



Shinhan Annual Report **2018**

Redefine Finance Business through **Innovation**



Shinhan Bank Cambodia

We **redefine** financial business through **innovation**

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

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



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





History

• 2007.10

Shinhan Khmer Bank was established in Phnom Penh, Kingdom of Cambodia (Subsidiary of Shinhan Bank, Korea)

• 2011.11

Olympic branch opened as 1st branch in Phnom Penh

• 2012.12

Teukthlar branch opened as 2 nd branch

• 2013.12

New Olympic branch was relocated for its business expansion

• 2015.03

Daun Penh branch opened as 3 rd branch

• 2015.12 Steung Meanchey branch opened as 4th branch

• 2016.04 Debit Card service opened

• 2018.04 New Head Office was relocated for its business expansion

• 2018.05 Norodom Branch opened as 5th branch

Shareholders

- Major Shareholders
- · Shinhan Bank (97.50%)
- · Insung Co., Ltd. (2.50%)
- *() Ownership %





Lee Taekyung _ President & Chief Executive Officer

Dear values customers

Dear customer,

Since its establishment in 2007, Shinhan Bank Cambodia has grown to six branches and 153 employees. It's all thanks to customers who cared about Shinhan Bank Cambodia and made transactions. I thank you from the bottom of my heart.

From now on, all of our bank employees will dedicate their hearts and souls to providing our customers with new and differentiated value with our 'customer-oriented' core values always in mind.

We will faithfully perform our social roles as a responsible corporate citizen. We will grow with our customers and contribute to the development of our society through a mission as "A better world through the power of finance."

I ask you for your continued trust and support of Shinhan Bank Cambodia, and I wish you and your family health and happiness always.

Thank you.

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Shinhan Bank Cambodia President & Chief Executive Officer **Mr. Lee Taekyung**



FINANCIAL YEAR ENDED 31 DECEMBER	2016	2017	2018
Balance Sheet (US\$ million)			
Total Deposit	46.8	65.5	82.4
Total Gross Loans	86.1	134.8	205.4
Equity	36.7	67.5	101.6
Total Assets	134.5	188.8	250.8
P&L Account (US\$ thousand)			
Net Interest Income	6,706	7,434	11,538
Profit Before Income Tax	5,296	4,415	8,243
Net Profit	4,085	3,276	6,553
Key Performance Indicators (%)			
ROA	3.43	1.93	2.99
ROE	13.24	5.50	7.38
Cost / Income	41.15	41.35	35.75
Net Interest Margin	5.18	4.55	5.39
Net Interest Spread	4.85	4.10	4.68
Liquidity Ratio	150.74	813.49	112.15
Solvency Ratio	37.92	46.39	51.21
General Information			
Operating Branches	4	4	5
Staffs	100	113	148
ATMs	10	10	13
Depositors	10,872	12,131	14,573
Borrowers	529	942	1,788
Internet Banking Users	1,666	1,556	1,393

SIMPLIFIED FINANCIAL RESULTS























Redefine Shinhan: We redefine the sales

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





A Better World the through the Power of Finance

The meaning of compassionate finance?

We strive to uphold a virtuous cycle of shared prosperity that will create greater value for our clients, Shinhan, and all of society. To this end, we seek new methods and new approaches so that we can deliver products and services and manage money in ways that keep pace with changes in the environment.



A Better World through the Power of Finance





Core Values & Code of Conduct

Core Values guide the thoughts and actions of all Shinhan members united under the idea of One Shinhan (The code of conduct outlines the standards for employees' judgment and actions when applying the core values in carrying out their duties)

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Clients

We maintain high ethical standards to build trust with our clients, and see things from their perspective to provide products and services that clients' values.

Client value

Make every effort to increase client value as the clients' companion for the future.

Client-oriented thinking

Provide products and services based on in-depth understanding of clients' needs and their perspective.



Mutual Respect

We seek cooperation and openness in pursuit of shared prosperity for the Group and all members of society.

Coordination and integration

Pursue cooperation as a member of One Shinhan but with respect and consideration for the other's perspective

Shared prosperity

Make judgments and take action to raise the value of Shinhan and society at large.

Openness

Creativity

Trust

Form a broad and diverse network of stakeholders beyond financial businesses with emphasis on open communication.

Think outside the box to discover new

solutions and implement new approaches.

Build trust with clients by adhering to strict

ethical standards and principles.

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We initiate meaningful changes based on our insight into shifting trends so that we can respond swiftly and boldly with creative solutions.

Insight

Predict the direction and implication of changes from a broad and comprehensive standpoint.

Innovation

Take bold and swift action to introduce meaningful changes without being afraid of failure.

Excellence

We continue to challenge and educate ourselves to become the leading experts in our fields so that we can produce sustainable results.

Challenge and execution

Set challenging goals and follow through with specific plans and perseverance.

Self-development

Continue learning to gain the highest level of expertise and constantly explore new pursuits..

Sustainable performance

Strive to produce results that can sustained over the long-term horizon.



Ownership

We practice the Shinhan WAY with pride, passion and sincerity as members of the Group and take the lead in fulfilling our responsibilities.

Role model for the Shinhan WAY

Set an example through actions based on a deep and sincere understanding of the Shinhan WAY.

Self-motivation

Harness one's passion to inspire passion in others and take the initiative in fulfilling one's responsibilities.

Pride

Take pride and satisfaction in doing good work as a member of Shinhan.



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



financial institution that grows with its customers for a better future

finance industry through change and innovation

which our ees work with pride as members of the coun-try's employ number one bank





All companies as one for our customers! One Shinhan

'One Shinhan' is the ultimate value as well as the reason for us being as a holding company, focusing on the essence of finance by breaking out of internal distinction among group companies and thus eliminating business barriers and customer inconvenience.



'One Shinhan' is a new way of thinking Shinhan Financial Group upholds as a strategy. It overcomes traditional simple synergy programs, i.e.,

referral and cross-selling among group affiliates, which aims at presenting customers a superbexperience through product, service and channel convergence and ultimately committing to give differentiated customer value without feeling alienated among our financial companies.



Redefine Shinhan: We redefine the market environment

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









Charity Activity

Shinhan Bank Cambodia staffs participated in a charity activity periodically











Mr. LEE TAE KYUNG Current CEO & Member of Board of Director

He serves as member of Board of Directors and CEO in January, 2019 Previously Mr. Lee was a General Manager, Global Business Division of Shinhan Bank. He had served many executive positions with Shinhan Bank for many years. He has strong experiences in banking and financial sectors



Mr. Song Kyo Min Current Chairman of Board of Director

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



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

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



Mr. Kim Hae Soo Current Independent Member of Board of Director

He is appointed independent member of Board of directors in July, 2016 He has served many executive positions in Shinhan Bank for more than 30 Years with strong experiences especially in global banking and financial sectors





Mr. Park Tae Jong Current Vice President Current Member of Board of Directors

He is appointed to be G.M in 2017 He has served managerial position at Shinhan Bank for nearly 20 years



Mr. Kim Choon Ho General Manager

He is appointed to be Director in 2018. He has served managerial position at Shinhan Bank for nearly 17 years



Mr. Lim Joon Hyung General Manager

He is appointed to be Director in 2018. He has served managerial position at Shinhan Bank for nearly 16 years



Mr. Lee Jung Hoon General Manager

He is appointed to be Director in 2019. He has served managerial position at Shinhan Bank for nearly 14 years

GLOBAL NETWORK (As of December, 2018)

20 Countries, 163 Networks Branch 14, Subsidiary 11(8 subsidiaries have 145 branches), Representative office 1



SHINHAN BANK (CAMBODIA) PLC.

No. 79 Kampuchea Krom, Sangkat Mororom. Khan 7 Makara, Phnom Penh, Cambodia Tel. 855-23-727-380 Fax. 855-23-727-383 SWIFT: SHBKKHPP

SHINHAN KHMER BANK MAIN BRANCH

No. 79 Kampuchea Krom, Sangkat Mororom. Khan 7 Makara, Phnom Penh, Cambodia Tel. 855-23 971 100 Fax. 855-23-727-383 SWIFT: SHBKKHPP

OLYMPIC BRANCH

No.11 St. 163, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Cambodia Tel. 855-23-988-381 Fax. 855-23-988-382 SWIFT: SHBKKHPP

TEUK THLA BRANCH

No.A99 & A101, Russian Federation Blvd., Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh, Cambodia Tel: 855-23-988-363 SWIFT: SHBKKHPP

DAUN PENH BRANCH

No.1 Eo, Street Preah Sisowath, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia Tel. 855-23-988-390 SWIFT: SHBKKHPP

STEUNG MEAN CHEY BRANCH

No.660 Preah Monireth Blvd, Damnak Thom Village, Sangkat Steung Mean Chey, Phnom Penh, Cambodia Tel: 855-23-957-680 SWIFT: SHBKKHPP

NORODOM BRNCH

No.277 Norodom Blvd, Sangkat Tonle Bassac, Khan Chamkarmorn , Phnom Penh, Cambodia Tel. 855-23-988-310 SWIFT: SHBKKHPP

Business Analysis & Planning

I. Banking environment & SWOT analysis

Strength

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

Weakness

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

Opportunities

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

Threats

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

II. Marketing plan

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

III. Risk mitigation and planning

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

- Credit Risk

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

- Market Risk

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

- Interest Rates risk

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

- Foreign Exchange Risk

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

- Liquidity Risk

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

- Legal Risk

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

- Operational Risk

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

- Reputation Risk

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

- Other risks

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

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

VI. Training & employee skill development

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



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD" or "Directors") presents its report together with the audited financial statements of Shinhan Bank (Cambodia) Plc. (the "Bank") for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activities of the Bank comprise the operation of core banking business and the provision of related financial services.

RESULTS AND DIVIDENDS

The financial performance of the Bank for the year ended 31 December 2018 is set out in the income statement on page 9 of the financial statements.

No dividend was declared during the year.

SHARE CAPITAL

On 5 June 2018, the Bank received the approval from the National Bank of Cambodia ("NBC") to increase its share capital of \$27,500,000, thereby increasing the paid up capital to US\$75,000,000. The new authorised share capital of US\$75,000,000 with 75,000,000 shares and par value per share of US\$1 was approved by the Ministry of Commerce ("MOC") on 20 August 2018.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS

Before the Bank's financial statements were drawn up, the Board of Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making allowance for loan losses. The Board of Directors has satisfied itself that all known bad loans have been written off and that adequate allowance has been made for bad and doubtful loans.

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances which would render the amount of the allowance for loan losses in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the Bank's financial statements were drawn up, the Board of Directors 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 Bank, had been written down to an amount which they might be expected to realise.

At the date of this report, the Board of Directors is not aware of any circumstances which would render the values attributed to the assets in the Bank's financial statements misleading in any material respect.

VALUATION METHODS

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the Bank's financial statements misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- i) no charge on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person; and
- ii) no contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of its business operations.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable after the end of the year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The Bank's financial performance for the year ended 31 December 2018 was not, in the opinion of the Board of Directors, 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 year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of Board of Directors, to substantially affect the financial performance of the Bank for the year in which this report is made.

EVENTS AFTER THE REPORTING DATE

No significant events occurred after the balance sheet date requiring disclosures or adjustments other than those disclosed in the financial statements.

THE BOARD OF DIRECTORS

The Board of Directors holding office during the year and as at the date of this report are:

- Mr. Kim Byung Kyu
- Mr. Song Kyo Min
- Chairman (Resigned on 9 February 2018) Chairman (Appointed on 9 February 2018)

Independent director (Resigned on 31 August 2018)

- Mr. Seo Byung Hyun Director (Resigned on 24 January 2019)
- Mr. Lee Taekyung Director
- Mr. Park Tae Jong

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- Mr. Yang Hee Chang
- Mr. Choi Du Yeon
- Independent director

Director

- Mr. Kim Hae Soon
- Independent director

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Bank is a party with the objective of enabling Directors of the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank other than as disclosed in the financial statements.

BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible to ascertain that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia ("NBC"); or if there have been any departures in the interests 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 a going concern basis unless it is inappropriate to assume that the Bank will continue its operations in the foreseeable future; and
- v) effectively control and direct the Bank and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS

In the opinion of the Board of Directors, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

ចនាងរ ស្មិនលាទ (ខេននយ) SHINHAN BANK (CAMBODIA) Mr. Lee Taekyung President

Mr. Lim Joon Hyung General Manager

Phnom Penh, Kingdom of Cambodia Date: 1 April 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Shinhan Bank (Cambodia) Plc.

Opinion

We have audited the financial statements of Shinhan Bank (Cambodia) Plc. (the "Bank"), which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 49.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

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 are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Report of the Board of Directors set out on pages 1 to 4 but does 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, 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 the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors responsible for overseeing the Bank'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 judgement 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For Deloitte (Cambodia) Co., Ltd.

201000 (12552) 2 4755 Deloitte (Cambodia) WGDOM OF CAME Co., Ltd. Ung Kimsopheaktra Director

Phnom Penh, Kingdom of Cambodia Date: 1 April 2019

BALANCE SHEET AS AT 31 DECEMBER 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS	4		21 124 000		22.015.220
Cash on hand	4	5,257,561	21,124,880	5,651,555	22,815,328
Balances with the NBC	5	34,305,377	137,839,005	38,702,321	156,241,270
Balances with other banks	6	2,181,253	8,764,275	7,207,109	29,095,099
Loans to customers	7	205,420,941	825,381,341	134,792,301	544,156,519
Other assets	8	1,410,775	5,668,494	850,083	3,431,784
Property and equipment	9	2,059,046	8,273,247	1,479,063	5,970,977
Intangible assets	10	205,456	825,522	137,247	554,066
TOTAL ASSETS		250,840,409	1,007,876,764	188,819,679	762,265,043
LIABILITIES					
Deposits from customers	11	51,807,188	208,161,281	44,163,817	178,289,329
Deposits from banks	12	30,611,917	122,998,683	21,304,691	86,007,038
Current income tax liabilities	26(b)	1,550,992	6,231,886	1,036,183	4,183,071
Borrowings	13	64,000,000	257,152,000	54,000,000	217,998,000
Other liabilities	14	1,179,226	4,738,130	801,761	3,236,708
Employee benefit obligations	15	125,215	503,114	, –	-
Total liabilities		149,274,538	599,785,094	121,306,452	489,714,146
EQUITY	16		201 250 000	47 500 000	
Share capital	10	75,000,000	301,350,000	47,500,000	191,757,500
Reserves	17	5,621,275	22,586,283	5,621,275	22,693,087
Retained earnings		20,944,596	84,155,387	14,391,952	58,100,310
Total equity		101,565,871	408,091,670	67,513,227	272,550,897
				.,	
TOTAL LIABILITIES AND					
EQUITY	-	250,840,409	1,007,876,764	188,819,679	762,265,043

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
Interest income Interest expense	18 19	13,845,484 (2,307,541)	55,631,155 (9,271,700)	8,877,332 (1,443,712)	35,837,789 (5,828,265)
Net interest income		11,537,943	46,359,455	7,433,620	30,009,524
Fee and commission income Other operating income	20 21	1,892,058 3,922	7,602,289 15,759	1,476,535 9,900	5,960,772 39,966
Total operating income		13,433,923	53,977,503	8,920,055	36,010,262
Personnel expenses Depreciation and amortisation Other operating expenses Reversal of allowance /(allowance) for credit facilities	22 23 24 25	(363,551)	(10,119,711) (1,460,748) (10,262,776) 985,927	(1,895,600) (226,129) (1,617,950) (765,656)	(7,652,537) (912,883) (6,531,664) (3,090,951)
Profit before income tax		8,242,955	33,120,195	4,414,720	17,822,227
Income tax expense	26(a)	(1,690,311)	(6,791,670)	(1,138,490)	(4,596,084)
Profit for the year		6,552,644	26,328,525	3,276,230	13,226,143

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US\$	Reserves US\$	Retained earnings US\$	Total US\$
Year ended 31 December 2017				
As at 1 January 2017	20,000,000	5,621,275	11,115,722	36,736,997
Additional capital (Note 16)	27,500,000	-	-	27,500,000
Profit for the year			3,276,230	3,276,230
As at 31 December 2017	47,500,000	5,621,275	14,391,952	67,513,227
In KHR'000 equivalent	191,757,500	22,693,087	58,100,310	272,550,897
Year ended 31 December 2018 As at 1 January 2018 Additional capital (Note 16)	47,500,000 27,500,000	5,621,275	14,391,952	67,513,227 27,500,000
Profit for the year			6,552,644	6,552,644
As at 31 December 2018	75,000,000	5,621,275	20,944,596	101,565,871
In KHR'000 equivalent	301,350,000	22,586,283	84,155,387	408,091,670

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax Adjustments for:		8,242,955	33,120,195	4,414,720	17,822,227
Depreciation and amortisation Losses on disposals of property	23	363,551	1,460,748	226,129	912,883
and equipment Income from equity investment	21	543,666 (3,922)	2,184,452 (15,759)	- (9,900)	- (39,966)
(Reversal of allowance)/allowance for loan losses Employee benefit obligations	25 15	(245,377)		765,656	3,090,951
Net interest income	15	125,215 (11,537,943) (2,511,855)	<u>(46,359,455)</u> (10,092,632)		- (30,009,524) (8,223,429)
Changes in: Capital guarantee with the NBC Reserve requirement with the NBC Loans to customers Other assets Deposits from customers Deposits from banks Other liabilities		(2,750,000) (2,625,122) (70,361,230) (328,097) 7,643,371 9,307,226 210,077	(11,049,500) (10,547,740) (282,711,422) (1,318,294) 30,711,065 37,396,434 844,089	(2,750,000) (2,900,000) (49,496,021) (106,143) 19,709,453 (1,050,991) (135,557)	(11,101,750) (11,707,300) (199,815,437) (428,499) 79,567,062 (4,242,851) (547,244)
Cash used in operations			(246,768,000)		(156,499,448)
Interest received Interest paid Income tax paid	26(b)	13,612,889 (2,140,153) (1,175,502)	54,696,588 (8,599,135) (4,723,167)	8,713,402 (1,349,807) (1,232,687)	35,176,004 (5,449,171) (4,976,357)
Net cash used in operating activities		(51,118,396)	<u>(205,393,714)</u>	(32,635,366)	<u>(131,748,972)</u>
Cash flows from investing activities Purchases of property and equipment Purchases of intangible assets Dividends received Term deposits with banks	9 10	(1,470,195) (85,214) 3,922 	(5,907,244) (342,390) 15,759 	(150,203) (30,979) 9,900 2,500,000	(606,370) (125,062) 39,966 10,092,500
Net cash (used in)/from investing activities		(1,551,487)	(6,233,875)	2,328,718	9,401,034
Cash flows from financing activities Proceeds from borrowings		10,000,000	40,180,000	5,000,000	20,185,000
Issuance of share capital		27,500,000	110,495,000	27,500,000	111,017,500
Net cash from financing activities	5	37,500,000	150,675,000	32,500,000	131,202,500

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at the		(15,169,883)	(60,952,589)	2,193,352	8,854,562
beginning of the year		30,761,443	124,183,946	28,568,091	115,329,384
Currency translation differences			(584,469)		
Cash and cash equivalents at the end of the year	27	15,591,560	62,646,888	30,761,443	124,183,946

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. BACKGROUND INFORMATION

Shinhan Khmer Bank Plc. (the "Bank") was incorporated in Cambodia on 27 June 2007 under Registration No. 00006043 issued by the Ministry of Commerce and officially commenced its operations on 15 October 2007. On 24 February 2009, the Bank was granted a permanent banking licence No.017 from the National Bank of Cambodia ("NBC").

The Bank is a subsidiary of Shinhan Bank Co., Ltd., a bank incorporated in Korea.

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

On 20 August 2018, the Bank got an approval on Memorandum and Articles of Association for the change of the Bank name from "Shinhan Khmer Bank Plc" to "Shinhan Bank (Cambodia) Plc." and change of the Bank registered address to Vanda Tower No. 79, Kampuchea Krom Blvd, Sangkat Monourom, Khan Prampir Meakkakra, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the Board of Directors on 1 April 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Bank, which are expressed in United States dollars ("US\$"), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the NBC.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position, financial performance and cash flows of the Bank in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the NBC requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial reporting framework

On 28 August 2009, the National Accounting Council ("NAC") of the Ministry of Economy and Finance announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by International Accounting Standard Board (IASB) including other interpretation and amendment. Public accountable entities shall prepare their financial statements in accordance with the CIFRS for accounting period beginning on or after 1 January 2012.

The NAC, through Circular No. 086 MoEF.NAC dated 30 July 2012, approves banks and financial institutions to delay adoption of the CIFRS until the periods beginning on or after 1 January 2017. On 24 March 2017, the NAC issued a Notification No. 058 MoEF.NAC to banks and financial institutions on the delay in adoption of the CIFRS until the periods beginning on or after 1 January 2019, following the request of the NBC dated 16 November 2015.

The current accounting standard used is different to the CIFRS in many areas. Hence, the adoption of the CIFRS may have a significant impact on the financial statements of the Bank. Management is assessing the impact of the change to CIFRS framework but not fully completed at the date of this report.

2.3 Basis of aggregation

The financial statements include the financial statements of the head office and its branches after the elimination of all significant inter-branch balances and transactions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). Management has determined the US\$ to be the Bank's functional currency owing to the significant influence of the US\$ on its operations. The financial statements are presented in US\$, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than US\$ at the year-end exchange rates, are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(iii) Presentation in Khmer Riels

In compliance with the Law on Accounting and Auditing dated 11 April 2017 and Prakas No. 643 MEF PRK dated 26 July 2007 of the Ministry of Economy and Finance, a translation of the financial statements from US\$ to Khmer Riels ("KHR") is required.

Translations of US\$ into KHR are included in the financial statements solely for compliance with the Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ 1 to KHR 4,018 (2017: US\$ 1 to KHR 4,037) published by the National Bank of Cambodia.

The financial statements expressed in KHR are unaudited and should not be construed as representation that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other exchange rate.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances with the NBC, balances with other banks, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and is subject to insignificant change in value.

2.6 Loans to customers

All loans to customers are stated in the balance sheet at outstanding principal, less any amounts written off and allowance for loan losses.

Loans are written-off when there is no realistic prospect of recovery. Recoveries of loans previously written-off, or provided for, decrease the amount of the provision for loan losses in the income statement.

2.7 Allowance for loan losses

The NBC issued a Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, and Circular No. B7-018-001, dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, which require banks and financial institutions to provide impairment provisioning for short-term and long-term facilities as follows:

Classification	Number of Short-term loans (one year or less)	Allowance	
Normal	14 days or less	29 days or less	1%
Special mention	15 days – 30 days	30 days – 89 days	3%
Substandard	31 days – 60 days	90 days – 179 days	20%
Doubtful	61 days – 90 days	180 days – 359 days	50%
Loss	91 days or more	360 days or more	100%
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Allowance for loan losses (continued)

In addition to quantitative information, all loans to customers are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss", all collateral may be utilised.

Loans are written off when they are considered uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for loan losses.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management there is no prospect of recovery.

Recoveries of loans previously written off are disclosed as other operating income in the income statement.

2.8 Other credit-related commitments

In the normal course of business, the Bank enters into other credit-related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provision methodology are similar to those for originated loans as stated above. Specific provisions are raised against other credit-related commitments when losses are considered probable.

2.9 Interest in suspense

Interest in suspense represents interest on non-performing loans, that is recorded as Interest in suspense rather than interest income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivables.

2.10 Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property and equipment (continued)

Land and work-in-progress are not depreciated. Depreciation of property and equipment is charged to the income statement using the following methods and rates:

	Method	Rate
Leasehold improvement	Straight-line	5%
Computer and office equipment	Declining	25%
Furniture and fixture	Declining	25% - 50%
Motor vehicle	Declining	25%

An asset's carrying amount is written down immediately to its recoverable amount if its 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 the income statement.

2.11 Intangible assets

Intangible assets, which comprise of acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and any accumulated impairment losses. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised at the rate of 50% using the declining balance method.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.12 Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 2.7.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

2.13 Borrowings

Borrowings are recognised initially at cost and subsequently stated at the outstanding principal amount.

2.14 Provisions

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

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

2.15 Employee benefits

Seniority payment

The Minister of Labour and Vocational Training (MoLVT) issued a Prakas No. 443 on Seniority Payment dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Bank to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 01 January 2019 and continue to work are entitled to a compensation of fifteen (15) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting from December 2021 as follows:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Employee benefits (continued)

Employees are not entitled to the remaining past seniority payment upon resignation.

The past seniority payment is recognised in full during the year 2018.

This Prakas also requires the Bank to pay its employees the seniority for the employment service from 2019 amounting to 15 days per annum of their wages and other benefits, 7.5 days of which shall be paid in June and in December of each year. This seniority will be recognised during the employees' periods of service.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

2.16 Interest income and expense

Interest income earned on loans to customers is recognised on an accrual basis. When a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis.

Interest expense on deposits from banks, customers and borrowings are recognised on an accrual basis.

2.17 Fee and commission income

Fee and commission income is recognised on an accrual basis when the service has been provided. Loan processing, commitment and other related fees are recognised in the income statement on the occurrence of such transactions.

2.18 Leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.19 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax rates and laws that have been enacted or substantially enacted by the end of reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations. It establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the General Department of Taxation.

Deferred income tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riels ("KHR'000") for US\$ and KHR amounts, respectively.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

3.1 Key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Allowance for loan losses

In compliance with NBC Guidelines, all loans to customers are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, number of days past due is taken into account. The minimum percentage of allowance for doubtful loans to customers are to be maintained according to the assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum requirements, larger allowance is made.

(b) Income tax

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is complex and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create significant tax exposures for the Bank. Management believes that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

3.2 Critical judgments in applying accounting policies

There are no critical judgements made by the Management in the process of applying the Bank's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. CASH ON HAND

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
Head office Branches	2,603,922 2,653,639	10,462,559 10,662,321	3,319,540 2,332,015	13,400,983 9,414,345
	5,257,561	21,124,880	5,651,555	22,815,328

Cash on hand is analysed by currency as follows:

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
US Dollar Khmer Riels	5,047,766 209,795	20,281,924 842,956	5,555,077 96,478	22,425,846 389,482
	5,257,561	21,124,880	5,651,555	22,815,328

5. BALANCES WITH THE NBC

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current accounts Term deposits	4,839,673 3,291,040	19,445,806 13,223,399	16,337,173 1,565,606	65,953,168 6,320,351
Capital guarantee deposits (i) Reserve requirement (ii)	7,500,000 18,674,664	30,135,000 75,034,800	4,750,000 16,049,542	19,175,750 64,792,001
	34,305,377	137,839,005	38,702,321	156,241,270

(i) Capital guarantee deposits

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit of 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is only refundable should the Bank voluntarily cease its operations in Cambodia.

During the year, interest was earned at rates ranging from 0.32% to 0.36% per annum (2017: 0% to 1.8% per annum).

(ii) Reserve requirement

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

1/3 of the reserve requirement in currencies other than KHR earns interest at 1/2 of one-month LIBOR while the rest of the reserve requirement earns no interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. BALANCES WITH OTHER BANKS

	31 December 2018		31 December 2017	
-	US\$	KHR'000	US\$	KHR'000
Local banks				
Term deposits	251,094	1,008,896	-	-
Overseas banks				
Term deposits	-	-	5,000,000	20,185,000
Current accounts	1,952,192	7,843,907	2,207,109	8,910,099
_	2,203,286	8,852,803	7,207,109	29,095,099
Allowance for balances with				
other banks	(22,033)	(88,528)	-	-
Balances with other banks - net	2,181,253	8,764,275	7,207,109	29,095,099

In accordance with the Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning dated 1 December 2017 and Circular No. B7-018-001 on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning dated 16 February 2018 issued by the NBC, banks and financial institutions are also required to provide allowance on other financial products, whether reported on balance sheet or off-balance sheet which give rise to credit risk exposure.

Movements of allowance for balances with other banks are as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At beginning of the year Charge during the year	- 22,033	- 88,528	-	
At the end of the year	22,033	88,528	_	

Balances with other banks are analysed as follows:

		31 December 2018		31 December 2017	
		US\$	KHR'000	US\$	KHR'000
(a)	By currency:				
	US Dollar	2,203,286	8,852,803	7,207,109	29,095,099
		31 Decemb	er 2018	31 December 201	
		US\$	KHR'000	US\$	KHR'000
(b)	By maturity:				
	Within 1 month	2,203,286	8,852,803	7,207,109	29,095,099
		31 December 2018		31 Decemi	per 2017
(c)	By interest rate (per annum):				
	Current accounts	0%		0%)
	Term deposits	0%	, D	1.80	%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. LOANS TO CUSTOMERS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Commercial loans	40,961,968	164,585,187	48,537,487	195,945,835
Consumer loans	66,544,603	267,376,215	33,829,680	136,570,418
Overdrafts	22,515,614	90,467,737	22,195,734	89,604,178
Mortgage loans	77,684,340	312,135,678	33,637,716	135,795,459
Staff loans	899,477	3,614,099	-	-
Motor vehicle loans	195,634	786,057	239,789	968,028
Loans to customers - gross	208,801,636	838,964,973	138,440,406	558,883,918
Allowance for loan losses				
General	(2,071,816)	(8,324,556)	(1,559,726)	(6,296,613)
Specific	(1,308,879)	(5,259,076)	(2,088,379)	(8,430,786)
	(3,380,695)	(13,583,632)	(3,648,105)	(14,727,399)
Loans to customers - net	205,420,941	825,381,341	134,792,301	544,156,519

The movements in allowance for loan losses were as follows:

	31 December 2018		31 December 2017	
_	US\$	KHR'000	US\$	KHR'000
At the beginning of the year (Reversal of	3,648,105	14,727,399	2,882,449	11,636,448
allowance)/allowance during the year Currency translation differences_	(267,410)	(1,074,455) (69,312)	765,656	3,090,951
_	3,380,695	13,583,632	3,648,105	14,727,399

Loans to customers are analysed as follows:

(a) By economic sector

(a) By economic sector				
	31 Decembe	r 2018	31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Housing loans	73,370,824	294,803,971	30,532,725	123,260,611
Construction	36,189,365	145,408,869	28,604,835	115,477,719
Wholesale and retail	30,601,065	122,955,079	26,172,809	105,659,630
Financial institutions	9,686,207	38,919,180	12,500,000	50,462,500
Manufacturing	17,499,129	70,311,500	14,433,228	58,266,941
Hotel and restaurants	9,153,148	36,777,349	8,812,688	35,576,821
Services	8,109,350	32,583,368	7,734,422	31,223,862
Real estate	2,051,822	8,244,221	2,015,000	8,134,555
Agriculture	870,928	3,499,389	1,654,669	6,679,899
Rental	810,811	3,257,839	-	-
Utilities	769,166	3,090,509	573,052	2,313,411
Transport and storage	727,541	2,923,260	1,624,729	6,559,031
Other services	18,962,280	76,190,439	3,782,249	15,268,938
	208,801,636	838,964,973	138,440,406	558,883,918

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. LOANS TO CUSTOMERS (continued)

(b) By loan classification

	31 Decem	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000	
Standard loans					
Secured	204,056,940	819,900,785	132,388,436	534,452,115	
Unsecured	3,130,281	12,577,469	3,523,519	14,224,446	
Special-mention loans					
Secured	5,854	23,521	357,300	1,442,420	
Sub-standard loans					
Secured	189,793	762,588	60,659	244,880	
Unsecured	2,344	9,418	47,393	191,326	
Doubtful loans					
Secured	292,300	1,174,461	14,100	56,922	
Loss loans					
Secured	1,079,000	4,335,422	2,048,999	8,271,809	
Unsecured	45,124	181,309	-	-	
	208,801,636	838,964,973	138,440,406	558,883,918	

Secured loans are loans that are collateralised, by land, building and/or other immovable properties.

(c) By maturity

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
Within 1 month	766,896	3,081,388	3,231,511	13,045,610
1 to 3 months	4,991,036	20,053,983	7,332,823	29,602,606
3 to 12 months	57,438,570	230,788,174	50,936,094	205,629,011
1 to 5 years	43,997,550	176,782,156	34,843,483	140,663,141
Over 5 years	101,607,584	408,259,272	42,096,495	169,943,550
	208,801,636	838,964,973	138,440,406	558,883,918

(d) By resident status

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Residents Non-residents	208,717,700 83,936	838,627,718 337,255	138,340,693 99,713	558,481,377 402,541
	208,801,636	838,964,973	138,440,406	558,883,918

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. LOANS TO CUSTOMERS (continued)

(e) By relationship

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
External customers Staff loans	207,902,159 899,477	835,350,874 3,614,099	138,440,406	558,883,918 -
	208,801,636	838,964,973	138,440,406	558,883,918

(f) By exposure

	31 Decem	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000	
Large exposure Non-large exposure	17,499,129 191,302,507	70,311,500 768,653,473	12,500,000 125,940,406	50,462,500 508,421,418	
	208,801,636	838,964,973	138,440,406	558,883,918	

As at 31 December 2018, the Bank has a large loan exposure with an individual beneficiary exceeding 10% of the Bank's net worth but less than the regulatory limit of 20% of the Bank's net worth. These large exposure loans did not exceed the 300% regulatory maximum limit of the Bank's net worth as aggregate of individual large exposure.

(g) By currency

	31 Decem	ber 2018	31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
US Dollar Khmer Riel		833,862,587 5,102,386	138,440,406	558,883,918
	208,801,636	838,964,973	138,440,406	558,883,918

On 1 December 2017, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, which required all institutions to have loans in national currency (KHR) at least 10% of the total loan portfolio. The Company is required to fully implement this requirement by 31 December 2019.

(h) By interest rate (per annum)

	31 December 2018	31 December 2017
Commercial loans	6% - 9.5%	6% - 15%
Consumer loans	6% - 18%	3.3% - 15%
Mortgage loans	6% - 11%	6% - 11%
Motor vehicle loans	10%	8% - 10%
Overdrafts	7% - 9%	5.3% - 13%
Staff loans	4 - 6%	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. OTHER ASSETS

	31 Decemi	oer 2018	31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Accrued interest receivable, net Prepayment and deposits Guarantee deposits Equity investment * Others	729,717 341,752 65,120 25,000 249,186	2,932,003 1,373,160 261,652 100,450 1,001,229	497,122 260,730 65,120 25,000 2,111	2,006,882 1,052,567 262,889 100,925 8,521
=	1,410,775	5,668,494	850,083	3,431,784

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9. PROPERTY AND EQUIPMENT

	Leasehold	Computer	Furniture and M	Motor vehicle	
	improvement US\$	equipment US\$	fixtures US\$	US\$	Total US\$
Costs		-			-
Balance at 1 January 2017	1,833,230	384,249	200,195	178,010	2,595,684
Additions	3,880	87,647	32,451	26,225	150,203
Balance at 31 December 2017	1,837,110	471,896	232,646	204,235	2,745,887
Balance at 1 January 2018	1,837,110	471,896	232,646	204,235	2,745,887
Additions	756,666	317,674		43,500	1,470,195
Disposals	(1,087,893)	(66,974)	(66, 160)	(3,605)	(1,227,632)
Balance at 31 December 2018	1,505,883	719,596	518,841	244,130	2,988,450
Accumulated depreciation					
Balance at 1 January 2017	554,902	268,212	135,324	97,346	1,055,784
Depreciation for the year	91,070	76,381	22,001	21,588	211,040
Balance at 31 December 2017	645,972	344,593	157,325	118,934	1,266,824
Balance at 1 January 2018	645,972	344,593	157,325	118,934	1,266,824
Depreciation for the year	95,229	157,393		30,638	347,279
Disposals	(553, 111)	(68,867)	(60,376)	(2,345)	(684,699)
Balance at 31 December 2018	188,090	433,119	160,968	147,227	929,404
Net book value At 31 December 2017	1,191,138	127,303	75,321	85,301	1,479,063
In KHR'000 equivalent	4,808,624	513,922	304,071	344,360	5,970,977
At 31 December 2018	1,317,793	286,477	357,873	96,903	2,059,046
In KHR'000 equivalent	5,294,892	1,151,065	1,437,934	389,356	8,273,247

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. INTANGIBLE ASSETS

	Computer software US\$
Costs Balance at 1 January 2017 Additions Balance at 31 December 2017	280,240 30,979 311,219
Balance at 1 January 2018 Additions Disposal Balance at 31 December 2018	311,219 85,214 <u>(145,535)</u> 311,219
Accumulated amortisation Balance at 1 January 2017 Amortisation for the year Balance at 31 December 2017	158,883 15,089 173,972
Balance at 1 January 2018 Amortisation for the year Disposal Balance at 31 December 2018	173,972 16,272 <u>(144,802)</u> 45,442
Net book value At 31 December 2017 In KHR'000 equivalent	<u>137,247</u> 554,066
At 31 December 2018 In KHR'000 equivalent	205,456 825,522

11. DEPOSITS FROM CUSTOMERS

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
Current accounts Savings deposits Term deposits	11,052,865 27,207,552 13,546,771	44,410,412 109,319,944 54,430,925	12,446,537 20,492,060 11,225,220	50,246,670 82,726,446 45,316,213
	51,807,188	208,161,281	44,163,817	178,289,329

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

11. DEPOSITS FROM CUSTOMERS (continued)

The deposits from customers are analysed as follows:

(a) By maturity

	31 Decem	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000	
Within 1 month	38,260,418	153,730,360	32,938,596	132,973,112	
> 1 to 3 months> 3 to 12 months	7,274,443 5,931,733	29,228,712 23,833,703	1,125,087 3,512,249	4,541,976 14,178,949	
More than 12 months	340,594	1,368,506	6,587,885	26,595,292	
	51,807,188	208,161,281	44,163,817	178,289,329	

(b) By resident status

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
Residents Non-residents	, ,	192,711,019 15,450,262	, ,	162,867,105 15,422,224
	51,807,188	208,161,281	44,163,817	178,289,329

(c) By currency

	31 December 2018		31 December 2018 31 Decem		ber 2017
	US\$	KHR'000	US\$	KHR'000	
US Dollar Khmer Riels	51,730,155 77,033	207,851,763 309,518	43,893,810 270,007	177,199,311 1,090,018	
	51,807,188	208,161,281	44,163,817	178,289,329	

(d) By relationship

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Non-related parties	51,807,188	208,161,281	44,163,817	178,289,329

(e) By interest rate (per annum)

	31 December 2018	31 December 2017		
Saving deposits	0.10%	0.10% - 0.25%		
Term deposits	1.25% - 4.6%	1.00% - 5.55%		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. DEPOSITS FROM BANKS

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
Current accounts Savings deposits Term deposits	538,412 73,505 <u>30,000,000</u>	2,163,339 295,344 120,540,000	918,658 386,033 20,000,000	3,708,622 1,558,416 80,740,000
	30,611,917	122,998,683	21,304,691	86,007,038

The deposits from banks are analysed as follows:

(a) By maturity

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Within 1 month	611,917	2,458,683	1,304,691	5,267,038
> 1 to 3 months	-	-	20,000,000	80,740,000
> 3 to 12 months	30,000,000	120,540,000	-	-
1 to 5 years	_		_	
	30,611,917	122,998,683	21,304,691	86,007,038

(b) By resident status

	31 December 2018		31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Residents Non-residents	30,484,453 127,464	122,486,532 512,151	20,885,617 419,074	84,315,236 1,691,802
	30,611,917	122,998,683	21,304,691	86,007,038

(c) By currency

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
US Dollar Khmer Riels	30,343,567 268,350	121,920,452 1,078,230	21,304,691	86,007,038
		122,998,683	21,304,691	86,007,038

(d) By relationship

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
Related parties Non-related parties	127,464 30,484,453	512,150 122,486,533	419,074 20,885,617	1,691,802 84,315,236
	30,611,917	122,998,683	21,304,691	86,007,038

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. DEPOSITS FROM BANKS (continued)

(e) By interest rate (per annum)

	31 December 2018	31 December 2017
Saving deposits	0.10%	0.25%
Term deposits	1.6% -2.3%	1.60%

13. BORROWINGS

	31 December 2018		31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Shinhan Bank Co., Ltd.	64,000,000	257,152,000	54,000,000	217,998,000
	64,000,000	257,152,000	54,000,000	217,998,000

Borrowings are analysed as follows:

(a) By maturity

	31 Decem	31 December 2018		ber 2017
	US\$	KHR'000	US\$	KHR'000
Within 1 month	10,000,000 15,000,000	40,180,000 60,270,000	-	-
> 1 to 3 months> 3 to 12 months	39,000,000	156,702,000	54,000,000	217,998,000
	64,000,000	257,152,000	54,000,000	217,998,000

(b) By currency

Borrowings

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US Dollar	64,000,000	257,152,000	54,000,000	217,998,000
(c) By interest rate				

31 December 2018	31 December 2017
2.75% - 3.34%	1.05% - 2.59%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. OTHER LIABILITIES

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Accrued interest payables Tax payables Others	585,969 435,612 157,645	2,354,423 1,750,289 633,418	418,581 353,750 29,430	1,689,811 1,428,089 118,808
	1,179,226	4,738,130	801,761	3,236,708

15. EMPLOYEE BENEFIT OBLIGATIONS

This represents the Back Pay of Seniority Payment obliged by the Bank in accordance with the Prakas on Seniority Payment issued by the Ministry of Labour and Vocational Training on 21 September 2018.

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Employee benefit obligations	125,215	503,114		
Balance at end of year	125,215	503,114		

16. SHARE CAPITAL

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Registered, issued and fully paid up share capital	75,000,000	301,350,000	47,500,000	191,757,500

Ownership and number of shares are presented as below:

	31 December 2018		31 December 2017	
	Holding %	Number of Shares	Holding %	Number of Shares
Shinhan Bank Co., Ltd. Insung Co., Ltd.	97.50% 2.50%	73,125,000 1,875,000	97.50% 2.50%	46,312,500 1,187,500
	100%	75,000,000	100%	47,500,000

The registered share capital of the Bank as at 31 December 2018 is US\$ 75 million at a par value of US\$ 1 per share.

On 22 March 2017, the National Bank of Cambodia issued a Prakas No. B7-016-117, requiring locally incorporated commercial banks and subsidiaries of foreign banks to increase the minimal registered capital to at least KHR 300 billion (approximately US\$ 75 million). Banks are required to fulfil this requirement within two years from the date of the Prakas.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. RESERVES

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

18. INTEREST INCOME

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Loans to customers Balances with other banks Balances with the NBC	13,644,631 138,622 62,231	54,824,127 556,984 250,044	8,671,328 167,400 38,604	35,006,151 675,794 155,844
	13,845,484	55,631,155	8,877,332	35,837,789

19. INTEREST EXPENSE

		Year ended 31 December 2018		nded ber 2017
	US\$	KHR'000	US\$	KHR'000
Borrowings Term deposits Savings deposits	1,466,116 800,638 40,787	5,890,854 3,216,963 163,883	860,530 550,456 32,726	3,473,960 2,222,191 132,114
	2,307,541	9,271,700	1,443,712	5,828,265

20. FEE AND COMMISSION INCOME

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Loan processing fee Remittance charges Commission income Others	1,127,659 489,680 256,015 18,704	4,530,934 1,967,534 1,028,668 75,153	930,571 402,720 110,883 32,361	3,756,715 1,625,781 447,635 130,641
	1,892,058	7,602,289	1,476,535	5,960,772

21. OTHER OPERATING INCOME

	Year ended 31 December 2018		Year ended 31 December 2017	
_	US\$	KHR'000	US\$	KHR'000
Income from equity investment _	3,922	15,759	9,900	39,966

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. PERSONNEL EXPENSES

	Year e 31 Decem		Year e 31 Decem	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages Other related staff costs	1,357,214 1,161,380	5,453,286 4,666,425	1,031,490 864,110	4,164,125 3,488,412
	2,518,594	10,119,711	1,895,600	7,652,537

23. DEPRECIATION AND AMORTISATION

		Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000	
Depreciation (Note 9) Amortisation (Note 10)	347,279 16,272	1,395,367 65,381	211,040 15,089	851,968 60,915	
	363,551	1,460,748	226,129	912,883	

24. OTHER OPERATING EXPENSES

	Year ended 31 December 2018		Year e 31 Decem	
	US\$	KHR'000	US\$	KHR'000
Rental Professional fees License fee Swift expenses Utilities Advertising and promotion Stationary and supplies Travel and vehicles Other tax expenses Brokerage fees Insurance Exchange loss Others *	630,804 487,107 213,918 156,287 115,319 101,022 95,729 67,469 48,367 43,107 27,650 (41,906) 609,327	2,534,570 1,957,196 859,523 627,961 463,352 405,906 384,639 271,090 194,339 173,204 111,098 (168,378) 2,448,276	248,032 400,204 178,841 148,071 82,048 81,212 59,694 60,471 259,671 21,629 21,724 7,092 49,261	1,001,305 $1,615,624$ $721,981$ $597,763$ $331,228$ $327,853$ $240,985$ $244,121$ $1,048,292$ $87,316$ $87,700$ $28,630$ $198,866$
	2,554,200	10,262,776	1,617,950	6,531,664

 \ast Included in the amount, there were losses on disposals of property and equipment of US\$ 543,666 related to leasehold improvement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. ALLOWANCE FOR CREDIT FACILITIES

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
(Reversal of allowance)/ allowance for loan losses Allowance for balances with	(267,410)	(1,074,455)	765,656	3,090,951
other banks	22,033	88,528	-	
	(245,377)	(985,927)	765,656	3,090,951

26. TAXATION

(a) Income tax expenses

		Year ended 31 December 2018		nded ber 2017
	US\$	KHR'000	US\$	KHR'000
Current income tax	1,690,311	6,791,670	1,138,490	4,596,084

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

	Year ended 31 December 2018		Year e 31 Decem	
	US\$	KHR'000	US\$	KHR'000
Accounting profit before income				
tax	8,242,955	33,120,195	4,414,720	17,822,227
Tax on profit calculated at 20% Expenses not deductible for tax	1,648,591	6,624,039	882,944	3,564,445
purposes	41,720	167,631	255,546	1,031,639
-	1,690,311	6,791,670	1,138,490	4,596,084

(b) Current income tax liabilities

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At beginning of the year Income tax expense Income tax paid Currency translation differences	1,036,183 1,690,311 (1,175,502) -	4,183,071 6,791,670 (4,723,167) (19,688)	1,130,380 1,138,490 (1,232,687) 	4,563,344 4,596,084 (4,976,357) -
	1,550,992	6,231,886	1,036,183	4,183,071

No deferred tax is recognised due to immaterial amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

27. CASH AND CASH EQUIVALENTS

	31 December 2018		31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Cash on hand Balances with the NBC Balances with other banks	5,257,561 8,130,713 2,203,286	21,124,880 32,669,205 8,852,803	5,651,555 17,902,779 7,207,109	22,815,328 72,273,519 29,095,099
	15,591,560	62,646,888	30,761,443	124,183,946

28. COMMITMENTS

(a) Loan commitments, guarantees and other financial commitments

Contractual amounts arising from off-balance sheet financial instruments that the Bank committed to extend credit to customers, guarantees and other facilities are as follows:

	31 December 2018		31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Unused portion of approved credit facilities Guarantees and standby letters	10,923,911	43,892,274	10,766,055	43,462,565
of credit			125,123	505,122
	10,923,911	43,892,274	10,891,178	43,967,687

(b) Operating lease commitments

The operating leases mainly relate to the office rental, which is renewable upon mutual agreement. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating lease agreement are as follows:

	31 Decem	ber 2018	31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Not later than one year Later than one year and not	571,563	2,296,540	554,444	2,238,290
later than five years	1,439,993	5,785,892	1,579,155	6,375,049
	2,011,556	8,082,432	2,133,599	8,613,339

(c) Capital commitments

Capital commitments for the acquisition of leasehold improvements are summarised in the table below.

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Not later than one year			751,781	3,034,940

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties and relationship

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Bank or voting rights or who participates in the administration, direction, management or the design and implementation of the internal controls of the Bank. Related parties, and their relationship with the Bank are as follows:

Relationship	Related party
Ultimate parent company	Shinhan Financial Group
Immediate parent company	Shinhan Bank Co., Ltd.
Key management personnel	All directors of the Bank who make decisions in relation to the strategic direction of the Bank (including their close family members)

(b) Related party transactions

	31 December 2018		31 December 2017	
-	US\$	KHR'000	US\$	KHR'000
Fees and related expenses for board of directors	81,000	325,458	89,495	361,291
Interest expense on borrowings from immediate parent company	1,466,116	5,890,854	642,576	2,594,079

(c) Related party balances

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Deposits from parent company	127,464	512,150	419,074	1,691,802
Borrowings from immediate parent company	64,000,000	257,152,000	54,000,000	217,998,000

(d) Key management compensation

	31 Decen	nber 2018	31 Dece	mber 2017
	US\$	KHR'000	US\$	KHR'000
Salaries and other benefits	664,832	2,671,295	993,200	4,009,547

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is the core of the financial business, and the operational risks are an inevitable consequence of being in business.

The Bank held the following financial assets and liabilities:

	31 Decem	ber 2018	31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Cash on hand	5,257,561	21,124,880	5,651,555	22,815,328
Balances with the NBC	34,305,377	137,839,005	38,702,321	156,241,270
Balances with other banks	2,181,253	8,764,275	7,207,109	29,095,099
Loans to customers	205,420,941	825,381,341	134,792,301	544,156,519
Other assets	819837	3294105	587,242	2,370,696
Total financial assets	247,984,969	996,403,606	186,940,528	754,678,912
Financial liabilities				
Deposits from customers	51,807,188	208,161,281	44,163,817	178,289,329
Deposits from banks	30,611,917	122,998,683	21,304,691	86,007,038
Borrowings	64,000,000	257,152,000	54,000,000	217,998,000
Other liabilities	743,614	2,987,841	772,331	3,117,900
Total financial liabilities	147,162,719	591,299,805	120,240,839	485,412,267
Net financial assets	100,822,250	405,103,801	66,699,689	269,266,645

30.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposures arise principally in lending activities that lead to loans to customers. Credit risk management is carried out by the Bank's credit committee.

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

(a) Credit risk measurement

The Bank assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flows. The credit committee is responsible for approving loans to customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(b) Risk limit control and mitigation policies

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

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

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers. The Bank implements guidelines on the acceptability of specific classes of collateral. The principal collateral types as security for loans acceptable by the Bank are residential properties (land, building and other properties).

(c) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the NBC's regulations, as stated in Note 2.7 to the financial statements.

Loan classification and loan loss provisioning are determined by taking into account the past due period of loans to customers and other relevant qualitative factors.

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

Management believes that the Bank's maximum exposure to credit risk is limited to the carrying amount of financial assets less allowance for loan losses.

	31 Decem	nber 2018	31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Credit exposure relating to on- balance sheet assets:				
Balances with other banks	2,181,253	8,764,275	7,207,109	29,095,099
Loans to customers - net	205,420,941	825,381,341	134,792,301	544,156,519
Other assets	819,837	3,294,105	587,242	2,370,696
	208,422,031	837,439,721	142,586,652	575,622,314
Credit exposure relating to off- balance sheet assets: Unused portion of approved				
credit facilities	10,923,911	43,892,274	10,766,055	43,462,565
Guarantees and standby letters				
of credit			125,123	505,122
	10,923,911	43,892,274	10,891,178	43,967,687
	219,345,942	881,331,995	153,477,830	619,590,001

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(b) Risk limit control and mitigation policies

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

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

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	31 Decem	nber 2018	31 Decem	nber 2017
	US\$	KHR'000	US\$	KHR'000
Credit exposure relating to on- balance sheet assets:				
Balances with other banks	2,181,253	8,764,275	7,207,109	29,095,099
Loans to customers - net	205,420,941	825,381,341	134,792,301	544,156,519
Other assets	819,837	3,294,105	587,242	2,370,696
	208,422,031	837,439,721	142,586,652	575,622,314
Credit exposure relating to off- balance sheet assets: Unused portion of approved				
credit facilities	10,923,911	43,892,274	10,766,055	43,462,565
Guarantees and standby letters				
of credit			125,123	505,122
	10,923,911	43,892,274	10,891,178	43,967,687
	219,345,942	881,331,995	153,477,830	619,590,001

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

The above table represents a worst case scenario of credit risk exposure to the Bank, without taking into account of any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As at 31 December 2018, 94% (2017: 88%) of total maximum exposure is derived from loans to customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans to customers on the following basis:

- 99.85% (2017: 99.63%) of the net loans to customers are considered to be neither past due nor impaired; and
- The Bank has introduced a strict selection and collection process for granting loans to customers.

(e) Credit quality of loans to customers

	31 Decem	ber 2018	31 Decem	ber 2017
	US\$	KHR'000	US\$	KHR'000
Loans neither past due nor				
impaired	207,187,221	832,478,254	135,851,297	548,431,686
Loans past due but not impaired	5,854	23,521	417,959	1,687,300
Loans individually impaired	1,608,561	6,463,198	2,171,151	8,764,937
	208,801,636	838,964,973	138,440,407	558,883,923
Less:	, ,			, ,
Allowance for losses on loans	(3,380,695)	(13,583,632)	(3,648,106)	(14,727,404)
	205,420,941	825,381,341	134,792,301	544,156,519

For loan provisioning purposes, expected recovery from collateral (except cash) is not taken into consideration in accordance with the NBC's regulations.

(i) Loans neither past due nor impaired

Loans not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans to customers past due but not impaired

Loans less than 31 days and 90 days past due for short-term and long-term loans, respectively, are not considered impaired, unless other information is available to indicate the contrary.

(iii) Loans individually impaired

Loans more than 30 days and 90 days past due for short-term and long-term loans, respectively, are considered impaired and the minimum level of provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(iv) Loans negotiated/restructured

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within six instalment periods for loans with monthly repayment and within one year for loan with quarterly and semi-annual repayment.

(f) Concentration of financial assets with credit risk exposure

Geographical sector

Except the balances with other banks maintained in the United States and Hong Kong (Note 7), management considers no different level of risks with regard to the geographical sector as all loans provided and all other assets are located in Cambodia only.

30.2 Market risk

The Bank takes on 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.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure as management believes that exposure is insignificant.

(a) Foreign exchange risk

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

The Bank operates in Cambodia and transacts in US\$ and KHR and is exposed to currency risks, primarily with respect to KHR, as US\$ is its functional currency.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

	US\$ equ	ivalent	Total
	US\$	KHR	US\$
As at 31 December 2018			
Financial assets			
Cash on hand	5,047,766	209,795	5,257,561
Balances with the NBC	32,095,885	2,209,492	34,305,377
Balances with other banks	2,181,253	-	2,181,253
Loans to customers (*)	207,531,754	1,269,882	208,801,636
Other assets	817,887	1,950	819,837
	247,674,545	3,691,119	251,365,664
Financial liabilities			
Deposits from customers	51,730,155	77,033	51,807,188
Deposits from banks	30,343,567	268,350	30,611,917
Borrowings	64,000,000	-	64,000,000
Other liabilities	743,614	-	743,614
	146,817,336	345,383	147,162,719
		,	
Net asset position	100,857,209	3,345,736	104,202,945
·		, , ,	/
In KHR'000 equivalent	405,244,266	13,443,167	418,687,433
		- / - / -	
	US\$ equ	ivalent	Total
	US\$ equ US\$	ivalent KHR	<u> </u>
As at 31 December 2017			
As at 31 December 2017 Financial assets			
Financial assets	US\$	KHR	US\$
Financial assets Cash on hand	US\$ 5,555,077 37,412,106	KHR 96,478	US\$ 5,651,555
Financial assets Cash on hand Balances with the NBC	US\$ 5,555,077	KHR 96,478	US\$ 5,651,555 38,702,321
Financial assets Cash on hand Balances with the NBC Balances with other banks	US\$ 5,555,077 37,412,106 7,207,109	KHR 96,478 1,290,215 -	US\$ 5,651,555 38,702,321 7,207,109
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*)	US\$ 5,555,077 37,412,106 7,207,109 134,792,301	KHR 96,478 1,290,215 - - 4,974	US\$ 5,651,555 38,702,321 7,207,109 134,792,301
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*)	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268	KHR 96,478 1,290,215 -	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268 185,548,861	KHR 96,478 1,290,215 - - 4,974 1,391,667	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 <u>582,268</u> 185,548,861 43,893,810	KHR 96,478 1,290,215 - - 4,974	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks Deposits from customers	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268 185,548,861 43,893,810 21,304,691	KHR 96,478 1,290,215 - - 4,974 1,391,667	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817 21,304,691
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks Deposits from customers Borrowings	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268 185,548,861 43,893,810 21,304,691 54,000,000	KHR 96,478 1,290,215 - - 4,974 1,391,667	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817 21,304,691 54,000,000
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks Deposits from customers	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 <u>582,268</u> 185,548,861 43,893,810 21,304,691 54,000,000 772,331	KHR 96,478 1,290,215 - - 4,974 1,391,667 270,007 - -	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817 21,304,691 54,000,000 772,331
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks Deposits from customers Borrowings	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268 185,548,861 43,893,810 21,304,691 54,000,000	KHR 96,478 1,290,215 - - 4,974 1,391,667 270,007 - -	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817 21,304,691 54,000,000
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks Deposits from customers Borrowings Other liabilities	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268 185,548,861 43,893,810 21,304,691 54,000,000 772,331 119,970,832	KHR 96,478 1,290,215 - - 4,974 1,391,667 270,007 - - 270,007	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817 21,304,691 54,000,000 772,331 120,240,839
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks Deposits from customers Borrowings	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268 185,548,861 43,893,810 21,304,691 54,000,000 772,331 119,970,832	KHR 96,478 1,290,215 - - 4,974 1,391,667 270,007 - -	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817 21,304,691 54,000,000 772,331 120,240,839
Financial assets Cash on hand Balances with the NBC Balances with other banks Loans to customers (*) Other assets Financial liabilities Deposits from banks Deposits from customers Borrowings Other liabilities	US\$ 5,555,077 37,412,106 7,207,109 134,792,301 582,268 185,548,861 43,893,810 21,304,691 54,000,000 772,331 119,970,832	KHR 96,478 1,290,215 - - 4,974 1,391,667 270,007 - - 270,007 1,121,660	US\$ 5,651,555 38,702,321 7,207,109 134,792,301 587,242 186,940,528 44,163,817 21,304,691 54,000,000 772,331 120,240,839 66,699,689

(*) Exclude allowance for loan losses

(b) Equity price risk

Equity price risk is the risk that the fair values of equity instruments will fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The Bank is not exposed to securities price risk because it does not hold any investments classified on the balance sheet either as available for sale or at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

(c) 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 increase losses in the event that unexpected movements arise. Management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate reprising that may be undertaken.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

(c) Interest rate risk (continued)

The interest rate risk exposure of financial assets and financial liabilities are as follows:

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non interest bearing US\$	Total US\$
As at 31 December 2018 Financial assets							
Cash on hand	I	I	I	I	I	5,257,561	5,257,561
Balances with the NBC	I	3,291,040	7,500,000	I	I	23,514,337	34,305,377
Balances with other banks	I	1	1	I	I	2,203,286	2,203,286
Allowance for balances with other banks	I	I	I	I	I	(22,033)	(22,033)
Loans to customers	766,896	4,991,036	57,438,570	43,997,550	99,999,023	I	207,193,075
Performing	I	I	I	I	I	1,608,561	1,608,561
Non-performing	I	ı	I	I	I	(3,380,695)	(3,380,695)
Allowance for loan losses	1	I	I	I	I	819,837	819,837
Other assets	766,896	8,282,076	64,938,570	43,997,550	99,999,023	30,000,854	247,984,969
Financial liabilities							
Deposits from customers	27,207,552	7,274,443	5,931,733	340,594	I	11,052,866	51,807,188
Deposits from banks	73,505	1	30,000,000		I	538,412	30,611,917
Borrowings	10,000,000	15,000,000	39,000,000	I	I	I	64,000,000
Other liabilities	I	I	I	I	I	743,614	743,614
	37,281,057	22,274,443	74,931,733	340,594	1	12,334,892	147,162,719
Interest repricing gap	(36,514,161)	(13,992,367)	(9,993,163)	43,656,956	99,999,023	17,665,962	100,822,250
11							
In KHR'000 equivalent	(146,713,899)	(56,221,331)	(40,152,529)	175,413,649	401,796,074	70,981,835	405,103,801

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk (continued)

(c) Interest rate risk (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non interest bearing US\$	F
As at 31 December 2017 Financial assets Cash on hand				,	1	5,651,555	ъ N
Balances with other banks Balances with the NBC Loans to customers - gross	5,333,333 5,000,000	1,565,606 -	4,750,000 -	1 1	1 1	27,053,382 2,207,109	38 7
Performing	3,231,511	7,332,823	50,936,094	34,843,483	39,925,344	I	136
Non-performing	ı	ı	I	ı	ı	2,171,151	2
Allowance Other assets	1 1	1 1	1 1	1 1	1 1	(3,648,105) 587,242	(3,
Financial liabilities	13,564,844	8,898,429	55,686,094	34,843,483	39,925,344	34,022,334	186
Deposits from customers Denosits from banks	20,492,060 386,033	1,125,087 20,000,000	3,512,249 -	6,587,885 -		12,446,536 918,658	44 1
Borrowings Other liabilities			54,000,000 -		1 1	772,331	54
	20,878,093	21,125,087	57,512,249	6,587,885		14,137,525	120
Interest repricing gap	(7,313,249)	(12,226,658)	(1,826,155)	28,255,598	39,925,344	19,884,809	99
In KHR'000 equivalent	(29,523,586)	(49,359,018)	(7,372,188)	114,067,849	161,178,614	80,274,974	269

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk

Liquidity risk is the risk that the Bank 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 may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity risk management process

The management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting takes the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. The management monitors the amount of cash collected and the projection of its disbursement.

(b) Funding approach

The Bank's main sources of liquidity arise from the shareholders' paid-up capital, customers' deposits and borrowings. The sources of liquidity are reviewed regularly through management's review of the maturity of term deposits and borrowings.

(c) Non-derivative cash flows

The table below presents the cash flows of the financial instruments by the Bank by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manage the inherent liquidity risk based on expected undiscounted cash flows. The table does not include imputed interests on financial liabilities as the efforts to compute the imputed interest outweigh disclosure benefits.

Although the table shows a negative liquidity gap, the management believes that customers will not withdraw their deposits according to the maturity. The deposits keep rolling from one cycle to another. Therefore, management believes that underlying liquidity risk is manageable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
As at 31 December 2018 Financial liabilities Deposits from customers Deposits from banks Borrowings Other liabilities	38,260,418 611,917 10,000,000 157,645	7,274,443 - 15,000,000 -	5,931,733 30,000,000 39,000,000	340,594			51,807,188 30,611,917 64,000,000 157,645
Total financial liabilities	49,029,980	22,274,443	74,931,733	340,594	' 		146,576,750
In KHR'000 equivalent	197,002,460	89,498,712	301,075,703	1,368,507			588,945,382
As at 31 December 2017 Financial liabilities Deposits from customers Deposits from banks Borrowings Other liabilities	32,938,596 1,304,691 - 353,750	1,125,087 20,000,000	3,512,249 - 54,000,000 -	6,587,885 - -			44,163,817 21,304,691 54,000,000 353,750
Total financial liabilities	34,597,037	21,125,087	57,512,249	6,587,885	'		119,822,258
In KHR'000 equivalent	139,668,238	85,281,976	232,176,949	26,595,292		'	483,722,456
The Bank performs maturity analysis for financial liabiliti	financial liabilitie	s that shows t	es that shows the remaining contractual maturities. However, the Bank monitors the	ontractual ma	turities. Howe	ver, the Bank	monitors the

assets held to manage liquidity risk only one month ahead as it has short-term borrowings (money market) from head office anytime it encounters liquidity problem.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 Fair value of financial assets and liabilities

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

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, are not presented in the financial statements.

30.5 Capital risk management

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

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

The NBC requires all banks to i) meet minimum capital requirement, ii) maintain the Bank's net worth at least equal to minimum capital and iii) comply with solvency and liquidity coverage ratios.

31. CONTINGENT TAX LIABILITIES

The General Department of Taxation (GDT) issued a notice of tax reassessment to the Bank to pay reassessed taxes of KHR 3,012,190,775 (approximately US\$ 749,674) for the fiscal years 2010, 2011, 2012, 2014 and 2015 as summarised below.

Tax reassessment issued by the GDT	KHR'000
13 March 2017 - For fiscal year 2015	614,544
4 July 2017 - For fiscal year 2010 - For fiscal year 2011 - For fiscal year 2012	913,600 589,390 743,250
8 January 2018 - For fiscal year 2014	151,407
Total	3,012,191
In US\$ equivalent	749,674

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

31. CONTINGENT TAX LIABILITIES (continued)

On 24 April 2017, 14 August 2017 and 15 February 2018, the Bank filed the tax objection letters to the GDT protesting to the reassessed taxes on the ground that there are differences between the amount of tax assessment computed by the Bank and the GDT. The reassessed taxes agreed by the Bank are KHR 148,184,000 (approximately US\$36,880), these charges have not been reflected in the income statement for the year ended 31 December 2018 as the amount is immaterial. The differences of KHR 2,864,007,775 (approximately US\$712,794) have not been recorded in the income statement as the Bank believes that there are reasonable grounds to challenge the assessment as stated in the tax law and regulations as well as industry practices, as indicated in its objection letter. Hence, the Bank made no additional provision for the differences at this stage.

At the date of this report, the GDT has not responded to the Bank's tax objection letter. The outcome of the ultimate tax liabilities for these assessment years is unknown.

32. CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about shortterm and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment and intangible assets are non-current assets. Current income tax liabilities are current liability and employee benefit obligations are non-current liabilities.

33. EVENTS AFTER THE REPORTING PERIOD

Back pay of seniority payment

On 22 March 2019, the Minister of Labour and Vocational Training issued a Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector, delaying the payment of back pay until December 2021 with the settlement of back payment of 6 days of total seniority in every one year:

- 3 days shall be made in June each year
- 3 days shall be made in December each year



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