	178,625,195	495,568	5,110	179,125,873	191,777,808	78,800	-	191,856,608
Less: Allowance for expected credit loss	(565,100)	-	(656)	(565,756)	(857,537)	(3,771)	-	(861,308)
Net carrying amount	178,060,095	495,568	4,454	178,560,117	190,920,271	75,029	-	190,995,300
In KHR'000 equivalent	733,073,412	2,040,253	18,337	735,132,002	777,809,184	305,668	-	778,114,852



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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2022	10,705,951	4,387,371	448,449	15,541,771
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(247,603)	247,603	-	-
Transfer to stage 3	(3,507)	(4,356,319)	4,359,826	-
Net remeasurement of loss allowance (*)	-	178,698	5,322,923	5,501,621
New financial assets originated or purchased	4,750,786	186	93,250	4,844,222
Financial assets derecognised during the year other than write off	(3,377,041)	(15,482)	-	(3,392,523)
Loss allowance as at 31 December 2022	11,828,586	442,057	10,224,448	22,495,091
In KHR'000 equivalent	48,698,289	1,819,949	42,094,052	92,612,290

(\*) 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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January 2022	721,463,828	33,779,791	1,020,481	756,264,100
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(5,759,668)	5,759,668	-	-
Transfer to stage 3	(3,473,844)	(26,765,299)	30,239,143	-
New financial assets originated or purchased	347,204,480	1,007	874,060	348,079,547
Financial assets derecognised during the year other than write off	(230,988,459)	(5,427,566)	(409,300)	(236,825,325)
Gross carrying amount as at 31 December 2022	828,446,337	7,347,601	31,724,384	867,518,322
In KHR'000 equivalent	3,410,713,570	30,250,073	130,609,289	3,571,572,932

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2021	10,140,124	1,359,245	453,846	11,953,215
<i>Changes due to financial instruments recognised as at 1 January:</i>				
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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January 2021	621,346,557	30,324,970	457,979	652,129,506
<i>Changes due to financial instruments recognised as at 1 January:</i>				
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

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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(f) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2022	56,693	-	-	56,693
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(22,843)	-	-	(22,843)
Loss allowance as at 31 December 2022	33,850	-	-	33,850
In KHR'000 equivalent	139,360	-	-	139,360
	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January 2022	376,423,149	-	-	376,423,149
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	49,356,971	-	-	49,356,971
Gross carrying amount as at 31 December 2022	425,780,120	-	-	425,780,120
In KHR'000 equivalent	1,752,936,754	-	-	1,752,936,754

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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(f) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2021	80,106	-	-	80,106
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(23,413)	-	-	(23,413)
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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January 2021	360,676,845	-	-	360,676,845
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	15,746,304			15,746,304
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

NOTES TO THE FINANCIAL STATEMENTS  
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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2022	255,465	-	-	255,465
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	149,538	-	-	149,538
Loss allowance as at 31 December 2022	405,003	-	-	405,003
In KHR'000 equivalent	1,667,397	-	-	1,667,397
	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Gross carrying amount</b>				
Gross carrying amount amount as at 1 January 2022	231,500,723	-	-	231,500,723
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	154,528,124	-	-	154,528,124
Gross carrying amount as at 31 December 2022	386,028,847	-	-	386,028,847
In KHR'000 equivalent	1,589,280,763	-	-	1,589,280,763

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2021	1,189	-	-	1,189
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	254,276	-	-	254,276
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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January 2021	104,626,956	-	-	104,626,956
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased	126,873,767	-	-	126,873,767
Gross carrying amount as at 31 December 2021	231,500,723	-	-	231,500,723
In KHR'000 equivalent	943,133,945	-	-	943,133,945



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30. FINANCIAL RISK MANAGEMENT (continued)

30.1 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 US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2022	857,537	3,771	-	861,308
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(209,830)	-	-	(209,830)
New financial assets originated or purchased	152,374	-	656	153,030
Exposure derecognised or expired	(234,981)	(3,771)	-	(238,752)
Loss allowance as at 31 December 2022	565,100	-	656	565,756
In KHR'000 equivalent	2,326,517	-	2,700	2,329,217
	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Exposure amount</b>				
Exposure amount as at 1 January 2022	191,777,808	78,800	-	191,856,608
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(37,772,526)	-	-	(37,772,526)
New financial assets originated or purchased	80,274,904	495,568	5,110	80,775,582
Exposure derecognised or expired	(55,654,991)	(78,800)	-	(55,733,791)
Exposure amount as at 31 December 2022	178,625,195	495,568	5,110	179,125,873
In KHR'000 equivalent	735,399,928	2,040,253	21,038	737,461,219

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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 US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2021	423,857	798	-	424,655
<i>Changes due to exposure:</i>				
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 US\$	Lifetime ECL not Credit-Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
<b>Exposure amount</b>				
Exposure amount as at 1 January 2021	168,560,138	2,306	-	168,562,444
<i>Changes due to exposure:</i>				
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
Exposure derecognised or expired	(69,600,350)	(2,047)	-	(69,602,397)
Exposure 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

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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. 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\$
<b>At 31 December 2022</b>					
<i>On-balance sheet assets:</i>					
Deposits and placements with the central bank	425,780,120	-	-	-	425,780,120
Deposits and placements with other banks	111,042,246	15,198,741	256,047,201	3,740,659	386,028,847
Loans and advances at amortised cost	867,518,322	-	-	-	867,518,322
Other financial assets	677,359	27,534	-	6,112	711,005
	<u>1,405,018,047</u>	<u>15,226,275</u>	<u>256,047,201</u>	<u>3,746,771</u>	<u>1,680,038,294</u>
<i>Off-balance sheet items:</i>					
Loan commitments	83,139,322	-	-	-	83,139,322
Guarantees and others	73,998,220	3,152,694	-	150,000	77,300,914
Letters of credits	11,278,589	-	-	-	11,278,589
Unutilised portion of overdrafts	7,407,048	-	-	-	7,407,048
	<u>175,823,179</u>	<u>3,152,694</u>	<u>-</u>	<u>150,000</u>	<u>179,125,873</u>
Gross carrying amount	1,580,841,226	18,378,969	256,047,201	3,896,771	1,859,164,167
Less: Expected credit loss	<u>(23,497,244)</u>	<u>(876)</u>	<u>(1,567)</u>	<u>(13)</u>	<u>(23,499,700)</u>
Net carrying amount	<u>1,557,343,982</u>	<u>18,378,093</u>	<u>256,045,634</u>	<u>3,896,758</u>	<u>1,835,664,467</u>
In KHR'000 equivalents	<u>6,411,585,174</u>	<u>75,662,609</u>	<u>1,054,139,875</u>	<u>16,042,954</u>	<u>7,557,430,612</u>

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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\$
<b>At 31 December 2021</b>					
<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>

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.1 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.

	2022					
	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-balance-sheet items US\$	Total US\$
Financial intermediaries	425,780,120	386,028,847	190,872,723	-	74,174,424	1,076,856,114
Construction	-	-	175,490,711	-	53,017,540	228,508,251
Manufacturing	-	-	113,236,606	-	21,114,768	134,351,374
Real Estate	-	-	59,741,285	-	-	59,741,285
Others - community, social and personal activities	-	-	328,176,997	711,005	30,819,141	359,707,143
Gross carrying amount	425,780,120	386,028,847	867,518,322	711,005	179,125,873	1,859,164,167
Less: Expected credit loss	(33,850)	(405,003)	(22,495,091)	-	(565,756)	(23,499,700)
Net carrying amount	425,746,270	385,623,844	845,023,231	711,005	178,560,117	1,835,664,467
In KHR'000 equivalents	1,752,797,394	1,587,613,366	3,478,960,642	2,927,208	735,132,002	7,557,430,612
	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-balance-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

(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 2022 and 31 December 2021.

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.2 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 mainly in United States Dollars (US\$), Khmer Riel (KHR) 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 the Branch's financial instruments at their carrying amounts by currency in US\$ equivalent.

	In US\$ equivalent				
	KHR	US\$	CNY	Others	Total
<b>As at 31 December 2022</b>					
<b>Financial assets</b>					
Cash on hand	1,863,233	23,994,635	502,413	-	26,360,281
Deposits and placements with the central bank	32,162,019	393,584,251	-	-	425,746,270
Deposits and placements with other banks	-	362,271,203	20,495,808	2,856,833	385,623,844
Loans and advances at amortised cost	61,430,423	780,239,054	3,353,754	-	845,023,231
Other financial assets	-	711,005	-	-	711,005
Total financial assets	95,455,675	1,560,800,148	24,351,975	2,856,833	1,683,464,631
<b>Financial liabilities</b>					
Deposits from banks	34,829,714	339,202	5,779,545	-	40,948,461
Deposits from customers	64,207,753	840,602,959	18,087,636	2,831,735	925,730,083
Borrowings	1,001,767	510,832,750	-	-	511,834,517
Lease liabilities	-	3,027,362	-	-	3,027,362
Other financial liabilities	568,706	1,784,315	154,840	-	2,507,861
Total financial liabilities	100,607,940	1,356,586,588	24,022,021	2,831,735	1,484,048,284
Net on-balance sheet position	(5,152,265)	204,213,560	329,954	25,098	199,416,347
KHR'000 equivalent	(21,211,875)	840,747,226	1,358,421	103,330	820,997,102
<b>Off-balance-sheet items</b>					
Loan commitments	-	82,707,818	-	-	82,707,818
Guarantees and others	-	77,179,933	-	-	77,179,933
Letters of credits	-	8,442,196	-	2,823,122	11,265,318
Unutilised portion of overdrafts	-	7,407,048	-	-	7,407,048
	-	175,736,995	-	2,823,122	178,560,117
HR'000 equivalent	-	723,509,208	-	11,622,794	735,132,002



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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.2 Market risk (continued)**

(i) Foreign exchange risk (continued)

	In US\$ equivalent				
	KHR	US\$	CNY	Others	Total
<b>As at 31 December 2021</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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
<b>Off-balance-sheet items</b>					
Loan commitments	1,492,883	86,494,608	111,100	-	88,098,591
Guarantees and others	-	72,334,306	-	-	72,334,306
Letters of credits	-	17,182,667	-	336,877	17,519,544
Unutilised portion of overdrafts	-	13,042,859	-	-	13,042,859
	1,492,883	189,054,440	111,100	336,877	190,995,300
HR'000 equivalent	6,082,005	770,207,789	452,621	1,372,437	778,114,852

**Sensitivity analysis**

The Branch takes 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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<b>Asset/(Liability)</b>				
Khmer Riel (KHR)	(5,152,265)	(21,211,875)	(3,603,380)	(14,680,170)
China Yuan (CNY)	329,954	1,358,421	367,399	1,496,784
Others	25,098	103,328	22,464	91,518
	(4,797,213)	(19,750,126)	(3,213,517)	(13,091,868)

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.2 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:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<b>Increase/(Decrease)</b>				
<b>-5%</b>				
Khmer Riel (KHR)	(216,937)	(893,130)	(151,721)	(618,111)
China Yuan (CNY)	13,893	57,197	15,469	63,021
Others	1,057	4,352	946	3,854
	<u>(201,987)</u>	<u>(831,581)</u>	<u>(135,306)</u>	<u>(551,236)</u>
	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<b>Increase/(Decrease)</b>				
<b>+5%</b>				
Khmer Riel (KHR)	196,277	808,072	137,272	559,246
China Yuan (CNY)	(12,570)	(51,751)	(13,996)	(57,020)
Others	(955)	(3,932)	(856)	(3,487)
	<u>182,752</u>	<u>752,389</u>	<u>122,420</u>	<u>498,739</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 with variable rates, which exposes the Branch to cash flow interest rate risk. The Branch's loans and advances to customers consist of both fixed rates and variable rates, in which majority of the loans and advances to customers is at fixed rates (around 75% of the total loans and advances to customers, respectively).

The Branch's loans and advances to customers at floating rate by using LIBOR rate will be changed to other alternative benchmark rates by 1 July 2023 as the LIBOR rate will be ceased by 30 June 2023. The Branch is assessing which alternative benchmark rate to revise for its loans advances to customers, and they do not expect to have significantly impact to its cash flow. The Branch is also discussing with its lender for alternative benchmark rate for borrowings.

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.

**30. FINANCIAL RISK MANAGEMENT** (continued)

**30.2 Market risk** (continued)

(iii) Interest rate risk (continued)

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.

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.2 Market risk (continued)**

(iii) Interest rate risk (continued)

	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\$
<b>As at 31 December 2022</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	26,360,281	26,360,281
Deposits and placements with the central bank	14,082,871	1,108,379	-	-	-	410,555,020	425,746,270
Deposits and placements with other banks	220,244,017	50,045,635	30,336,722	-	-	84,997,470	385,623,844
Loans and advances at amortised cost	29,967,895	50,445,305	84,530,085	360,064,736	320,015,210	-	845,023,231
Other financial assets						711,005	711,005
Total financial assets	264,294,783	101,599,319	114,866,807	360,064,736	320,015,210	522,623,776	1,683,464,631
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	-	34,062,627	-	-	-	6,885,834	40,948,461
Deposits from customers	657,616,972	33,291,859	61,042,899	2,101,990	-	171,676,363	925,730,083
Borrowings	210,795,667	301,038,850	-	-	-	-	511,834,517
Lease liabilities	-	-	876,179	1,466,706	684,477	-	3,027,362
Other financial liabilities						2,507,861	2,507,861
Total financial liabilities	868,412,639	368,393,336	61,919,078	3,568,696	684,477	181,070,058	1,484,048,284
Net interest repricing gap	(604,117,856)	(266,794,017)	52,947,729	356,496,040	319,330,733	341,553,718	199,416,347
In KHR'000 equivalent	(2,487,153,213)	(1,098,390,968)	217,985,800	1,467,694,197	1,314,684,628	1,406,176,658	820,997,102
<b>Off-balance-sheet items</b>							
Loan commitments	82,707,818	-	-	-	-	-	82,707,818
Guarantees and others	77,179,933	-	-	-	-	-	77,179,933
Letters of credits	11,265,318	-	-	-	-	-	11,265,318
Unutilised portion of overdrafts	7,407,048	-	-	-	-	-	7,407,048
	178,560,117	-	-	-	-	-	178,560,117
In KHR'000 equivalent	735,132,002	-	-	-	-	-	735,132,002

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.2 Market risk (continued)**

(iii) Interest rate risk (continued)

	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\$
<b>As at 31 December 2021</b>							
<b>Financial assets</b>							
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
<b>Total financial assets</b>	<b>505,639,635</b>	<b>161,934,876</b>	<b>226,278,066</b>	<b>254,460,917</b>	<b>29,427,787</b>	<b>194,698,408</b>	<b>1,372,439,689</b>
<b>Financial liabilities</b>							
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
<b>Total financial liabilities</b>	<b>652,718,621</b>	<b>191,921,363</b>	<b>78,309,848</b>	<b>19,539,674</b>	<b>-</b>	<b>243,311,864</b>	<b>1,185,801,370</b>
<b>Net interest repricing gap</b>	<b>(147,078,986)</b>	<b>(29,986,487)</b>	<b>147,968,218</b>	<b>234,921,243</b>	<b>29,427,787</b>	<b>(48,613,456)</b>	<b>186,638,319</b>
<b>In KHR'000 equivalent</b>	<b>(599,199,788)</b>	<b>(122,164,948)</b>	<b>602,822,520</b>	<b>957,069,144</b>	<b>119,888,804</b>	<b>(198,051,220)</b>	<b>760,364,512</b>
<b>Off-balance-sheet items</b>							
Loan commitments	88,098,591	-	-	-	-	-	88,098,591
Guarantees and others	72,334,306	-	-	-	-	-	72,334,306
Letters of credits	17,519,544	-	-	-	-	-	17,519,544
Unutilised portion of overdrafts	13,042,859	-	-	-	-	-	13,042,859
	<b>190,995,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>190,995,300</b>
<b>In KHR'000 equivalent</b>	<b>778,114,852</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>778,114,852</b>

### **30. FINANCIAL RISK MANAGEMENT (continued)**

#### **30.2 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
<b>2022</b>		
Interest rate increased by 1%	7,335,574	29,980,491
Interest rate decreased by 1%	(5,578,672)	(22,800,032)
<b>2021</b>		
Interest rate increased by 1%	10,301,204	41,905,298
Interest rate decreased by 1%	(5,773,294)	(23,485,760)

#### **30.3 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, borrowings 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.



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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.3 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\$
<b>As at 31 December 2022</b>						
<b>Financial assets</b>						
Cash on hand	26,360,281	-	-	-	-	26,360,281
Deposits and placements with the central bank	424,692,271	1,109,460	-	-	-	425,801,731
Deposits and placements with other banks	305,257,283	50,506,329	30,977,671	-	-	386,741,283
Loans and advances at amortised cost	38,525,201	51,104,590	87,296,093	392,762,771	463,025,736	1,032,714,391
Other financial assets	10,192	278,110	2,583	420,120	-	711,005
Total financial assets	794,845,228	102,998,489	118,276,347	393,182,891	463,025,736	1,872,328,691
<b>Financial liabilities</b>						
Deposits from banks	6,885,835	34,365,547	-	-	-	41,251,382
Deposits from customers	836,177,752	27,466,018	61,130,270	2,337,769	-	927,111,809
Borrowings	210,949,667	302,229,337	-	-	-	513,179,004
Lease liabilities	61,054	152,099	733,725	1,911,922	364,073	3,222,873
Other financial liabilities	2,357,255	-	150,606	-	-	2,507,861
Total financial liabilities	1,056,431,563	364,213,001	62,014,601	4,249,691	364,073	1,487,272,929
Net financial assets/(liabilities)	(261,586,335)	(261,214,512)	56,261,746	388,933,200	462,661,663	385,055,762
In KHR'000 equivalents	(1,076,950,941)	(1,075,420,146)	231,629,608	1,601,237,984	1,904,778,067	1,585,274,572
<b>Off-balance sheet items</b>						
Loan commitments	83,139,322	-	-	-	-	83,139,322
Guarantees and others	77,300,914	-	-	-	-	77,300,914
Letters of credits	11,278,589	-	-	-	-	11,278,589
Unutilised portion of overdrafts	7,407,048	-	-	-	-	7,407,048
	179,125,873	-	-	-	-	179,125,873
In KHR'000 equivalents	737,461,219	-	-	-	-	737,461,219

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.3 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\$
<b>As at 31 December 2021</b>						
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
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	-	1,187,209,795
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
<b>Off-balance sheet items</b>						
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

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.4 Fair value of financial assets and liabilities**

(a) Financial instruments measured at fair value

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.

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**30.5 Capital management**

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 coverage ratios.

The table below summarises the composition of regulatory capital:

	2022		2021	
	US\$	KHR'000	US\$	KHR'000
<b>Tier 1 capital</b>				
Share capital	150,000,000	600,000,000	150,000,000	600,000,000
Retained earnings	65,030,250	267,729,539	56,592,725	230,558,762
	<u>215,030,250</u>	<u>867,729,539</u>	<u>206,592,725</u>	<u>830,558,762</u>
<b>Tier 2 complementary capital</b>				
General provision	13,871,696	57,109,772	11,409,812	46,483,574
	<u>13,871,696</u>	<u>57,109,772</u>	<u>11,409,812</u>	<u>46,483,574</u>
	<u>228,901,946</u>	<u>924,839,311</u>	<u>218,002,537</u>	<u>877,042,336</u>

