

Bank of China (Hong Kong) Limited Phnom Penh Branch



Annual Report **2023**



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，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，先后向中柬友好协会、柬埔寨红十字协会等进行捐赠，多次为柬埔寨华校捐款捐物，在当地最大华文学校端华公校设立奖助学金，长期赞助“汉语桥”比赛。新冠疫情对柬埔寨支柱产业旅游业造成重大打击，金边分行积极响应柬政府号召，为企业提供纾困贷款支持，共渡时艰；配合柬旅游部实施“China Ready”战略，为世界文化遗产吴哥窟景区提供线上线下一体化门票支付解决方案。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：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, Phnom Penh Branch, becoming the first Chinese Bank to enter and launch operations in Cambodia. As part of the restructuring exercise of the Bank of China Group in the ASEAN Region, Bank of China (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 2023, the Branches have a total of 218 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, Olympic Sub-Branch, Siem Reap Sub-Branch and Sihanoukville Sub-Branch.

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

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

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

Web-Site: www.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



2023年，随着柬埔寨经济的持续恢复，中国银行金边分行坚持“抓基础、促增长，推创新、促联通，调结构、促平衡，防风险、促平稳”的工作方针，资产、负债、营业收入迈上新台阶，经营业绩稳中有进，稳中向好。

资产负债规划稳步增长，盈利能力持续提升。2023年，分行总资产21.37亿美元，较上年增长19.29%，当地市场排名第7；净利润3120万美元，较上年增长31.66%，当地市场排第6；各项存款9.95亿美元，增长3.7%；各项贷款8.23亿美元，增长6.1%。

服务实体经济质效提升。2023年，我们坚定推进发展战略，坚持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，作为牵头行，为客户提供制造业、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。

In 2023, as Cambodia's economy continues to recover, Bank of China (Hong Kong) Limited Phnom Penh Branch adheres to the work policy by "Build foundation, promoting growth, promoting innovation, improving connectivity, adjusting structure, balancing, preventing risks, and promoting stability" of assets, liabilities, operations to reach a new level. And the operating performance has made steady progress and is improving steadily.

Asset and Liability planning has grown steadily, and profitability continues to improve. In 2023, the branch's total assets were US\$2.137 billions, an increase of 19.29% over the previous year. Ranking seventh in the local market; net profit was US\$31.2 million, an increase of 31.66% over the previous year, ranking sixth in the local market; the deposits balance was US\$995 million, an increase of 3.7%; the loans balance was US\$823 million, an increase of 6.1%.

Improve the quality and efficiency of serving. In 2023, we will firmly advance our development strategy, insist on paying high attention to local business and Chinese-funded business, and have provided credit support for a number of projects involving Cambodia's national economy and people's livelihood. As the leading bank, we have provided customers with financing solutions for manufacturing, power and other projects; in a timely manner meet the financial needs of key local customers for business development, those key industries such as consumption, logistics, and trade.

助力中柬双边金融合作。2023年，我们继续担当柬埔寨人民币业务的开创者、推动者和主力军。6月10日，成为柬埔寨首家加入CIPS的银行；12月5日，经中柬两国央行协商，被中国人民银行授权担任柬埔寨人民币清算行；12月22日，被柬埔寨国家银行授权为Bakong与银联二维码互扫互认的清算行。截至2023年12月末，中国银行金边分行人民币清算量485.41亿元，市场份额73.26%，继续保持市场第一。

坚持不懈地加强风险管理。2023年，我们实施全面风险管理，风险管理控制不断完善，主要风险指标表现稳健，分行拨备覆盖率提升81.83个百分点，达到156.85%，贷款不良率优于同业平均水平。加强操作风险，继续做好反洗钱和合规工作，严防反洗钱和欺诈风险；提升线上渠道数字化风险防范能力，有效保护系统。

积极践行ESG发展理念，传播中国文化，担当社会责任。2023年，我行担任柬埔寨银行业协会可持续发展委员会主席，成功发放了首笔“社会责任贷款”、发行了第二期社会责任存款。继续大力支持中文教育和中国文化传播，赞助“汉语桥”，协助援柬中医医疗队赴柬埔寨国家银行开展义诊；积极组织员工参加IBF培训课程，组织9名员工赴港进行1-3个月交流学习。2023年，我行荣获《亚洲工商联合会》颁发的“员工最佳创新策略奖”，连续三年被当地组织评选为最佳雇主。

2024年，中国银行金边分行将继续贯彻总行、区域总部战略要求，凝心聚力 务实担当，更加积极主动破解市场困局，更加积极主动应对极端风险危局，持续巩固扩大特色优势，不断提升市场竞争力，以“两增、两降，两强化、两优化”为主要工作思路，开创中国银行金边分行高质量发展新局面。

最后，我衷心感谢我们全体员工在过去的一年所做出的卓越贡献，对柬埔寨国家银行一直以来的指导和支持表示感谢！感谢我们的客户一直以来的信任和合作。我们期待在未来持续为您提供更好的服务。

Promote bilateral financial cooperation between China and Cambodia. In 2023, we will continue to be the pioneer , promoter and main force of Cambodia's RMB business. On June 10, the branch became the first bank in Cambodia to join CIPS; on December 5, after negotiation between the Central Banks of China and Cambodia, it was authorized by the People's Bank of China to serve as Cambodia's RMB clearing bank; on December 22, it was authorized by the National Bank of Cambodia as Bakong clearing bank which QR code scan between Bakong and Union Pay. As of end of December 2023, the RMB clearing volume of Bank of China (Hong Kong) Limited Phnom Penh Branch was 48.54 billion yuan, with the market share of 73.26%, continuing to rank first in the market.

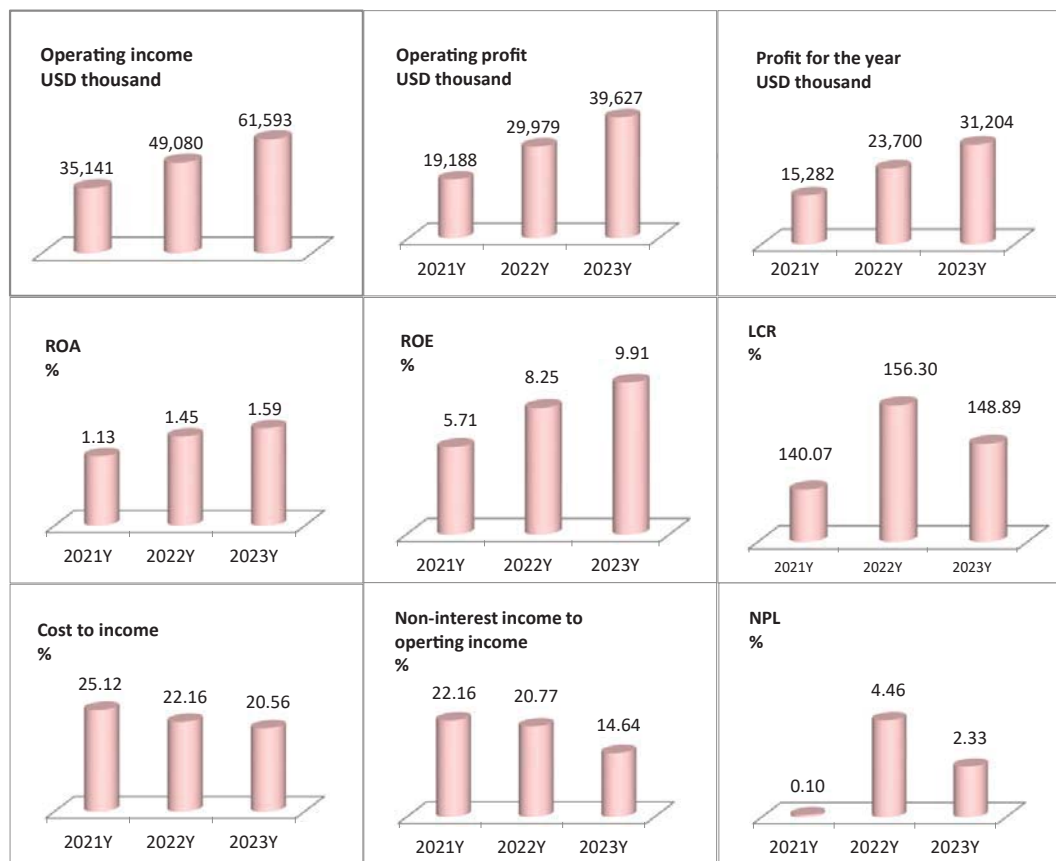
Continuously strengthen risk management. In 2023, we implemented comprehensive risk management, continuously improved risk management controls, and performed steadily on major risk indicators. The branch provision coverage ratio is 156.85% increased by 81.83%, and the non-performing loan ratio was better than average industry rate. Strengthen operational risks, continue to do a good job in anti-money laundering and compliance, and strictly prevent anti-money laundering and fraud risks; improve the digital risk prevention capabilities of online channels and effectively protect the system.

Actively implement ESG development concepts, spread Chinese culture, and assume social responsibilities. In 2023, our bank served as the chairman of the Sustainable Development Committee of the Associate of Banking in Cambodia, successfully issued the first “socially responsible loan” and issued the second phase of socially responsible deposits. Continue to support Chinese education and the dissemination of Chinese culture, sponsor the “Chinese Bridge”, and assist the Cambodian Chinese medical team to conduct free medical treatment at the National Bank of Cambodia; actively organize employees to participate in International Banking and Finance training courses, and organize 9 employees to go to Hong Kong for 1-3 months of exchange study. In 2023, our bank won the “Employee Best Innovation Strategy Award” from the Asian Chamber of Commerce and Industry , and was selected as the best employer by the local organization for three consecutive years.

In 2024, Bank of China (Hong Kong) Limited Phnom Penh Branch will continue to implement the strategic requirements of the head office and regional headquarter, focus on being pragmatic and responsible, be more proactive in solving market difficulties, be more proactive in responding to extreme risks and crises, and continue to consolidate and expand its unique advantages, and continuously enhance market competition. We will work hard to create a new situation for the high-quality development with the main work idea of “Two increases, Two decrease, Two strengthening, Two optimization”.

Finally, I would like to sincerely thank all our employees for their outstanding contributions in the past year , and express my gratitude to the National Bank of Cambodia for its continued guidance support. Thank you to our customers for their continued trust and cooperation. We look forward to continuing to provide you with better services in the future.

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 December 2023

1. Background

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

SHAREHOLD ER'S NAMES	NUMBER OF SHARES	VALUE KHR “000”	% of shareholding	Names of Shareholders and %-age of Beneficial Shareholding of Corporate persons in Column “A” E		PEPs F
A	B	C	D			
Bank of China (Hong Kong) Limited	NIL	612,750,000	100%	BOC Hong Kong (Holdings) Limited	100%	NIL

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

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

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

- **Customers categories**

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



8	Money Remittance Companies	No
9	Money Changers	Yes
10	Casino	No
11	Other Cash-intensive customers	No
12	NGOs	Yes
13	Real Estate Business	Yes
14	N/A	

○ **Product and Services**

No.	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

○ **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

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

- **Branches**

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

Total number of branches 05

3. Board of Directors/ Senior Management

List members of Board of Directors

Name	Position	Nationality	Approval Date	Member of committee(s)	Other Position Hold (in other legal entity (s))	Last fit & proper check	Other
Mr. GE Haijiao	Chairman	Chinese	April 2023	Strategy and Budget Committee			
Mr.LIU Jin	Vice Chairman	Chinese	August 2021	Nomination and Remuneration Committee; the Strategy and Budget Committee			
Mr.SUN Yu	Vice Chairman and Chief Executive	Chinese	December 2020	Strategy and Budget Committee; Sustainability Committee			Re-designated
Mr.LIN Jingzhen	Independent Non-executive Director	Chinese	August 2018	The Strategy and budget committee			
Mdm.CHENG Eva	Independent Non-executive Director	HK	October 2014	Sustainability Committee; The Audit Committee; The Strategy & Budget Committee			
Dr.CHOI Koon Shum	Independent Non-executive Director	HK	Jun 2016	Chairman of the Nomination and Remuneration Committee; Member of the Strategy and Budget Committee; Member of the Sustainability Committee.	Chairman of SunwahGroup		
Mdm.FUNG Yuen Mei Anita	Independent Non-executive Director	HK	March 2022	The Audit Committee; The Risk Committee; The Strategy and Budget Committee; The Sustainability Committee; The Nomination and Remuneration Committee	Independent Non-executive director of Hang Lung Properties Limited		
Mr. Law Yee Kwan Quinn	Independent Non-executive Director	HK	March 2019	Audit Committee; Risk Committee; Sustainability Committee	Court member of The Hong Kong University of Science and Technology ("HKUST"), a governing board member of HKUST (Guangzhou), and an advisor of Hong Kong Business Accountants Association		
Mr. Lee Sunny Wai Kwong	Independent Non-executive Director	HK	September 2022	Audit Committee; The Nomination & Remuneration Committee; The Risk Committee, The Strategy and Budget Committee; The Sustainability Committee.	Vice President of City University of HK		
Mr LIP Sai Wo	Independent Non-executive Director	HK	Jun 2023	Audit Committee; Risk Committee; The Strategy & Budget Committee; The Sustainability Committee			
Prof MA Si Hang Frederick	Independent Non-executive Director	HK	October 2023	Nomination and Remuneration Committee; Strategy and Budget Committee; Sustainability Committee	Chairman and independent on-executive director of FWD Group Holdings Limited		

○ List members of senior management

Name	Position	Nationality	Approval Date	Member of committee(s)	Other Position Hold (in other legal entity (s))	Last fit & proper check	Other
Mr. Liu Daozhi	CEO	Chinese	12 Feb 2021	Executive Management Committee; Risk Management Committee; ALCO	NIL		
Mr. Mrs. Ni Na	Assistant CEO/ Deputy CEO	Chinese	31 Mar 2024	Executive Management Committee; Risk Management Committee; Credit Committee; ALCO; AML Committees; Procurement Committee; Operational Risk Committee	NIL		
Mr. Yeung Kin Man	Assistant CEO/ Deputy CEO	Chinese	29 Dec 2023	Executive Management Committee; Operation Risk Committee; Risk Management Committee; AML Committee; ALCO	NIL		

○ Briefly describe

- Main committees of the board
- Audit committee
- Risk management committee
- Main management committees, Overall performance of Board and senior management in context of risk management (*obtained from prudential institutional profile*)

1. Executive Management Committee

No.	Name	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Liu Daozhi	Chairman	Chinese	12/02/2021		
2	Mr. Yeung Kin Man	Member	Chinese	29/12/2023		
3	Mrs. Ni Na	Member	Chinese	31/03/2024		

2. Credit Committee

1	Mr. Shan Qiang	Member	Chinese	16/12/2022		
2	Mr. Ouyang Chang	Member	Chinese	07/06/2019		
3	Mrs. Chen Shaoling	Member	Chinese	15/11/2023		
4	Mrs. Zhang Zhiping	Member	Chinese	15/11/2023		
5	Mr. Si Zhengqiang	Member	Chinese	07/06/2019		
6	Mr. Luo Yan	Member	Chinese	28/04/2023		
7	Mr. Liu Jianwu	Member	Chinese	07/06/2019		
8	Ms. Ma Yan	Member	Chinese	27/10/2022		
9	Mr. Xu Wei	Member	Chinese	30/05/2020		
10	Ms. Kong Bopha	Member	Cambodian	27/10/2021		
11	Mr. Bai Xiaoning	Member	Chinese	15/11/2023		



3. Operational Risk Management and Internal Control Committee

No.	Name	Position	Nationality	Approval Date in committee	TOR	others
1	Mrs. Ni Na	Chairman	Chinese	31/03/2024		
2	Mr. Liu Daozhi	Observer	Chinese	30/06/2022		
3	Mr. Yeung Kin Man	Observer	Chinese	29/12/2023		
4	Mr. Ouyang Chang	Member	Chinese	08/06/2018		
5	Mr. Shan Qiang	Member	Chinese	16/12/2022		
6	Mr. Xu Wei	Member	Chinese	11/03/2021		
7	Ms. Chen Shaoling	Member	Chinese	05/11/2020		
8	Mr. Luo Yan	Member	Chinese	06/04/2023		
9	Mr. Bai Xiaoning	Member	Chinese	09/06/2023		
10	Mrs. Zhang Zhiping	Member	Chinese	23/08/2023		
11	Mr. Liu Jianwu	Member	Chinese	28/06/2019		
12	Ms. Chhor Chhunvouch	Member	Cambodian	08/06/2018		
13	Ms. Han Weida	Observer	Chinese	08/06/2018		
14	Ms. Luo Lili	Member	Chinese	22/11/2023		
15	Mr. Cai Jiaxin	Member	Chinese	05/11/2020		
16	Ms. Tan Sokim	Member	Cambodian	05/11/2020		
17	Mr. Si Zhengqiang	Member	Chinese	30/03/2022		
18	Ms. Kong Bopha	Member	Cambodian	30/03/2022		
19	Mr. Tian Ye	Member	Chinese	06/01/2023		
20	Mr. Feng Tongzan	Member	Chinese	24/05/2023		

4. Procurement Committee

No.	Name	Position	Nationality	Approval Date in committee	TOR	others
1	Mrs. Zhang Zhiping	Chairman	Chinese	23/08/2023		
2	Mr. Ouyang Chang	Member	Chinese	19/04/2011		
3	Mr. Xu Wei	Member	Chinese	11/11/2020		
4	Mr. Liu Jianwu	Member	Chinese	31/07/2018		
5	Mr. Shan Qiang	Member	Chinese	26/12/2022		
6	Mr. Tian Ye	Member	Chinese	06/01/2023		
7	Mrs. Kong Bopha	Member	Cambodian	30/09/2021		
8	Mr. Luo Yan	Member	Chinese	27/02/2024		
9	Mr. Bai Xiaoning	Member	Chinese	05/06/2023		
10	Mrs. Chen Shaoling	Member	Chinese	30/10/2023		
11	Mrs. Bu Chunzi	Secretary	Chinese	24/08/2023		



5. Risk Management Committee

No.	Name	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Liu Daozhi	Chairman	Chinese	30/06/2022		
2	Mr. Yeung Kin Man	Member	Chinese	29/12/2023		
3	Mrs. Ni Na	Member	Chinese	31/03/2024		
4	Mr. Shan Qiang	Member	Chinese	28/04/2023		
5	Mr. Ouyang Chang	Member	Chinese	07/02/2018		
6	Ms. Zhang Zhiping	Member	Chinese	15/11/2023		
7	Mr. Bai Xiaoning	Member	Chinese	15/11/2023		
8	Ms. Chen Shaoling	Member	Chinese	15/11/2023		
9	Mr. Xu Wei	Member	Chinese	17/03/2021		
10	Ms. Ma Yan	Member	Chinese	30/06/2022		
11	Ms. Kong Bopha	Member	Cambodian	30/06/2022		
12	Ms. Tan Sokim	Member	Cambodian	27/10/2022		
13	Mr. Luo Yan	Member	Chinese	28/04/2023		

6. AML Committee

No.	Name	Position	Nationality	Approval Date in committee	TOR	others
1	Mrs. Ni Na	Chairman	Chinese	31/03/2024		
2	Mr. Liu Daozhi	Observer	Chinese	12/02/2021		
3	Mr. Yeung Kin Man	Member	Chinese	29/12/2023		
4	Mrs. Ni Na	Member	Chinese	31/03/2024		
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	Mrs. Chen Shaoling	Member	Chinese	04/09/2020		
9	Ms. Chhor Chhun Vouch	Member	Cambodian	28/03/2018		
10	Mr. Luo Yan	Member	Chinese	06/04/2023		
11	Mr. Cai Jiaxin	Member	Chinese	04/09/2020		
12	Ms. Luo Lili	Member	Chinese	22/11/2023		
13	Ms. Tan Sokim	Member	Cambodian	04/09/2020		
14	Ms. Kong Bopha	Member	Cambodian	29/03/2022		
15	Ms. Han Weida	Observer	Chinese	29/03/2022		
16	Mr. Feng Tongzan	Member	Chinese	24/05/2023		
17	Mr. Tian Ye	Member	Chinese	06/01/2023		

7. ALCO Committee

No.	Name	Position	Nationality	Approval Date in committee	TOR	others
1	Mr. Liu Daozhi	Chairman	Chinese	22/02/2021		
2	Mr. Yeung Kin Man	Member	Chinese	08/01/2024		
3	Mrs. Ni Na	Member	Chinese	31/03/2024		
4	Mr. Xu Wei	Member	Chinese	11/11/2020		
5	Mr. Tian Ye	Member	Chinese	06/01/2023		
6	Mr. Luo Yan	Member	Chinese	04/04/2023		
7	Mr. Shan Qiang	Member	Chinese	26/12/2022		
8	Mr. Bai Xiaoning	Member	Chinese	05/06/2023		
9	Mrs. Chen Shaoling	Member	Chinese	30/10/2023		
10	Mrs. Kong Bopha	Member	Cambodian	01/04/2024		
11	Mrs. Zhang Zhiping	Secretary	Chinese	23/08/2023		



企業文化宣傳
CORPORATE CULTURE


中國銀行(香港)
 BANK OF CHINA (HONG KONG)

深知 所以更近
 Understanding Brings Us Closer

誠實守信

Remain committed to honesty and trustworthiness

以義取利

Seek interest without compromising moral principles

穩健審慎

Be prudent and cautious in work

守正創新

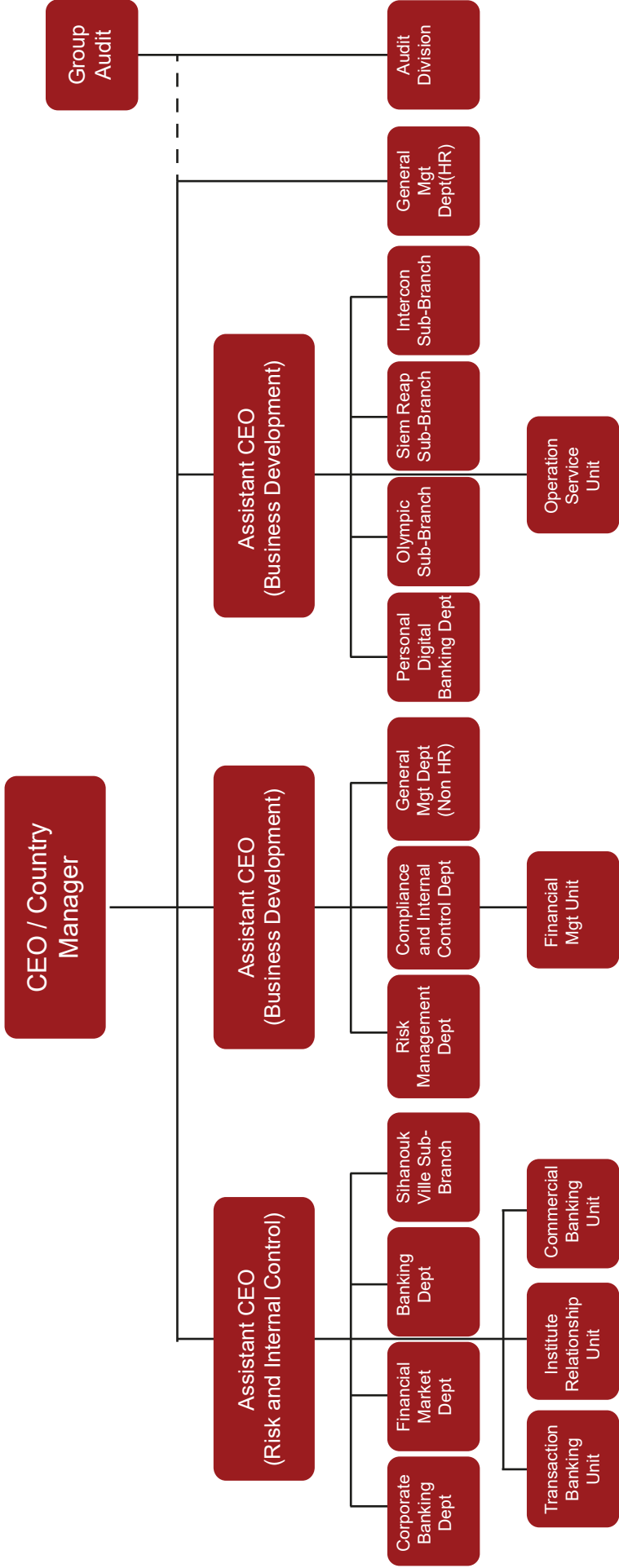
Uphold fundamental principles and break new ground

依法合規

Be compliant with law and regulations

Organizational Structure

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



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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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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 2023.

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.

Other than disclose in Note 28 (c), 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. Yeung Kin Man | Assistant Chief Executive Officer (appointed on 8 January 2024) |
| • Mr. Gung Wing Hang Elsie | Assistant Chief Executive Officer (resigned on 26 January 2023) |
| • Mr. Wang Hong Song | Assistant Chief Executive Officer (resigned on 25 November 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 2023 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 2023 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

29 MAR 2024



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 2023, 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 2023;
- 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 material accounting policy information 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

7. 

By Touch Sovannara
Partner

Phnom Penh, Kingdom of Cambodia
29 March 2024

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Notes	2023		2022	
		US\$	KHR'000	US\$	KHR'000
Assets					
Cash on hand	4	23,671,855	96,699,528	26,360,281	108,525,277
Deposits and placements with the central bank	5	250,538,739	1,023,450,749	425,746,270	1,752,797,394
Deposits and placements with other banks	6	869,769,947	3,553,010,235	385,623,844	1,587,613,366
Loans and advances at amortised cost	7	871,146,969	3,558,635,368	845,023,231	3,478,960,642
Statutory deposits with the central bank	8	113,810,000	464,913,850	100,079,067	412,025,519
Right-of-use assets	9	2,169,909	8,864,078	2,850,823	11,736,838
Property and equipment	10	1,480,356	6,047,254	1,696,481	6,984,412
Deferred tax assets	11	3,563,110	14,555,304	3,118,508	12,838,897
Other assets	12	910,315	3,718,637	978,092	4,026,805
Total assets		2,137,061,200	8,729,895,003	1,791,476,597	7,375,509,150
Liabilities and Head office's equity					
Liabilities					
Deposits from banks	13	34,622,763	141,433,987	40,948,461	168,584,814
Deposits from customers	14	968,533,554	3,956,459,568	925,730,083	3,811,230,752
Borrowings	15	784,791,648	3,205,873,882	511,834,517	2,107,222,706
Lease liabilities	9	2,339,659	9,557,507	3,027,362	12,463,649
Current income tax liabilities	25	8,077,549	32,996,788	5,127,698	21,110,733
Other liabilities	16	8,329,256	34,025,011	5,646,186	23,245,348
Total liabilities		1,806,694,429	7,380,346,743	1,492,314,307	6,143,858,002
Head office's equity					
Head office's capital contributions	17	150,000,000	600,000,000	150,000,000	600,000,000
Regulatory reserves		5,696,656	23,270,840	1,675,370	6,897,498
Retained earnings		174,670,115	709,945,675	147,486,920	598,068,600
Other reserves		-	16,331,745	-	26,685,050
Total equity		330,366,771	1,349,548,260	299,162,290	1,231,651,148
Total liabilities and head office's equity		2,137,061,200	8,729,895,003	1,791,476,597	7,375,509,150

The accompanying notes on pages 11 to 79 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 2023**

	Notes	2023		2022	
		US\$	KHR'000	US\$	KHR'000
Interest income	18	74,848,735	307,628,301	50,319,806	205,657,047
Interest expense	18	(22,274,338)	(91,547,529)	(11,435,149)	(46,735,454)
Net interest income	18	<u>52,574,397</u>	<u>216,080,772</u>	<u>38,884,657</u>	<u>158,921,593</u>
Fee and commission income	19	7,871,204	32,350,648	7,556,387	30,882,954
Fee and commission expense	19	(1,746,286)	(7,177,235)	(682,298)	(2,788,552)
Net fee and commission income	19	<u>6,124,918</u>	<u>25,173,413</u>	<u>6,874,089</u>	<u>28,094,402</u>
Credit impairment losses	20	(9,459,798)	(38,879,770)	(6,784,463)	(27,728,100)
Other gains – net	21	2,894,092	11,894,718	3,321,485	13,574,909
Net other operating losses		<u>(6,565,706)</u>	<u>(26,985,052)</u>	<u>(3,462,978)</u>	<u>(14,153,191)</u>
Personnel expenses	22	(7,943,391)	(32,647,337)	(7,572,418)	(30,948,472)
Depreciation charges	23	(1,469,081)	(6,037,923)	(1,658,395)	(6,777,860)
Other operating expenses	24	(3,094,499)	(12,718,391)	(3,085,865)	(12,611,930)
		<u>(12,506,971)</u>	<u>(51,403,651)</u>	<u>(12,316,678)</u>	<u>(50,338,262)</u>
Profit before income tax		39,626,638	162,865,482	29,979,090	122,524,542
Income tax expenses	25	(8,422,157)	(34,615,065)	(6,279,525)	(25,664,419)
Profit for the year		<u>31,204,481</u>	<u>128,250,417</u>	<u>23,699,565</u>	<u>96,860,123</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	(10,353,305)	-	12,555,883
Other comprehensive income for the year, net of tax		-	(10,353,305)	-	12,555,883
Total comprehensive income for the year		<u>31,204,481</u>	<u>117,897,112</u>	<u>23,699,565</u>	<u>109,416,006</u>
Profit attributable to:					
Head Office of the Branch		<u>31,204,481</u>	<u>128,250,417</u>	<u>23,699,565</u>	<u>96,860,123</u>
Total comprehensive income attributable to:					
Head Office of the Branch		<u>31,204,481</u>	<u>117,897,112</u>	<u>23,699,565</u>	<u>109,416,006</u>

The accompanying notes on pages 11 to 79 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 2023

	Attributable to the Head Office							
	Head office's capital contributions		Regulatory reserves		Retained earnings		Other reserves	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at 1 January 2022	150,000,000	600,000,000	-	-	125,462,725	508,105,975	-	14,129,167
Profit for the year	-	-	-	-	23,699,565	96,860,123	-	-
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	12,555,883
Total comprehensive income for the year	-	-	-	-	23,699,565	96,860,123	-	12,555,883
Transactions with owners in their capacity as owners:								
Transfer to regulatory reserves	-	-	1,675,370	6,847,237	(1,675,370)	(6,847,237)	-	-
Currency translation differences	-	-	-	50,261	-	(50,261)	-	-
Total transactions with owners	-	-	1,675,370	6,897,498	(1,675,370)	(6,897,498)	-	-
Balance at 31 December 2022	150,000,000	600,000,000	1,675,370	6,897,498	147,486,920	598,068,600	-	26,685,050
Balance at 1 January 2023	150,000,000	600,000,000	1,675,370	6,897,498	147,486,920	598,068,600	-	26,685,050
Profit for the year	-	-	-	-	31,204,481	128,250,417	-	-
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	(10,353,305)
Total comprehensive income for the year	-	-	-	-	31,204,481	128,250,417	-	(10,353,305)
Transactions with owners in their capacity as owners:								
Transfer to regulatory reserves	-	-	4,021,286	16,527,485	(4,021,286)	(16,527,485)	-	-
Currency translation differences	-	-	-	(154,143)	-	154,143	-	-
Total transactions with owners	-	-	4,021,286	16,373,342	(4,021,286)	(16,373,342)	-	-
Balance at 31 December 2023	150,000,000	600,000,000	5,696,656	23,270,840	174,670,115	709,945,675	-	16,331,745
							330,366,771	1,349,548,260

The accompanying notes on pages 11 to 79 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 2023**

		2023		2022	
	Notes	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Cash used in operations	27	(13,656,908)	(56,129,893)	(149,667,459)	(611,690,906)
Interest received		69,543,766	285,824,878	47,250,592	193,113,170
Interest paid		(21,749,140)	(89,388,965)	(10,399,793)	(42,503,954)
Income tax paid	25 (a)	(5,916,908)	(24,318,492)	(5,343,218)	(21,837,732)
Net cash generated from /(used in) operating activities		28,220,810	115,987,528	(118,159,878)	(482,919,422)
Cash flows from investing activities					
Deposits and placements with the central bank - maturity more than three months		(8,900,000)	(36,579,000)	720,000	2,942,640
Deposits and placements with other banks - maturity more than three month		(206,887,425)	(850,307,317)	5,000,000	20,435,000
Purchases of property and equipment	10	(363,780)	(1,495,136)	(1,352,734)	(5,528,624)
Net cash (used in)/generated from investing activities		(216,151,205)	(888,381,453)	4,367,266	17,849,016
Cash flows from financing activities					
Proceeds from borrowings	15	7,996,175,981	32,864,283,282	3,255,508,115	13,305,261,666
Repayments of borrowings	15	(7,722,865,750)	(31,740,978,233)	(2,929,273,361)	(11,971,940,226)
Principal element of lease payments		(895,965)	(3,682,416)	(828,134)	(3,384,584)
Net cash generated from financing activities		272,414,266	1,119,622,633	325,406,620	1,329,936,856
Net increase in cash and cash equivalents					
		84,483,871	347,228,708	211,614,008	864,866,450
Cash and cash equivalents at the beginning of the year		791,946,090	3,260,442,052	580,332,082	2,364,272,902
Currency translation differences		-	(27,454,366)	-	31,302,700
Cash and cash equivalents at the end of the year					
	26	876,429,961	3,580,216,394	791,946,090	3,260,442,052

The accompanying notes on pages 11 to 79 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 2023**

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 2023, 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 29 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL 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 2023:

- Definition of Accounting Estimates – amendments to CIAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to CIAS 12
- Disclosure of Accounting Policies – amendments to CIAS 1 and CIFRS Practice Statement 2

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 2023 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 4,110 (2022: US\$ 1 to Riel 4,087) and the closing rate was US\$1 to Riel 4,085 (2022: US\$ 1 to Riel 4,117).

2. SUMMARY OF MATERIAL 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.

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 2023**

2. SUMMARY OF MATERIAL 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 2023**

2. SUMMARY OF MATERIAL 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 2023**

2. SUMMARY OF MATERIAL 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:

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

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

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

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

2.10 Impairment of non-financial assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL 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 2023**

2. SUMMARY OF MATERIAL 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 2023**

2. SUMMARY OF MATERIAL 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 2023**

2. SUMMARY OF MATERIAL 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.

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.

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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 2023**

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

ii) Tax reassessment

The General Department of Taxation has issued comprehensive tax reassessments for the period from 1 January 2017 to 31 December 2019 with an additional tax liability including interest related to annual corporate income tax and tax on fringe benefits. Management has lodged protests and these remain ongoing. Management believes that it is not probable that the Branch will have to pay any additional taxes according to the tax reassessments. Thus, management is of the opinion that the reassessed taxes should not be recognised as liability but disclosed as tax contingent liabilities (Note 28(c)).

4. CASH ON HAND

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
US Dollars	21,512,848	87,879,984	23,994,635	98,785,912
Khmer Riel	2,052,121	8,382,914	1,863,233	7,670,930
Others	106,886	436,630	502,413	2,068,435
	<u>23,671,855</u>	<u>96,699,528</u>	<u>26,360,281</u>	<u>108,525,277</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Current accounts	226,432,814	924,978,046	410,588,257	1,690,391,854
Negotiable certificates of deposit (i)	24,124,849	98,550,008	15,191,863	62,544,900
	<u>250,557,663</u>	<u>1,023,528,054</u>	<u>425,780,120</u>	<u>1,752,936,754</u>
Less: Allowance for expected credit loss	<u>(18,924)</u>	<u>(77,305)</u>	<u>(33,850)</u>	<u>(139,360)</u>
	<u>250,538,739</u>	<u>1,023,450,749</u>	<u>425,746,270</u>	<u>1,752,797,394</u>

- (i) The Branch has pledged Negotiable Certificates of Deposit (NCD) amounting to US\$15,009,452 (2022: US\$1,108,423) with the central bank as collateral for borrowing on Liquidity-Providing Collateralized Operation (LPCO) (Note 15). Another NCD amounting to US\$9,115,397 (2022: US\$14,083,440) pledged as collateral for settlement clearing facility. As at 31 December 2023, 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:

	2023	2022
Current accounts	Nil	Nil
Negotiable certificates of deposit	0.05% - 3.48%	0.02% - 3.23%

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
<i>Deposits and placements with local banks</i>				
Current accounts	56,520	230,884	56,655	233,249
Fixed deposits	78,260,685	319,694,898	110,985,589	456,927,670
	<u>78,317,205</u>	<u>319,925,782</u>	<u>111,042,244</u>	<u>457,160,919</u>
<i>Deposits and placements with overseas banks</i>				
Current accounts	605,081,434	2,471,757,660	84,940,897	349,701,672
Fixed deposits	187,110,751	764,347,418	190,045,706	782,418,172
	<u>792,192,185</u>	<u>3,236,105,078</u>	<u>274,986,603</u>	<u>1,132,119,844</u>
Less: Allowance for expected credit loss	<u>(739,443)</u>	<u>(3,020,625)</u>	<u>(405,003)</u>	<u>(1,667,397)</u>
	<u>869,769,947</u>	<u>3,553,010,235</u>	<u>385,623,844</u>	<u>1,587,613,366</u>

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

	2023	2022
Current accounts	0.00% - 0.50%	0.00% - 0.50%
Fixed deposits	0.85% - 6.20%	0.05% - 5.30%

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. LOANS AND ADVANCES AT AMORTISED COST

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost:</i>				
Commercial loans:				
Long-term loans	859,243,210	3,510,008,513	818,080,939	3,368,039,226
Short-term loans				
Overdrafts	31,216,755	127,520,444	41,763,683	171,941,083
Trade finance	12,518,757	51,139,122	7,590,425	31,249,780
Credit cards	108,346	442,593	83,275	342,843
Total gross carrying amount	903,087,068	3,689,110,672	867,518,322	3,571,572,932
Less: Allowance for expected credit loss	(31,940,099)	(130,475,304)	(22,495,091)	(92,612,290)
Total net loans	871,146,969	3,558,635,368	845,023,231	3,478,960,642

a) Allowance for expected credit loss

Allowance for expected credit losses by stages are as follows:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	10,159,570	41,501,843	11,828,586	48,698,289
Lifetime ECL-not credit impaired (Stage 2)	7,827,153	31,973,920	442,057	1,819,949
Lifetime ECL-credit impaired (Stage 3)	13,953,376	56,999,541	10,224,448	42,094,052
	31,940,099	130,475,304	22,495,091	92,612,290

b) By industry

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Construction	225,527,103	921,278,216	175,490,711	722,495,257
Manufacturing	177,166,567	723,725,426	113,236,606	466,195,107
Financial institutions	142,026,563	580,178,510	190,872,723	785,823,001
Utilities	109,318,698	446,566,881	142,643,109	587,261,680
Real estate	69,831,221	285,260,538	59,741,285	245,954,870
Wholesale and retails	51,270,222	209,438,857	52,396,037	215,714,484
Personal lending	47,037,090	192,146,513	28,383,196	116,853,618
Agriculture, forestry and fishing	13,538,688	55,305,540	9,792,388	40,315,261
Hotels and restaurants	13,135,519	53,658,595	23,547,954	96,946,927
Information media and telecommunications	12,491,845	51,029,187	14,076,110	57,951,345
Rental and operational leading	11,399,874	46,568,485	19,239,913	79,210,722
Transport and storage	8,715,598	35,603,218	10,264,478	42,258,856
Other non-financial services	3,303,074	13,493,057	4,669,978	19,226,299
Other lending	18,325,006	74,857,649	23,163,834	95,365,505
Total gross carrying amount	903,087,068	3,689,110,672	867,518,322	3,571,572,932

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7. LOANS AND ADVANCES AT AMORTISED COST (continued)

c) By loan classification

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>				
Gross amount	849,952,692	3,472,056,747	828,446,337	3,410,713,570
Exposure at default	849,952,692	3,472,056,747	828,446,337	3,410,713,570
Allowance for expected credit loss	10,159,570	41,501,843	11,828,586	48,698,289
<i>Under-performing</i>				
Gross amount	31,373,708	128,161,597	7,347,601	30,250,073
Exposure at default	31,373,708	128,161,597	7,347,601	30,250,073
Allowance for expected credit loss	7,827,153	31,973,920	442,057	1,819,949
<i>Non-performing</i>				
Gross amount	21,760,668	88,892,328	31,724,384	130,609,289
Exposure at default	21,760,668	88,892,328	31,724,384	130,609,289
Allowance for expected credit loss	13,953,376	56,999,541	10,224,448	42,094,052
Total				
Gross amount	903,087,068	3,689,110,672	867,518,322	3,571,572,932
Exposure at default	903,087,068	3,689,110,672	867,518,322	3,571,572,932
Allowance for expected credit loss	31,940,099	130,475,304	22,495,091	92,612,290

d) By maturity

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	217,031,676	886,574,396	175,547,026	722,727,106
Later than 1 year and no later than 3 years	158,941,321	649,275,296	262,927,694	1,082,473,316
Later than 3 year and no later than 5 years	201,467,781	822,995,885	104,351,074	429,613,372
Later than 5 years	325,646,290	1,330,265,095	324,692,528	1,336,759,138
Total gross carrying amount	903,087,068	3,689,110,672	867,518,322	3,571,572,932

e) By exposure

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Large exposure	535,449,938	2,187,312,997	500,415,381	2,060,210,124
Non-large exposure	367,637,130	1,501,797,675	367,102,941	1,511,362,808
Total gross carrying amount	903,087,068	3,689,110,672	867,518,322	3,571,572,932

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

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Non-related parties	903,087,068	3,689,110,672	867,518,322	3,571,572,932
Total gross loans	903,087,068	3,689,110,672	867,518,322	3,571,572,932

g) By residency

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Residents	897,210,275	3,665,103,973	867,518,322	3,571,572,932
Non-residents	5,876,793	24,006,699	-	-
Total gross loans	903,087,068	3,689,110,672	867,518,322	3,571,572,932

h) By interest rate

	2023	2022
Long-term loans	2.70% - 8.60%	2.70% - 8.50%
Short-term loans	2.60% - 7.00%	0.24% - 7.50%

8. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Reserve requirement (i)	98,810,000	403,638,850	85,079,067	350,270,519
<i>Non-current</i>				
Capital guarantee deposit (ii)	15,000,000	61,275,000	15,000,000	61,755,000
	113,810,000	464,913,850	100,079,067	412,025,519

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 7% (2022: 7%) for US\$ and other foreign currencies and 7% (2022: 7%) for KHR of the total daily average amount of deposits from customers and other financial institutions and borrowings. The reserve requirement on customers' and other financial institutions' 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)

(ii) Capital guarantee deposit (continued)

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

	2023	2022
Capital guarantee deposit	1.19% - 1.33%	0.04% - 0.65%
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

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>				
Buildings	2,067,295	8,444,900	2,767,547	11,393,991
ATM locations	102,614	419,178	83,276	342,847
	<u>2,169,909</u>	<u>8,864,078</u>	<u>2,850,823</u>	<u>11,736,838</u>
<i>Lease liabilities</i>				
Current	758,639	3,099,040	876,179	3,607,229
Non-current	1,581,020	6,458,467	2,151,183	8,856,420
	<u>2,339,659</u>	<u>9,557,507</u>	<u>3,027,362</u>	<u>12,463,649</u>

Additions to the right-of-use assets during 2023 were US\$208,262 (2022: US\$1,551,357).

b) Amounts recognised in the statement of profit or loss

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

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Depreciation charge of right-of-use assets</i>				
Buildings	852,905	3,505,440	869,520	3,553,728
ATM locations	36,271	149,073	27,021	110,435
Depreciation charge (Note 23)	<u>889,176</u>	<u>3,654,513</u>	<u>896,541</u>	<u>3,664,163</u>
Interest expense on lease liabilities (Note 18)	<u>68,151</u>	<u>280,099</u>	<u>80,384</u>	<u>328,528</u>
Expense relating to leases of short-term and low-value assets (included in other operating expenses) (Note 24)	<u>77,669</u>	<u>319,220</u>	<u>86,844</u>	<u>354,931</u>
Total expenses related to leases	<u>1,034,996</u>	<u>4,253,832</u>	<u>1,063,769</u>	<u>4,347,622</u>

Total cash outflow for lease for the year ended 31 December 2023 was US\$1,041,785 (2022: US\$995,362).

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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\$
For the year ended 31 December 2022						
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
As at 31 December 2022						
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
In KHR'000 equivalent	4,659,295	606,084	1,517,757	201,276	-	6,984,412
For the year ended 31 December 2023						
Opening net book value	1,131,721	147,215	368,656	48,889	-	1,696,481
Additions	-	81,129	147,286	-	135,365	363,780
Transfers	135,365	-	-	-	(135,365)	-
Depreciation charge	(298,913)	(72,696)	(181,630)	(26,666)	-	(579,905)
Closing net book value	968,173	155,648	334,312	22,223	-	1,480,356
As at 31 December 2023						
Cost	5,523,697	1,290,579	1,604,921	636,601	-	9,055,798
Accumulated depreciation	(4,555,524)	(1,134,931)	(1,270,609)	(614,378)	-	(7,575,442)
Net book value	968,173	155,648	334,312	22,223	-	1,480,356
In KHR'000 equivalent	3,954,987	635,822	1,365,665	90,780	-	6,047,254

11. DEFERRED TAX ASSETS

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Non-current</i>				
Deferred tax assets	3,997,089	16,328,108	3,688,671	15,186,258
Deferred tax liabilities	(433,979)	(1,772,804)	(570,163)	(2,347,361)
Deferred tax assets - net	3,563,110	14,555,304	3,118,508	12,838,897

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

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	3,118,508	12,838,897	3,706,266	15,099,328
Credited/(charged) to profit or loss (Note 25)	444,602	1,827,314	(587,758)	(2,402,167)
Currency translation differences	-	(110,907)	-	141,736
As at 31 December	3,563,110	14,555,304	3,118,508	12,838,897

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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 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
At 1 January 2023	2,486,557	465,636	605,472	131,006	-	3,688,671
Credited/(charged) to profit or loss	407,893	55,122	(137,540)	(17,057)	-	308,418
At 31 December 2023	2,894,450	520,758	467,932	113,949	-	3,997,089
In KHR'000 equivalent	11,823,828	2,127,296	1,911,502	465,482	-	16,328,108

b) Deferred tax liabilities

	Right-of- use assets	Total
	US\$	US\$
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)
At 1 January 2023	(570,163)	(570,163)
(Charged)/credited to profit or loss	136,184	136,184
At 31 December 2023	(433,979)	(433,979)
In KHR'000 equivalent	(1,772,804)	(1,772,804)

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12. OTHER ASSETS

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Prepayments and advances	457,214	1,867,719	543,135	2,236,087
Security deposits	415,895	1,698,931	399,249	1,643,708
Contract assets related to fees from trade finance	36,158	147,705	33,646	138,521
Others	1,048	4,282	2,062	8,489
	<u>910,315</u>	<u>3,718,637</u>	<u>978,092</u>	<u>4,026,805</u>

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Current	513,084	2,095,948	549,316	2,261,534
Non-current	397,231	1,622,689	428,776	1,765,271
	<u>910,315</u>	<u>3,718,637</u>	<u>978,092</u>	<u>4,026,805</u>

13. DEPOSITS FROM BANKS

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current:</i>				
Current accounts	4,867,327	19,883,031	6,885,834	28,348,979
Fixed deposits	29,755,436	121,550,956	34,062,627	140,235,835
	<u>34,622,763</u>	<u>141,433,987</u>	<u>40,948,461</u>	<u>168,584,814</u>

a) By residency status

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Cambodia	33,852,644	138,288,051	40,184,328	165,438,878
Overseas	770,119	3,145,936	764,133	3,145,936
	<u>34,622,763</u>	<u>141,433,987</u>	<u>40,948,461</u>	<u>168,584,814</u>

b) By relationship

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Related parties	770,119	3,145,936	764,133	3,145,936
Non-related parties	33,852,644	138,288,051	40,184,328	165,438,878
	<u>34,622,763</u>	<u>141,433,987</u>	<u>40,948,461</u>	<u>168,584,814</u>

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13. DEPOSITS FROM BANKS (continued)

c) By interest rate

	2023	2022
Current accounts	Nil	Nil
Fixed deposits	4.00% - 5.30%	0.25% - 4.50%

14. DEPOSITS FROM CUSTOMERS

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Current accounts	617,486,656	2,522,432,990	625,676,111	2,575,908,549
Fixed deposits	217,122,948	886,947,243	155,055,379	638,362,995
Savings deposits	124,762,167	509,653,452	139,025,624	572,368,494
Margin deposits	9,161,783	37,425,883	5,972,969	24,590,714
	<u>968,533,554</u>	<u>3,956,459,568</u>	<u>925,730,083</u>	<u>3,811,230,752</u>

a) By maturity

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Current	966,633,239	3,948,696,781	923,628,093	3,802,576,859
Non-current	1,900,315	7,762,787	2,101,990	8,653,893
	<u>968,533,554</u>	<u>3,956,459,568</u>	<u>925,730,083</u>	<u>3,811,230,752</u>

b) By residency status

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Cambodia	845,724,755	3,454,785,624	817,941,952	3,367,467,016
Overseas	122,808,799	501,673,944	107,788,131	443,763,736
	<u>968,533,554</u>	<u>3,956,459,568</u>	<u>925,730,083</u>	<u>3,811,230,752</u>

c) By relationship

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Related parties	44,775	182,906	163,307	672,335
Non-related parties	968,488,779	3,956,276,662	925,566,776	3,810,558,417
	<u>968,533,554</u>	<u>3,956,459,568</u>	<u>925,730,083</u>	<u>3,811,230,752</u>

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14. DEPOSITS FROM CUSTOMERS (continued)

d) By interest rate

	2023	2022
Current accounts	0% - 4.20%	0% - 4.20%
Fixed deposits	0.50% - 6.20%	0.50% - 5.25%
Savings deposits	0.15% - 3.70%	0.15% - 2.00%
Margin deposits	Nil	Nil

15. BORROWINGS

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Related parties				
Bank of China (Hong Kong) Limited (i)	747,700,058	3,054,354,737	510,832,750	2,103,098,432
Borrowings from the other bank (ii)	29,496,546	120,493,390	-	-
Borrowings from the NBC (iii)	7,595,044	31,025,755	1,001,767	4,124,274
Non-related parties	37,091,590	151,519,145	1,001,767	4,124,274
	<u>784,791,648</u>	<u>3,205,873,882</u>	<u>511,834,517</u>	<u>2,107,222,706</u>

- (i) The Branch obtained unsecured short-term borrowings from Bank of China (Hong Kong) Limited, Head Office, with an annual interest rate at 0.02% to 5.81% per annum (2022: 0.09% to 4.45% per annum). The borrowings will be repaid on maturity date on 2 January 2024, 1 February 2024, and 28 March 2024.
- (ii) The Branch obtained unsecured short-term borrowing from a local bank, with an annual interest rate at 5.35%. The borrowings will be repaid at maturity date on 29 February 2024 and 7 March 2024.
- (iii) 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).

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Principal amount	784,289,423	3,203,822,293	510,971,581	2,103,669,999
Interest payables	<u>502,225</u>	<u>2,051,589</u>	<u>862,936</u>	<u>3,552,707</u>
	<u>784,791,648</u>	<u>3,205,873,882</u>	<u>511,834,517</u>	<u>2,107,222,706</u>

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15. BORROWINGS (continued)

Changes in liabilities arising from financing activities

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	510,971,581	2,103,669,999	184,764,284	752,729,693
Additions	7,996,175,981	32,864,283,282	3,255,508,115	13,305,261,666
Repayments	(7,722,865,750)	(31,740,978,233)	(2,929,273,361)	(11,971,940,226)
Exchange differences	7,611	31,281	(27,457)	(112,217)
Currency translation differences	-	(23,184,036)	-	17,731,083
At 31 December	784,289,423	3,203,822,293	510,971,581	2,103,669,999
<i>Interest payables</i>				
At 1 January	862,936	3,552,707	87,360	355,905
Charge during the year	11,849,234	48,700,352	4,485,870	18,333,751
Interest payment	(12,206,887)	(50,170,306)	(3,710,940)	(15,166,612)
Exchange differences	(3,058)	(12,568)	646	2,640
Currency translation differences	-	(18,596)	-	27,023
At 31 December	502,225	2,051,589	862,936	3,552,707

Annual interest rates for borrowings are as follows:

	2023	2022
Related parties	0.02% - 5.81%	0.09% - 4.45%
Non-related parties	0.50% - 6.50%	3.00% - 4.90%

16. OTHER LIABILITIES

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Outward remittances	4,869,032	19,889,996	2,015,520	8,297,896
Accrued bonus	1,600,654	6,538,672	1,487,433	6,123,762
Contract liabilities related to fees				
from trade finance	639,177	2,611,038	734,006	3,021,903
Accrued expenses	513,435	2,097,382	257,265	1,059,160
Loss allowance for ECL on credit commitment and financial guarantee contracts	261,032	1,066,316	565,756	2,329,217
Tax payables	174,557	713,065	351,130	1,445,602
Banker cheques	100,606	410,976	150,606	620,045
Others	170,763	697,566	84,470	347,763
	8,329,256	34,025,011	5,646,186	23,245,348

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16. OTHER LIABILITIES (continued)

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Current	7,817,303	31,933,683	5,033,993	20,724,949
Non-current	511,953	2,091,328	612,193	2,520,399
	<u>8,329,256</u>	<u>34,025,011</u>	<u>5,646,186</u>	<u>23,245,348</u>

Loss allowance for ECL on credit commitment and financial guarantee contracts

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	565,756	2,329,217	861,308	3,508,969
Charge to profit or loss	(304,724)	(1,252,416)	(295,552)	(1,207,921)
Currency translation differences	-	(10,485)	-	28,169
As at 31 December	<u>261,032</u>	<u>1,066,316</u>	<u>565,756</u>	<u>2,329,217</u>

17. HEAD OFFICE'S CAPITAL CONTRIBUTIONS

This represents the capital contributions of its head office.

	2023		2022	
	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

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Interest income from financial assets at amortised cost:</i>				
Loans and advances	57,775,649	237,457,917	45,286,541	185,086,093
Deposits and placements with the central bank	848,385	3,486,862	1,110,559	4,538,855
Deposits and placements with other banks				
- Local banks	4,714,696	19,377,401	2,620,260	10,709,003
- Overseas banks	11,510,005	47,306,121	1,302,446	5,323,096
Total interest income	74,848,735	307,628,301	50,319,806	205,657,047
<i>Interest expense on financial liabilities at amortised cost:</i>				
Fixed deposits	(7,427,960)	(30,528,916)	(4,790,386)	(19,578,308)
Current accounts	(2,255,141)	(9,268,630)	(1,880,897)	(7,687,226)
Saving deposits	(673,852)	(2,769,532)	(197,612)	(807,641)
Borrowings	(11,849,234)	(48,700,352)	(4,485,870)	(18,333,751)
Lease liabilities	(68,151)	(280,099)	(80,384)	(328,528)
Total interest expense	(22,274,338)	(91,547,529)	(11,435,149)	(46,735,454)
Net interest income	52,574,397	216,080,772	38,884,657	158,921,593

19. NET FEE AND COMMISSION INCOME

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>				
Remittance	6,306,840	25,921,112	5,833,725	23,842,434
Loans and trade finance	1,121,781	4,610,520	1,339,102	5,472,910
Card related charges	146,030	600,183	116,053	474,309
Others	296,553	1,218,833	267,507	1,093,301
Total fee and commission income	7,871,204	32,350,648	7,556,387	30,882,954
Fee and commission expenses	(1,746,286)	(7,177,235)	(682,298)	(2,788,552)
Net fee and commission income	6,124,918	25,173,413	6,874,089	28,094,402

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20. CREDIT IMPAIRMENT LOSSES

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Impairment charge/(written back):</i>				
Loans and advances	9,445,008	38,818,983	6,953,320	28,418,219
Credit commitment and financial guarantee contracts	(14,926)	(61,346)	(22,843)	(93,359)
Deposits and placements with the central bank	334,440	1,374,548	149,538	611,162
Deposits and placements with other banks	(304,724)	(1,252,415)	(295,552)	(1,207,922)
	<u>9,459,798</u>	<u>38,879,770</u>	<u>6,784,463</u>	<u>27,728,100</u>

21. OTHER GAINS – NET

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Net foreign exchange gains	2,891,969	11,885,993	3,316,335	13,553,861
Others	2,123	8,725	5,150	21,048
	<u>2,894,092</u>	<u>11,894,718</u>	<u>3,321,485</u>	<u>13,574,909</u>

22. PERSONNEL EXPENSES

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	6,104,974	25,091,443	5,716,372	23,362,812
Allowances	1,415,870	5,819,226	1,540,633	6,296,567
Other benefits	422,547	1,736,668	315,413	1,289,093
	<u>7,943,391</u>	<u>32,647,337</u>	<u>7,572,418</u>	<u>30,948,472</u>

23. DEPRECIATION AND AMORTISATION CHARGES

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Depreciation of right-of-use assets (Note 9)	889,176	3,654,513	896,541	3,664,163
Depreciation of property and equipment	579,905	2,383,410	761,854	3,113,697
	<u>1,469,081</u>	<u>6,037,923</u>	<u>1,658,395</u>	<u>6,777,860</u>

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24. OTHER OPERATING EXPENSES

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Other taxes	365,671	1,502,908	247,232	1,010,437
Legal and professional fees	345,425	1,419,697	336,730	1,376,216
Network and telecommunication	342,193	1,406,413	245,508	1,003,391
Social activities	293,335	1,205,607	249,096	1,018,055
Management fees	273,335	1,123,407	329,838	1,348,048
Advertising and marketing expenses	197,859	813,200	125,430	512,632
License fees	193,456	795,104	176,920	723,072
Repairs and maintenance	193,081	793,563	168,296	687,826
IT related expense	177,030	727,593	165,014	674,412
Utilities	154,263	634,021	134,800	550,928
Travelling expenses	138,861	570,719	136,153	556,457
Insurances	118,463	486,883	249,370	1,019,175
Rental expenses related to short-term and low value leases	77,669	319,220	86,844	354,931
Training expense	37,428	153,829	36,464	149,028
Office supplies	33,432	137,406	39,940	163,235
Outsource services	25,371	104,275	165,455	676,215
Others	127,627	524,546	192,775	787,872
	<u>3,094,499</u>	<u>12,718,391</u>	<u>3,085,865</u>	<u>12,611,930</u>

25. INCOME TAX EXPENSE

a) Current income tax liabilities

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

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	5,127,698	21,110,733	4,779,149	19,470,253
Current income tax	8,868,090	36,447,850	5,681,755	23,221,333
Income tax paid	(5,916,908)	(24,318,492)	(5,343,218)	(21,837,732)
Adjustments for current tax of prior period	(1,331)	(5,470)	10,012	40,919
Currency translation differences	-	(237,833)	-	215,960
As at 31 December	<u>8,077,549</u>	<u>32,996,788</u>	<u>5,127,698</u>	<u>21,110,733</u>

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25. INCOME TAX EXPENSE (continued)

b) Income tax expense

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Current income tax	8,868,090	36,447,850	5,681,755	23,221,333
Adjustments for current tax of prior period	(1,331)	(5,471)	10,012	40,919
	8,866,759	36,442,379	5,691,767	23,262,252
Deferred income tax	(444,602)	(1,827,314)	587,758	2,402,167
Income tax expense	8,422,157	34,615,065	6,279,525	25,664,419

c) Reconciliation of income tax expense and accounting profit:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	39,626,638	162,865,482	29,979,090	122,524,542
Tax at rate of 20%	7,925,328	32,573,097	5,995,818	24,504,909
<i>Tax effects in respect of:</i>				
Expenses not deductible for tax purposes	498,160	2,047,438	273,695	1,118,591
Adjustments for current tax of prior period	(1,331)	(5,470)	10,012	40,919
Income tax expense	8,422,157	34,615,065	6,279,525	25,664,419

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

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Cash on hand (Note 4)	23,671,855	96,699,528	26,360,281	108,525,277
Deposits and placements with the central bank:				
Current accounts	226,432,814	924,978,046	410,588,257	1,690,391,854
Deposits and placements with other banks:				
Current accounts	605,137,954	2,471,988,544	84,997,552	349,934,921
Fixed deposits with maturity three months or less	21,187,338	86,550,276	270,000,000	1,111,590,000
	<u>876,429,961</u>	<u>3,580,216,394</u>	<u>791,946,090</u>	<u>3,260,442,052</u>

27. CASH FLOWS INFORMATION

a) Cash flow from operations

	Notes	2023		2022	
		US\$	KHR'000	US\$	KHR'000
Profit before income tax		39,626,638	162,865,482	29,979,090	122,524,542
<i>Adjustments for:</i>					
Depreciation charges	23	1,469,081	6,037,923	1,658,395	6,777,860
Credit impairment losses	20	9,459,798	38,879,770	6,784,463	27,728,100
Net interest income and expense	18	(52,574,397)	(216,080,772)	(38,884,657)	(158,921,593)
Unrealised exchange gains		<u>7,611</u>	<u>31,281</u>	<u>(27,457)</u>	<u>(112,217)</u>
<i>Change in working capital</i>					
Reserve requirement with the central bank		(13,730,933)	(56,434,135)	(10,998,834)	(44,952,235)
Loans and advances		(36,562,141)	(150,270,400)	(109,075,503)	(445,791,581)
Other assets		67,777	278,563	13,860	56,646
Deposits from banks		(6,335,968)	(26,040,828)	(9,763,424)	(39,903,114)
Deposits from customers		41,927,832	172,323,390	(17,283,236)	(70,636,586)
Other liabilities		<u>2,987,794</u>	<u>12,279,833</u>	<u>(2,070,156)</u>	<u>(8,460,728)</u>
Cash (used in)/generated from operations		<u>(13,656,908)</u>	<u>(56,129,893)</u>	<u>(149,667,459)</u>	<u>(611,690,906)</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	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Cash and cash equivalents	876,429,961	3,580,216,394	791,946,090	3,260,442,052
Borrowings	(784,791,648)	(3,205,873,882)	(511,834,517)	(2,107,222,706)
Lease liabilities	(2,339,659)	(9,557,507)	(3,027,362)	(12,463,649)
Net debt	89,298,654	364,785,005	277,084,211	1,140,755,697
Cash and liquid investments	876,429,961	3,580,216,394	791,946,090	3,260,442,052
Gross debt – fixed interest rates	(787,131,307)	(3,215,431,389)	(514,861,879)	(2,119,686,355)
Net debt	89,298,654	364,785,005	277,084,211	1,140,755,697

	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 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
Net debt as at 1 January 2023	(511,834,517)	(3,027,362)	(514,861,879)	791,946,090	277,084,211
Cash flows	(273,310,231)	895,965	(272,414,266)	150,483,871	(121,930,395)
New leases	-	(208,262)	(208,262)	-	(208,262)
Other changes (i)	353,100	-	353,100	-	353,100
Net debt as at 31 December 2023	(784,791,648)	(2,339,659)	(787,131,307)	942,429,961	155,298,654
In KHR'000 equivalent	(3,205,873,882)	(9,557,507)	(3,215,431,389)	3,849,826,390	634,395,001

- (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:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Loan commitments	96,543,855	394,381,648	83,139,322	342,284,589
Bank guarantees and others	86,096,105	351,702,589	77,300,914	318,247,863
Letters of credit	6,484,518	26,489,256	11,278,589	46,433,951
Unused portion of overdrafts	20,501,875	83,750,160	7,407,048	30,494,816
Total exposure	209,626,353	856,323,653	179,125,873	737,461,219
Less: Allowance for expected credit loss	(261,032)	(1,066,316)	(565,756)	(2,329,217)
Net exposure	209,365,321	855,257,337	178,560,117	735,132,002

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.

c) Contingent liabilities – tax reassessment

Comprehensive tax reassessment for the periods from 1 January 2017 to 31 December 2019

On 25 April 2023, the General Department of Taxation (GDT) issued the notice of a comprehensive tax reassessment of the Branch for the period from 1 January 2017 to 31 December 2019, which required the Branch to pay additional tax liability including and interest of KHR1,724,221,402 (equivalent to US\$ 422,086) related to annual corporate income tax and tax on fringe benefits. The Branch submitted an objection letter on 5 May 2023 requesting the GDT to re-assess these results.

As of reporting date, there has been no response from the GDT to the Branch's objection letter yet. The Branch has not paid the additional taxes or recognised the exposure of the tax reassessment liabilities because the Branch is in the position that it is not probable that it will have to pay the taxes.

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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)

b) Deposits and placements with related parties

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
<i>Current accounts</i>				
Bank of China (Hong Kong) Limited	597,983,472	2,442,762,483	66,001,430	271,727,887
Bank of China Limited	3,262,413	13,326,957	14,157,908	58,288,107
Bank of China Limited Shanghai Branch	708,583	2,894,562	1,040,822	4,285,064
Bank of China Zweigniederlassung Frankfurt Main Frankfurt Branch	2,822,837	11,531,289	2,744,495	11,299,086
<i>Fixed deposits</i>				
Bank of China (Hong Kong) Limited	187,071,203	764,185,864	190,044,203	782,411,984
	<u>791,848,508</u>	<u>3,234,701,155</u>	<u>273,988,858</u>	<u>1,128,012,128</u>
Interest income	<u>11,396,226</u>	<u>46,838,489</u>	<u>1,302,446</u>	<u>5,323,097</u>

Annual interest rates during the year are as follows:

	2023	2022
Current accounts	0% to 0.50%	0% to 0.50%
Fixed deposits	0.85% to 5.92%	3% to 4.33%

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29. RELATED-PARTY TRANSACTIONS (continued)

c) Deposits from related parties

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Bank of China Limited - current account	770,119	3,145,936	764,133	3,145,936
Key management personnel:				
Savings accounts	44,675	182,497	133,611	550,076
Fixed deposits	-	-	29,598	121,855
Current accounts	100	409	100	412
	<u>814,894</u>	<u>3,328,842</u>	<u>927,442</u>	<u>3,818,279</u>
Interest expense	<u>220</u>	<u>904</u>	<u>878</u>	<u>3,588</u>

Annual interest rates during the year are as follows:

	2023	2022
Savings accounts	0.15% - 0.35%	0.15% - 0.35%
Fixed deposits	2% - 3%	2% - 3%
Current accounts	Nil	Nil

d) Borrowings

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Bank of China (Hong Kong) Limited	<u>747,700,058</u>	<u>3,054,354,737</u>	<u>510,832,750</u>	<u>2,103,098,432</u>
Total borrowings (Note 15)	<u>747,700,058</u>	<u>3,054,354,737</u>	<u>510,832,750</u>	<u>2,103,098,432</u>
Interest expense	<u>11,473,905</u>	<u>47,157,750</u>	<u>4,429,866</u>	<u>18,104,862</u>

e) Other transactions charged from related parties

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Bank of China Limited:				
Information technology fees	122,381	502,986	115,216	470,888
Bank of China (Hong Kong) Limited:				
Management fees	<u>73,212</u>	<u>300,901</u>	<u>59,972</u>	<u>245,106</u>
	<u>195,593</u>	<u>803,887</u>	<u>175,188</u>	<u>715,994</u>

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

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29. RELATED-PARTY TRANSACTIONS (continued)

f) Key management compensation

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Salaries and short-term employee benefits	892,116	3,666,597	1,298,498	5,306,961
Long-term benefits	68,302	280,721	21,929	89,624
Salaries and other benefits	960,418	3,947,318	1,320,427	5,396,585

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.

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Financial assets at amortised costs				
Cash on hand	23,671,855	96,699,528	26,360,281	108,525,277
Deposits and placements with the central bank	250,538,739	1,023,450,749	425,746,270	1,752,797,394
Deposits and placements with other banks	869,769,947	3,553,010,235	385,623,844	1,587,613,366
Loans and advances at amortised cost	871,146,969	3,558,635,368	845,023,231	3,478,960,642
Other financial assets	848,541	3,466,290	711,005	2,927,208
Total financial assets	2,015,976,051	8,235,262,170	1,683,464,631	6,930,823,887
Financial liabilities				
Financial liabilities at amortised cost				
Deposits from banks	34,622,763	141,433,987	40,948,461	168,584,814
Deposits from customers	968,533,554	3,956,459,568	925,730,083	3,811,230,752
Borrowings	784,791,648	3,205,873,882	511,834,517	2,107,222,706
Lease liabilities	2,339,659	9,557,507	3,027,362	12,463,649
Other financial liabilities	5,653,836	23,095,920	2,507,861	10,324,864
Total financial liabilities	1,795,941,460	7,336,420,864	1,484,048,284	6,109,826,785
Net financial assets	220,034,591	898,841,306	199,416,347	820,997,102

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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.

(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, loan classification status in "Substandard", "Doubtful", or "Loss" 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
FOR THE YEAR ENDED 31 DECEMBER 2023**

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).

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)

(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 2023 and 31 December 2022 are as follows:

	Alternative	Best	Base	Downturn
	%	%	%	%
As at 31 December 2023				
Scenario probability weighting	10%	10%	60%	20%
As at 31 December 2022				
Scenario probability weighting	10%	10%	60%	20%

Sensitivity analysis

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

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

	Changes
Scenario probability weighting	+/-5%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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)

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes in key variables	<u>(185,253)</u>	<u>(761,390)</u>	<u>(128,222)</u>	<u>(524,043)</u>
Total increase in ECL on the negative changes in key variables	<u>453,550</u>	<u>1,864,091</u>	<u>290,187</u>	<u>1,185,994</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
FOR THE YEAR ENDED 31 DECEMBER 2023**

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:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with the central bank	250,557,663	1,023,528,054	425,780,120	1,752,936,754
Deposits and placements with other banks	870,509,390	3,556,030,860	386,028,847	1,589,280,763
Loans and advances at amortised cost	903,087,068	3,689,110,672	867,518,322	3,571,572,932
Other financial assets	848,541	3,466,290	711,005	2,927,208
	<u>2,025,002,662</u>	<u>8,272,135,876</u>	<u>1,680,038,294</u>	<u>6,916,717,657</u>
Credit risk exposure relating to off-balance sheet items:				
Loan commitments	96,543,855	394,381,648	83,139,322	342,284,589
Guarantees and others	86,096,105	351,702,589	77,300,914	318,247,863
Letters of credits	6,484,518	26,489,256	11,278,589	46,433,951
Unutilised portion of overdrafts	20,501,875	83,750,159	7,407,048	30,494,816
	<u>209,626,353</u>	<u>856,323,652</u>	<u>179,125,873</u>	<u>737,461,219</u>
Total maximum credit risk exposure that are subject to impairment	2,234,629,015	9,128,459,528	1,859,164,167	7,654,178,876
Less: Allowance for expected credit loss	<u>(32,959,498)</u>	<u>(134,639,550)</u>	<u>(23,499,700)</u>	<u>(96,748,264)</u>
Total net credit exposure	<u>2,201,669,517</u>	<u>8,993,819,978</u>	<u>1,835,664,467</u>	<u>7,557,430,612</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, 45% (2022: 52%) 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.
- 69% of deposits and placements with other banks is held with its Head Office, a bank with credit rating investment grade (2022: 66%). 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.

NOTES TO THE FINANCIAL STATEMENTS
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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:

	2023				2022			
	12-month ECL US\$	Lifetime ECL not Credit- impaired US\$	Lifetime ECL Credit- impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- impaired US\$	Lifetime ECL Credit- impaired US\$	Total US\$
Deposits and placements with the central bank								
Sovereign	250,557,663	-	-	250,557,663	425,780,120	-	-	425,780,120
Gross carrying amount	250,557,663	-	-	250,557,663	425,780,120			425,780,120
Less: Allowance for expected credit loss	(18,924)	-	-	(18,924)	(33,850)	-	-	(33,850)
Net carrying amount	250,538,739	-	-	250,538,739	425,746,270	-	-	425,746,270
In KHR'000 equivalent	1,023,450,749	-	-	1,023,450,749	1,752,797,394			1,752,797,394

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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:

	2023					2022				
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$		12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	
Deposits and placements with other banks										
Investment grade	792,248,706	-	-	792,248,706		335,313,751	-	-	335,313,751	
Non-investment grade	78,260,684	-	-	78,260,684		30,625,068	-	-	30,625,068	
Un-graded	-	-	-	-		20,090,028	-	-	20,090,028	
Gross carrying amount	870,509,390	-	-	870,509,390		386,028,847	-	-	386,028,847	
Less: Allowance for expected credit loss	(739,443)			(739,443)		(405,003)	-	-	(405,003)	
Net carrying amount	869,769,947	-	-	869,769,947		385,623,844	-	-	385,623,844	
In KHR'000 equivalent	3,553,010,235	-	-	3,553,010,235		1,587,613,366	-	-	1,587,613,366	

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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:

	2023				2022			
	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\$
Loans and advances at amortised cost								
Normal	849,952,692	-	-	849,952,692	828,446,337	-	-	828,446,337
Special mention	-	31,373,708	-	31,373,708	-	7,347,601	-	7,347,601
Substandard	-	-	3,162,547	3,162,547	-	-	16,595,706	16,595,706
Doubtful	-	-	-	-	-	-	14,076,110	14,076,110
Loss	-	-	18,598,121	18,598,121	-	-	1,052,568	1,052,568
Gross carrying amount	849,952,692	31,373,708	21,760,668	903,087,068	828,446,337	7,347,601	31,724,384	867,518,322
Less: Allowance for expected credit loss	(10,159,570)	(7,827,153)	(13,953,376)	(31,940,099)	(11,828,586)	(442,057)	(10,224,448)	(22,495,091)
Net carrying amount	839,793,122	23,546,555	7,807,292	871,146,969	816,617,751	6,905,544	21,499,936	845,023,231
In KHR'000 equivalent	3,430,554,904	96,187,677	31,892,787	3,558,635,368	3,362,015,281	28,430,124	88,515,237	3,478,960,642

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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:

	2023				2022			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Off-balance sheet items								
Normal	209,625,853	-	-	209,625,853	178,625,195	-	-	178,625,195
Special mention	-	500	-	500	-	495,568	-	495,568
Substandard	-	-	-	-	-	-	5,110	5,110
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Gross carrying amount	209,625,853	500	-	209,626,353	178,625,195	495,568	5,110	179,125,873
Less: Allowance for expected credit loss	(261,015)	(17)	-	(261,032)	(565,100)	-	(656)	(565,756)
Net carrying amount	209,364,838	483	-	209,365,321	178,060,095	495,568	4,454	178,560,117
In KHR'000 equivalent	855,255,363	1,973	-	855,257,336	733,073,412	2,040,253	18,337	735,132,002

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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\$
Expected Credit Losses				
Loss allowance as at 1 January 2023	11,828,586	442,057	10,224,448	22,495,091
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(443,024)	443,024	-	-
Transfer to stage 3	(132,088)	-	132,088	-
Net remeasurement of loss allowance (*)	(2,261,514)	4,120,670	5,315,022	7,174,178
New financial assets originated or purchased	4,271,140	3,249,788	-	7,520,928
Financial assets derecognised during the year other than write off	(3,103,530)	(428,386)	(1,718,182)	(5,250,098)
Loss allowance as at 31 December 2023	10,159,570	7,827,153	13,953,376	31,940,099
In KHR'000 equivalent	41,501,843	31,973,920	56,999,541	130,475,304

(*) 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\$
Gross carrying amount				
Gross carrying amount as at 1 January 2023	828,446,337	7,347,601	31,724,384	867,518,322
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(23,584,921)	23,584,921	-	-
Transfer to stage 3	(6,901,224)	-	6,901,224	-
Net remeasurement of loss allowance	(60,284,644)	(537,118)	(1,610,265)	(62,432,027)
New financial assets originated or purchased	344,545,216	5,741,329	-	350,286,545
Financial assets derecognised during the year other than write off	(232,268,072)	(4,763,025)	(15,254,675)	(252,285,772)
Gross carrying amount as at 31 December 2023	849,952,692	31,373,708	21,760,668	903,087,068
In KHR'000 equivalent	3,472,056,747	128,161,597	88,892,328	3,689,110,672

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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\$
Expected Credit Losses				
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 period 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\$
Gross carrying amount				
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 period 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)

(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\$
Expected Credit Losses				
Loss allowance as at 1 January 2023	33,850	-	-	33,850
<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	(14,926)	-	-	(14,926)
Loss allowance as at 31 December 2023	18,924	-	-	18,924
In KHR'000 equivalent	77,305	-	-	77,305
	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2023	425,780,120	-	-	425,780,120
<i>Changes due to financial instruments recognised as at 1 January:</i>				
Transfer to stage 1				
Transfer to stage 2				
Transfer to stage 3				
Financial assets derecognised during the period other than write off	(175,222,457)	-	-	(175,222,457)
Gross carrying amount as at 31 December 2023	250,557,663	-	-	250,557,663
In KHR'000 equivalent	1,023,528,054	-	-	1,023,528,054

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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\$
Expected Credit Losses				
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\$
Gross carrying amount				
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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\$
Expected Credit Losses				
Loss allowance as at 1 January 2023	405,003	-	-	405,003
<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	334,440	-	-	334,440
Loss allowance as at 31 December 2023	739,443	-	-	739,443
In KHR'000 equivalent	3,020,625	-	-	3,020,625
	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Gross carrying amount				
Gross carrying amount as at 1 January 2023	386,028,847	-	-	386,028,847
<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	484,480,543	-	-	484,480,543
Gross carrying amount as at 31 December 2023	870,509,390	-	-	870,509,390
In KHR'000 equivalent	3,556,030,860	-	-	3,556,030,860

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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\$
Expected Credit Losses				
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\$
Gross carrying amount				
Gross carrying 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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\$
Expected Credit Losses				
Loss allowance as at 1 January 2023	565,100	-	656	565,756
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(286,365)	-	-	(286,365)
New financial assets originated or purchased	187,678	17	-	187,695
Exposure derecognised or expired	(205,398)	-	(656)	(206,054)
Loss allowance as at 31 December 2023	261,015	17	-	261,032
In KHR'000 equivalent	1,066,247	69	-	1,066,316

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Exposure amount				
Exposure amount as at 1 January 2023	178,625,195	495,568	5,110	179,125,873
<i>Changes due to exposure:</i>				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	(28,695,436)	-	-	(28,695,436)
New financial assets originated or purchased	116,841,382	500	-	116,841,882
Exposure derecognised or expired	(57,145,288)	(495,568)	(5,110)	(57,645,966)
Exposure amount as at 31 December 2023	209,625,853	500	-	209,626,353
In KHR'000 equivalent	856,321,609	2,043	-	856,323,652

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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\$
Expected Credit Losses				
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\$
Exposure amount				
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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**NOTES TO THE FINANCIAL STATEMENTS
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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\$
At 31 December 2023					
<i>On-balance sheet assets:</i>					
Deposits and placements with the central bank	250,557,663	-	-	-	250,557,663
Deposits and placements with other banks	78,317,205	3,971,000	785,094,852	3,126,333	870,509,390
Loans and advances at amortised cost	897,210,276	-	5,876,792	-	903,087,068
Other financial assets	838,199	4,230	-	6,112	848,541
	<u>1,226,923,343</u>	<u>3,975,230</u>	<u>790,971,644</u>	<u>3,132,445</u>	<u>2,025,002,662</u>
<i>Off-balance sheet items:</i>					
Loan commitments	96,543,855	-	-	-	96,543,855
Guarantees and others	11,578,240	74,517,865	-	-	86,096,105
Letters of credits	6,484,518	-	-	-	6,484,518
Unutilised portion of overdrafts	20,501,875	-	-	-	20,501,875
	<u>135,108,488</u>	<u>74,517,865</u>	<u>-</u>	<u>-</u>	<u>209,626,353</u>
Gross carrying amount	1,362,031,831	78,493,095	790,971,644	3,132,445	2,234,629,015
Less: Expected credit loss	<u>(32,906,729)</u>	<u>(12,589)</u>	<u>(40,177)</u>	<u>(3)</u>	<u>(32,959,498)</u>
Net carrying amount	<u>1,329,125,102</u>	<u>78,480,506</u>	<u>790,931,467</u>	<u>3,132,442</u>	<u>2,201,669,517</u>
In KHR'000 equivalents	<u>5,429,476,042</u>	<u>320,592,867</u>	<u>3,230,955,043</u>	<u>12,796,027</u>	<u>8,993,819,979</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\$
At 31 December 2022					
<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 assets:</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)

(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.

2023						
	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	250,557,663	870,509,390	142,026,563	-	50,308,123	1,313,401,739
Construction	-	-	225,527,103	-	44,336,571	269,863,674
Manufacturing	-	-	177,166,567	-	32,699,109	209,865,676
Real Estate	-	-	69,831,221	-	30,793,869	100,625,090
Others - community, social and personal activities	-	-	288,535,614	848,541	51,488,681	340,872,836
Gross carrying amount	250,557,663	870,509,390	903,087,068	848,541	209,626,353	2,234,629,015
Less: Expected credit loss	(18,924)	(739,443)	(31,940,099)	-	(261,032)	(32,959,498)
Net carrying amount	250,538,739	869,769,947	871,146,969	848,541	209,365,321	2,201,669,517
In KHR'000 equivalents	1,023,450,749	3,553,010,235	3,558,635,368	3,466,290	855,257,336	8,993,819,978

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

(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 2023 and 31 December 2022.

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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
As at 31 December 2023					
Financial assets					
Cash on hand	2,052,121	21,512,848	106,886	-	23,671,855
Deposits and placements with the central bank	42,798,284	207,740,455	-	-	250,538,739
Deposits and placements with other banks	-	256,281,270	37,906,410	575,582,267	869,769,947
Loans and advances at amortised cost	62,464,596	798,344,970	10,337,403	-	871,146,969
Other financial assets	-	848,541	-	-	848,541
Total financial assets	107,315,001	1,284,728,084	48,350,699	575,582,267	2,015,976,051
Financial liabilities					
Deposits from banks	15,523,908	15,208,392	3,890,463	-	34,622,763
Deposits from customers	56,674,372	864,479,398	44,432,573	2,947,211	968,533,554
Borrowings	37,091,589	175,125,492	-	572,574,567	784,791,648
Lease liabilities	-	2,339,659	-	-	2,339,659
Other financial liabilities	590,993	5,012,063	50,780	-	5,653,836
Total financial liabilities	109,880,862	1,062,165,004	48,373,816	575,521,778	1,795,941,460
Net on-balance sheet position	(2,565,861)	222,563,080	(23,117)	60,489	220,034,591
KHR'000 equivalent	(10,481,542)	909,170,182	(94,433)	247,099	898,841,306
Off-balance-sheet items					
Loan commitments	709,914	95,603,984	-	-	96,313,898
Guarantees and others	-	86,069,593	-	-	86,069,593
Letters of credits	-	3,575,495	-	2,904,460	6,479,955
Unutilised portion of overdrafts	-	20,501,875	-	-	20,501,875
	709,914	205,750,947	-	2,904,460	209,365,321
HR'000 equivalent	2,899,999	840,492,618	-	11,864,719	855,257,336

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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
As at 31 December 2022					
Financial assets					
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
Financial liabilities					
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
Off-balance-sheet items					
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

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:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Asset/(Liability)				
Khmer Riel (KHR)	(2,565,861)	(10,481,542)	(5,152,265)	(21,211,875)
China Yuan (CNY)	(23,117)	(94,433)	329,954	1,358,421
Others	60,489	247,100	25,098	103,328
	(2,528,489)	(10,328,875)	(4,797,213)	(19,750,126)

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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:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Increase/(Decrease)				
-5%				
Khmer Riel (KHR)	(108,036)	(441,327)	(216,937)	(893,130)
China Yuan (CNY)	(973)	(3,975)	13,893	57,197
Others	2,547	10,405	1,057	4,352
	<u>(106,462)</u>	<u>(434,897)</u>	<u>(201,987)</u>	<u>(831,581)</u>
	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Increase/(Decrease)				
+5%				
Khmer Riel (KHR)	97,747	399,296	196,277	808,072
China Yuan (CNY)	881	3,599	(12,570)	(51,751)
Others	(2,305)	(9,416)	(955)	(3,932)
	<u>96,323</u>	<u>393,479</u>	<u>182,752</u>	<u>752,389</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 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\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2023														
Financial assets														
Cash on hand	-	-	-	-	-	-	-	-	-	-	23,671,855	-	23,671,855	
Deposits and placements with the central bank	-	-	24,119,029	-	-	-	-	-	-	-	226,419,710	-	250,538,739	
Deposits and placements with other banks	14,510,311	-	65,822,670	-	184,299,649	-	-	-	-	-	605,137,317	-	869,769,947	
Loans and advances at amortised cost	26,211,441	-	65,338,933	-	111,162,201	-	352,207,217	-	316,227,177	-	-	-	871,146,969	
Other financial assets	-	-	-	-	-	-	-	-	-	-	848,541	-	848,541	
Total financial assets	40,721,752	155,280,632	295,461,850	352,207,217	316,227,177	856,077,423	352,207,217	316,227,177	2,015,976,051	2,015,976,051				
Financial liabilities														
Deposits from banks and other financial institutions	24,743,769	-	5,011,667	-	-	-	-	-	-	-	4,867,327	-	34,622,763	
Deposits from customers	561,085,878	-	62,567,105	-	111,696,752	-	1,900,313	-	-	-	231,283,506	-	968,533,554	
Borrowings	447,935,420	-	336,856,228	-	-	-	-	-	-	-	-	-	784,791,648	
Lease liabilities	186,538	-	85,431	-	475,159	-	1,246,488	-	346,043	-	-	-	2,339,659	
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	5,653,836	-	5,653,836	
Total financial liabilities	1,033,951,605	404,520,431	112,171,911	3,146,801	346,043	1,795,941,460	3,146,801	346,043	1,795,941,460	1,795,941,460				
Net interest repricing gap	(993,229,853)	(249,239,799)	183,289,939	349,060,416	315,881,134	614,272,754	349,060,416	315,881,134	220,034,591	220,034,591				
In KHR'000 equivalent	(4,057,343,950)	(1,018,144,578)	748,739,401	1,425,911,799	1,290,374,432	2,509,304,202	1,425,911,799	1,290,374,432	898,841,306	898,841,306				
Off-balance-sheet items														
Loan commitments	96,313,898	-	-	-	-	-	-	-	-	-	-	-	96,313,898	
Guarantees and others	86,069,593	-	-	-	-	-	-	-	-	-	-	-	86,069,593	
Letters of credits	6,479,955	-	-	-	-	-	-	-	-	-	-	-	6,479,955	
Unutilised portion of overdrafts	20,501,875	-	-	-	-	-	-	-	-	-	-	-	20,501,875	
Total off-balance-sheet items	209,365,321	-	-	-	-	-	-	-	-	-	-	-	209,365,321	
In KHR'000 equivalent	855,257,336	-	-	-	-	-	-	-	-	-	-	-	855,257,336	

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**NOTES TO THE FINANCIAL STATEMENTS
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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\$	
As at 31 December 2022														
Financial assets														
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	
Financial liabilities														
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	
Off-balance-sheet items														
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	
In KHR'000 equivalent	178,560,117		-		-		-		-		-		178,560,117	
	735,132,002		-		-		-		-		-		735,132,002	

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**NOTES TO THE FINANCIAL STATEMENTS
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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
2023		
Interest rate increased by 1%	18,797,124	77,256,180
Interest rate decreased by 1%	14,538,889	59,754,834
2022		
Interest rate increased by 1%	7,335,574	29,980,491
Interest rate decreased by 1%	(5,578,672)	(22,800,032)

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\$
As at 31 December 2023						
Financial assets						
Cash on hand	23,671,855	-	-	-	-	23,671,855
Deposits and placements with the central bank	226,432,813	24,153,329	-	-	-	250,586,142
Deposits and placements with other banks	619,675,123	66,836,970	189,603,060	-	-	876,115,153
Loans and advances at amortised cost	38,799,724	66,332,118	114,274,720	397,326,144	818,576,321	1,435,309,027
Other financial assets	10,192	396,638	13,561	428,150	-	848,541
Total financial assets	908,589,707	157,719,055	303,891,341	397,754,294	818,576,321	2,586,530,718
Financial liabilities						
Deposits from banks	29,656,324	5,050,571	-	-	-	34,706,895
Deposits from customers	796,422,880	62,817,581	113,338,407	2,089,262	-	974,668,130
Borrowings	447,963,468	337,175,785	-	-	-	785,139,253
Lease liabilities	78,170	132,667	584,528	1,320,908	276,695	2,392,968
Other financial liabilities	5,553,230	-	100,606	-	-	5,653,836
Total financial liabilities	1,279,674,072	405,176,604	114,023,541	3,410,170	276,695	1,802,561,082
Net financial assets/(liabilities)	(371,084,365)	(247,457,549)	189,867,800	394,344,124	818,299,626	783,969,636
In KHR'000 equivalents	(1,515,879,631)	(1,010,864,088)	775,609,963	1,610,895,747	3,342,753,972	3,202,515,963
Off-balance sheet items						
Loan commitments	96,543,855	-	-	-	-	96,543,855
Guarantees and others	86,096,105	-	-	-	-	86,096,105
Letters of credits	6,484,518	-	-	-	-	6,484,518
Unutilised portion of overdrafts	20,501,875	-	-	-	-	20,501,875
	209,626,353	-	-	-	-	209,626,353
In KHR'000 equivalents	856,323,652	-	-	-	-	856,323,652

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**NOTES TO THE FINANCIAL STATEMENTS
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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\$
As at 31 December 2022						
Financial assets						
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
Financial liabilities						
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
Off-balance sheet items						
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

**NOTES TO THE FINANCIAL STATEMENTS
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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:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Tier 1 capital				
Share capital	150,000,000	600,000,000	150,000,000	600,000,000
Retained earnings	71,478,994	288,804,000	65,036,920	267,757,000
	<u>221,478,994</u>	<u>888,804,000</u>	<u>215,036,920</u>	<u>867,757,000</u>
Tier 2 complementary capital				
General provision	19,195,257	78,412,625	13,871,696	57,109,772
	<u>19,195,257</u>	<u>78,412,625</u>	<u>13,871,696</u>	<u>57,109,772</u>
	<u>240,674,251</u>	<u>967,216,625</u>	<u>228,908,616</u>	<u>924,866,772</u>



ធនាគារ ចិន (ហុងកុង) សាខាភ្នំពេញ
中國銀行(香港) 金邊分行
BANK OF CHINA (HONG KONG) PHNOM PENH BRANCH