

UCB
2022
ANNUAL
REPORT



Union Commercial Bank Plc.
FINANCIAL STATEMENTS
For the year ended 31 December 2022



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1- Message from Management Team

感謝全體同仁努力，2022年UCB獲利來到1,677萬美元，年成長率24.6%，同時資產品質維持良好，逾放比率0.83%，這些成果要歸功所有員工，在動盪環境下，透過團結力量創造良好綜合績效。玉山銀行併購UCB以來即將邁入第十年，相較2013年，UCB分行家數從5家擴增至14家，資產規模成長272%，淨值則成長263%。隨著不斷變化組織隊形，建立堅實的業務團隊與三道防線組織架構，UCB將朝向繼續朝向成為「柬埔寨最具特色的外資銀行目標」前進。

We appreciate the hard work of all our UCB colleagues that the Bank's profit reached 16.77 million US dollars in 2022, with an annual growth rate of 24.6%. At the same time, its asset quality remained healthy with a Non-performing Loan Ratio of 0.83%. These achievements should be attributed to all our employees, whom created comprehensive performance even in a turbulent environment. It will be the first decade since E.Sun Bank acquired Union Commercial Bank Plc in 2013. When looking back the first decade, the number of UCB branch has expanded from 5 to 14, with a 272% increase in asset and a 263% increase in net worth. With dynamic adjustment to the organizational design, the Bank has established strong business units and three lines of defense structure. UCB will continue to move toward the goal of becoming "the most distinctive foreign bank in Cambodia".

2022年江元仁先生接任擔任CEO一職，在UCB下一個階段發展扮演關鍵力量，相信他超逾25年且完整的金融資歷，能帶領全體同仁讓UCB的經營從優秀邁向卓越。建立制度、培育人才與發展資訊是企業長青的基石，也是需持之以恆的信念，在柬埔寨政府的領導下，當地的金融發展十分快速，特別是法令遵循與數位發展接軌國際，UCB會投入持續心力，讓消費者享受更便捷的金融服務體驗。

In 2022, Mr. Yuan-Jen Chiang took over the CEO of UCB playing a key role in the next stage of UCB's development. It is believed that with his complete financial and banking experiences of more than 25 years, he could lead the Bank upgrading from good to great. Building system, cultivating talent, and developing IT are the cornerstones of a long-lasting enterprise, which is also a belief that we must persevered in mind. Under the instruction of government, Cambodian banking industry has been developing rapidly, especially in fields of the compliance with laws and digital transformation. The Bank will commit itself to involving more effort in order to provide customer with warm and convenient financial service experiences.

企業社會責任方面，UCB榮幸獲頒ASIAMONEY評選之「2022年度柬埔寨最佳CSR銀行獎項」，對我們全體員工來說是莫大的肯定。UCB取之於社會，用之於社會，我們會持續盡自己的力量，與柬埔寨人民共同打造更好的王國。

In terms of corporate social responsibility, the Bank is extremely honored to be awarded by ASIAMONEY for "Best Bank for CSR Cambodia in 2022", which is a great compliment to all our employees. From what taken from the society, UCB would also reward it back. We would to do our best to build a better kingdom together with Cambodian people.

玉山銀行進入柬埔寨金融市場將進入另一個里程碑，在第二個十年發展策略仍為深耕在地。我們會持續導入現代化銀行經營模式，運用科技的力量提高業務推廣與風險控管的力道，實踐ESG的精神，為這塊土地挹注不一樣的創新能量。

Since E.Sun Bank's entry into Cambodian market came to be a milestone in the end of the first decade. In the next decade, our development strategy will deeply root the local market as well. The Bank will manage its business by a modern mindset, use the power of technology to improve business growth and risk control, and practice the spirit of ESG. Eventually, what we aim to is to inject innovative energy to this land.



2 - Company Profile

母公司：玉山銀行

Parent Company: E.SUN Commercial Bank, Ltd.

玉山銀行創立於1992年，在創辦人、現任金控董事長黃永仁先生帶領下，與一群志同道合的金融菁英團隊，以「玉山」為名，秉持著「專業、服務、責任」的經營理念，以「培育最專業的人才、提供顧客最好的服務，是玉山的責任」作為實踐經營的行動準則，矢志成為「金融業的模範生，服務業的標竿」。

E.SUN Bank was founded on January 16th 1992 and commenced its business on February 21st 1992. Under the leadership of the founder and the incumbent Chairman of E.SUN Financial Holding Company, Mr. Yong Ren Huang, a team of financial elites beheld a shared goal – in the name of E.SUN, committed to the philosophy of “expertise, service, business”, engaged in the action principal of “E.SUN’s responsibility - nurturing talents and providing the best services”, and dedicated to be the “role model in finance and benchmark in service”.

「建立制度」、「培育人才」、「發展資訊」是奠定玉山發展百年志業的三大基礎工程，始終以「心清如玉，義重如山」的核心理念，提供顧客專業親切的暖心服務，以及奉獻愛與關懷的企業社會責任，奠定永續發展的基礎，讓玉山人成為世界第一等的公民、玉山成為世界第一等的企業公民，更期待玉山銀行成為員工的最愛、顧客的最愛、股東的最愛，以及這塊土地的最愛。

“Building system, cultivating talent, and developing IT” are the three main infrastructure for E.SUN’s lasting mission. E.SUN is committed to its core value, “pure as jade, sturdy as mountain”, providing professional and heartwarming service to the customers. Moreover, E.SUN employees strive to be first class citizens, while E.SUN strives to be the first class corporate citizen with its love and caring CSR initiatives.

面對變幻莫測的市場、競爭劇烈的環境，玉山將延續穩健的經營策略、領先的金融創新以及優質的服務品質，從挑戰中嶄露頭角、超群出眾，打造顧客的全方位金融服務網。玉山國內分行通路已擴張至139家，透過虛實整合的力量讓實體通路和虛擬通路可以發揮到最大效用，以創新求變的思維並運用科技的力量實踐數位轉型的規劃，全方面解決顧客問題及滿足需求，打造強而有力的金融服務網；在海外通路方面，玉山持有柬埔寨聯合商業銀行 (UCB) 子行、中國子行與香港、洛杉磯、新加坡、越南、緬甸、雪梨、東京、布里斯本等8家分行，2022年擴大東南亞市

場經營，增設曼谷、胡志明市代表人辦事處，目前已於10個國家經營30個據點。玉山積極布局海外市場，建構高效率的亞洲金融服務網，提供優質在地服務，滿足顧客跨境金融需求。

Confronting the unpredictable market and competitive environment, E.SUN will sustain its prudent strategy, its leading financial innovation, and its quality services to excel in the challenges, building a comprehensive financial service network for customers. Having increased domestic branches to 139, E.SUN Bank is proactive to have them complemented by virtual channels so as to bring about a higher level of efficiency. Drawing on technological advancement, it also adopts an innovative, flexible approach to solving problems and meeting needs while providing customers with a full spectrum of financial services. When it comes to expanding abroad, E.SUN has two subsidiaries—Union Commercial Bank (UCB)—in Cambodia and a subsidiary in China; established eight branches, which are Hong Kong, Los Angeles, Singapore, Vietnam, Myanmar, Sydney, Tokyo and Brisbane Branch. In 2022, E.SUN deepened its root in Southeast Asia opening another two representative offices in Bangkok and Ho Chi Minh City. For now, there are currently 30 branches across 10 countries in hand. E.SUN Bank aims to establish a high-efficiency financial service network in Asia and provide premium local services to fulfill our customers' needs for cross-border financial services.

聯合商業銀行 Union Commercial Bank PLC.

聯合商業銀行(UCB)於1994年3月31日創立，目前由玉山銀行百分之百持股。UCB是全功能之商業銀行，在金邊有12家分行，外省地區有2家分行，員工人數超逾500人。身為玉山銀行的子公司，UCB秉持母行的核心價值與經營理念，以「專業、服務、責任」的精神，提供顧客最優質的服務體驗，貢獻柬埔寨社會與經濟發展。展望未來，UCB將持續精進產品、服務與金融創新，同時發展以人為本的精神，培育在地人才，促進各國菁英的交流與合作，以創造多元價值，讓UCB成為柬埔寨最具特色的外資銀行。

Union Commercial Bank PLC was founded on 31 March 1994, and is currently 100%-owned by E.SUN Bank. UCB is a full-licensed commercial bank with 12 branches in Phnom Penh and 2 branches in other provinces, with more than 500 employees. As the subsidiary of E.SUN Bank, UCB insists on E.SUN's core values and vision, and upholds a business philosophy of "expertise, service, and business" to providing an extraordinary service experience and contributing to Cambodia society. In the future, UCB will keep enhancing financial products, services and innovation, and accelerating education and cooperation among multicultural elites for becoming a most distinctive foreign bank in Cambodia.

3 - Business Review

1. Financial Highlights

	2022	2021	2020
Operating Result (USD)			
Operating Income	40,606,451	39,946,747	32,115,290
Profit before Tax	22,275,433	16,191,999	12,918,112
Net Profit	16,777,396	13,481,522	8,011,350
Key Balance Sheet Data (USD)			
Total Assets	889,053,568	759,866,538	854,641,144
Loan to Customers (net)	669,817,567	557,330,560	505,614,128
Deposit from Customer	429,412,796	448,233,051	567,692,232
Total Liabilities	756,108,644	644,528,519	752,631,212
Paid-up Capital	80,000,000	80,000,000	80,000,000
Shareholder's Equity	132,944,924	115,338,019	102,009,932
Return on Asset (ROA)	1.84%	1.78%	0.94%
Return on Equity (ROE)	12.39%	11.67%	7.85%
Non-performing Loan % (NPL %)	0.83%	1.13%	0.67%
Statutory Ratios			
Solvency Ratio	23.21%	21.97%	22.40%
Liquidity Coverage Ratio (LCR)	195.33%	213.92%	511.72%

❖ The figures in Year 2022, 2021 and 2020 are all Adjusted by CIFRS initially implement.

2. Operational Highlights

○ IT Infrastructure Development

“Building system, cultivating talent, and developing IT” being the three pillars of its quest for long-term sustainability, the Bank continues to engage in IT improvement. As more intense connection between technology application and financial service in Cambodia, the Bank shall focus not only on business development but also on the importance of information security. As a result, the Bank would accomplish (1) participating in Bakong member and expecting to launch in 2023; (2) improving the function of Mobile Banking App; (3) stabilizing and upgrading the core system; (4) cultivating potential IT talent; (5) enhancing internal information security capability.

○ Transnational Human Resource

“Talent is a key and leading indicator.” is what we always believe in. The Bank is committed to rooting the idea deeply in employee's mind, which is that each employee's career path shall be determined by their owned hands. We value our talents based on their commitment and capability, instead of seniority. In the end of the year, over 90% employee are Cambodian instead of foreigner workers. Meanwhile, more than 80% of department heads and deputy heads in Headquarters are Cambodian as well.

○ Risk Management & Compliance

In general, there was no significant change in overall risk indicators in 2022, all of which comply statutory criteria and are stably above the trigger threshold. The Bank keeps strengthening on combating online gambling, preventing human trafficking and money transfer scam issue. Through internal training with practical cases and enhancing AML/CFT report system, it decreases the chance of connecting with suspicious and customers and transactions no matter from the counter or other channels. Getting rid of the grey list from Financial Action Task Force is an important goal for the country, the Bank promises to cooperate with the competent authority to comply AML/CFT regulation.

○ Leading Services

UCB continues to provide premium and leading financial services for our valued customers and create its unique market reputation.

For worldwide integration and localization service, the Bank offers services and financial products in three areas:

- (1) Personal Banking: Saving Deposit, Demand Deposit, Fixed Deposit, Housing Loan, Credit Card, Debit Card, Online/Mobile Banking, ATM Service, etc.
- (2) Corporate Banking: Term Loan, Working Capital Loan, Business Cheque Account, Management Holding Account, Payroll Service, Acquiring Services, etc.
- (3) International Banking: Money Transfer, Trade Finance, Import & Export L/C, D/A & D/P, Guarantee & Standby L/C, Check Discounted, Trade Finance Loan, etc.

○ CIFRS Implementation

In 2022, the Bank adapted to the PwC's suggestion and kept reviewing the methodology of CIFRS implementation to make it better fit to the business practice and economic status quo. All financial figures reported in Annual Report are adjusted in accordance with CIFRS standards.

○ Social Contribution

Being part of Cambodia, the Bank returns the country in the core spirit of Environmental, Social, and Governance (ESG). In 2022, we extremely appreciated that UCB was awarded by ASIAMONEY for "Best Bank for CSR in Cambodia". With the accomplishment, we will be more humble and devote more effort for that we hope to bring benevolent value to the local community and then generate a positive impact for the whole society.

3. Looking Forward for 2023

At the moment when the world is about to get rid of the Covid-19 pandemic, upcoming recession shocked against global market due to Russia-Ukraine war and the fierce inflation, making the economic recovery much bumpy afterward. As of the forecast in April 2023, Cambodia's annual GDP growth is projected by World Bank to be 5.2%, and Cambodian government sets a goal of 6.2% growth as well. Generally speaking, the Kingdom is still considered robust and resilient among countries in South East Asia.

Since that the Fed began to raise interest rate to curb the inflation from the middle of 2022, the U.S. Dollar liquidity is likely to keep tight for years. Being a highly dollarized country, Cambodia is incredibly attractive for foreign investors. However, if the global fund started to be withdrawn back to developed countries due to the tight monetary policy of mainstream central banks, the Kingdom's banking industry may be struggling for the foreign reserve outflow. Consequently, maintaining the Bank's liquidity is crucial in the following years.

Facing with the uncertain environment, prudential credit risk management cannot be over emphasized, especially the industries which are sensitive to the fluctuation of interest rate. Garment, Footwear and Travel Goods industries, which accounts around 70% of total export amount, seems to shrink this year due to downward economic in western buyers. Fortunately, some positive changes happened. It could be observed that the government makes their effort on diversifying industry portfolio. The proposition of manufacturing sector export has inched up and expects to continuously expand. The Bank would intensely cooperate with potential company and support their growth.

Overall, the Banking would be faced with a challenging outer environment in 2023. However, the Bank would unify the power of whole departments and integrate the resource from parent company to get through the period. In conclusion, the Bank has the confidence to grow for the prospective year. But we still run the business at a steady pace.

○ **Deposit and Branch Services**

- ❖ The Bank will clearly define the type of target deposit customer and provide them with warm service. By leveraging the technology application and the collaboration with strategic partner, the Bank would be able to reach more potential depositor. Besides, corporate cash flow is also worthy to manage. The Bank has already established a deep rooted relationship with corporate customer and we can take further step to find their upstream and downstream in their supply chain. As a result, the Bank's customer base would not only expand but also keep their operating fund within the Bank.
- ❖ For these purposes, the Bank will enhance its investment no matter in service quality, employee skill or infrastructure. What's more important, the whole departments of the Bank will work together to develop deposit business instead of leaving the burden on a single department. The integration ability would make the Bank differentiated from its competitors.

○ **Loan Services**

- ❖ Considering the macroeconomic factors, including inflation, rising funding cost and risk on exchange rate, are not stable, the Bank's loan business growth target shall set in a relatively conservative level. In the other hands, the Bank will input more effort on credit risk management and internal operation process improvement. It is the most robust strategy for the Bank to protect the assets and the depositors in uncertainty.
- ❖ For corporate loans, the Bank emphasizes stricter credit review standard, carefully select suitable industry but still meet the normal needs of businesses from small and medium-sized enterprise to multinational companies. At the same time, the Bank will avoid

excessive exposures concentrating on specific industries which are vulnerable to the downward business cycle.

- ❖ For small business loans, in respond to the official policies and announcements, the Bank will focus on satisfying their needs of working capital and capital expenditure. For personal loans, considering the market practice in family housing loan, the Bank will support to those who dreams of having their own dwelling; in the meantime, it is also critical to review the location of the collateral and the condition of the borrower's background.

○ **Cards Services**

- ❖ The Bank is aimed to be the high-end customers' first choice of credit card consumption by providing secure and convenience credit card payment experience. We use customer-oriented though to offer service and bring customer an enjoyable lifestyle. The Bank has done well in creating customer value and brand reputation in the past, but our improvement progress will be nonstop in the future. Apart from only providing payment service, the Bank's card service would be devoted to bringing better financial service to our card holders and consolidating customer loyalty to the Bank's brand name.
- ❖ The Bank continues to combine card business activity with society. Zero point three percentage of card spending will be used in child-centered CSR events including orphanage charity donation, school education and children medical check events which are officially named "UCB Hope for Future Project" in 2022. The Bank will keep bringing value to the local community and generating a positive impact for the society.

○ **National Currency**

- ❖ The Bank shall fully support the policy of usage of National Currency (KHR), especially for the loan business. The Bank will fortify the National Currency funds replacement with other FIs to ensure there is enough liquidity for supporting loan business. The Bank's main targets includes (1) MFI/ MDI which are specialized in province area; (2) local manufacturer and its supply chain; (3) local Borey developer (4) enterprise payroll. The purpose of developing the KHR business is not solely for regular compliance but also the health growth of national monetary market.



4 - Activity and Sponsorship



It takes ten years to grow trees, but a hundred to rear people.

Tree Planting not only benefits to purify air from harmful pollutants; for UCB, it also symbolizes our commitment to the Kingdom for talent cultivation. We treat the young and potential employee as a seed, fertilizing and guiding them to be a magnificent tree. In one day, they will flourish in Cambodia.



Future Education 2022



"Children are the future of the country. Providing them with the decent education is the best investment for the next generation."



Awarded Students Visit E.SUN Tower

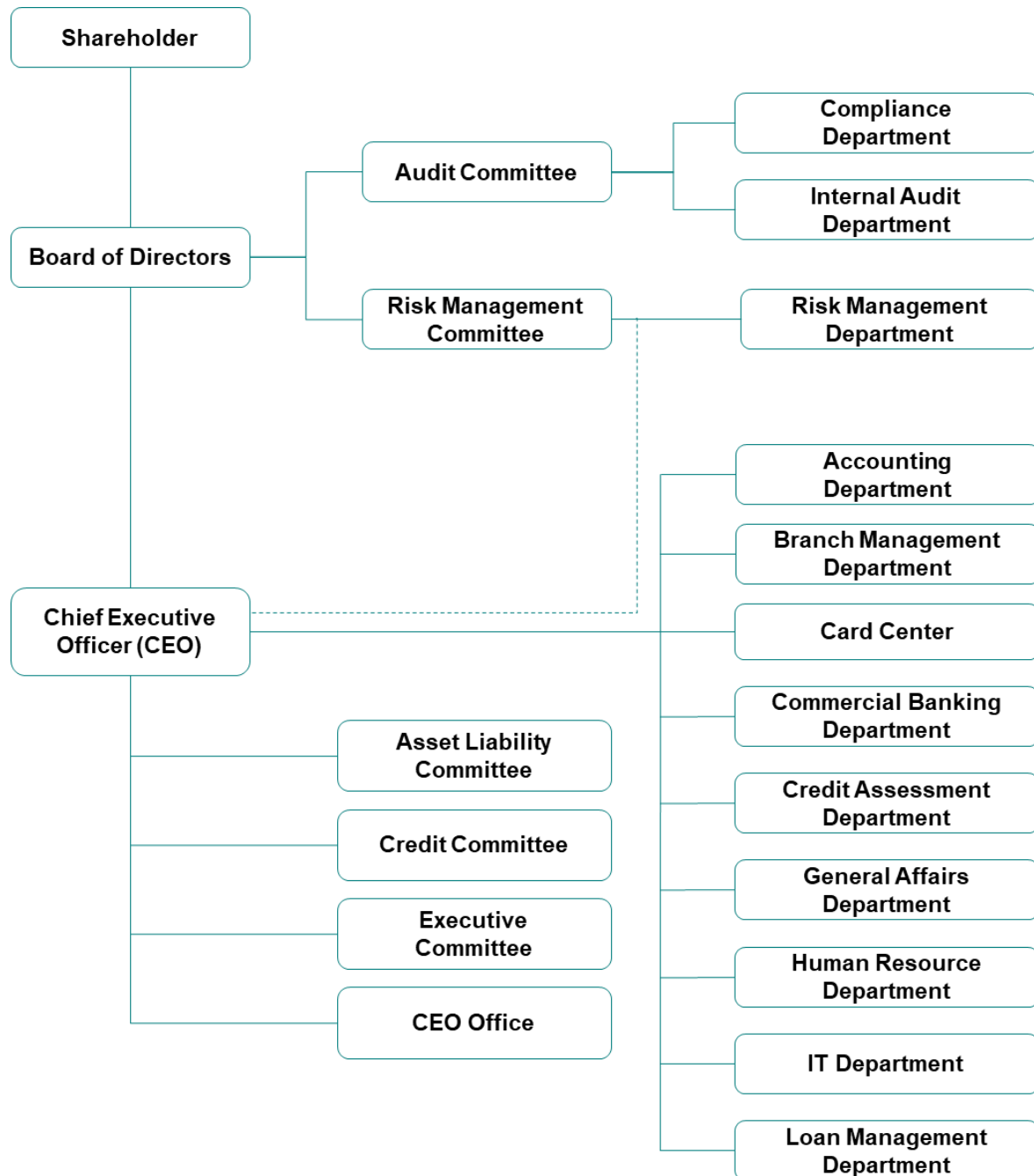
Charity Activity at Provinces



5 - Corporate Governance

UCB Organizational Structure

The chart below details the organizational structure of Union Commercial Bank, PLC.



Base Date: 2022/12/31

UCB Board of Directors

The below table provides details of the members of the UCB Board of Directors:

Nº	Name	Position	Date of Appointment	Current Share Holding		Education
				Share	Ratio	
1	Mr. Mao-Chin Chen	Chairman	19-March-2020	E.SUN Bank holds 80,000 shares (100%)		Master of Economics National Taiwan University
2	Ms. I-Yen Kuo	Director	19-March-2020			Master of Economics National Taiwan University
3	Mr. Chi-Kan Chung	Director (CEO)	19-March-2020			Bachelor of Economic Fu Ren University
4	Mr. Chien-Hung Chen	Director	19-March-2020			Master of Business Administration Drexel University
5	Ms. Hun Phalin	Director	19-March-2020			Bachelor of Art Option Chinese Language Beijing Language and Culture University
6	Mr. Tung-Lung Kuo	Independent Director	19-March-2020			Bachelor of Law in Public Administration National Taipei University
7	Mr. Chuan-Hsing Huang	Independent Director	19-March-2020			Doctor Degree of Philosophy Tamkang University

UCB's Chairman, CEO, Managers or person responsible for financial and accounting matters, within the past year worked in the CPA firm or its affiliates:

No

From last fiscal year to the date of this report, the Directors have different opinions and written statement on the resolutions passed by the board:

All resolutions are passed and approved by all directors present, no disagreement.

UCB Audit Committee

The below table contains the details of the members of the UCB Audit Committee:

Nº	Position	Name	Date of Appointment	Education
1	Committee Chairman	Mr. Tung-Lung Kuo	19-March-2020	Bachelor of Law in Public Administration National Taipei University
2	Member	Mr. Mao-Chin Chen	19-March-2020	Master of Economics National Taiwan University
3	Member	Mr. Chuan-Hsing Huang	19-March-2020	Doctor Degree of Philosophy Tamkang University
4	Member	Ms. I-Yen Kuo	19-March-2020	Master of Economics National Taiwan University

UCB Risk Management Committee

The below table contains the details of the members of the UCB Risk committee:

Nº	Position	Name	Date of Appointment	Education
1	Committee Chairman	Mr. Chuan-Hsing Huang	19-March-2020	Doctor Degree of Philosophy Tamkang University
2	Member	Mr. Mao-Chin Chen	19-March-2020	Master of Economics National Taiwan University
3	Member	Mr. Chi-Kan Chung	19-March-2020	Bachelor of Economic Fu Ren University
4	Member	Mr. Chien-Hung Chen	19-March-2020	Master of Business Administration Drexel University

6 - Director's Report

DIRECTORS' REPORT

The Board of Directors (the Directors) hereby submits their report and the audited consolidated financial statements of Union Commercial Bank Plc. (the Bank) and its subsidiary, URE Land Holding Co., Ltd. (together referred to as the Group) and the separate financial statements of the Bank for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Bank consist of the provision of various types of banking and related financial services.

The principal activity of URE Land Holding Co., Ltd. (the subsidiary), is to hold parcels of land and buildings for leasing.

There were no significant changes in the nature of the principal activities during the financial year.

RESULTS OF OPERATION AND DIVIDEND

The results of financial performance for the year ended 31 December 2022 are set out in the consolidated and separate statements of profit or loss and other comprehensive income on page 8 and page 12, respectively.

There was no dividend declared or paid in 2022.

SHARE CAPITAL

There were no changes in the share capital of the Bank during the year.

BAD AND DOUBTFUL LOANS TO CUSTOMERS

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

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount written off for bad loans to customers or the amount of the allowance for impairment losses in the consolidated and separate financial statements of the Group and the Bank inadequate to any material extent.

ASSETS

Before the consolidated and separate financial statements of the Group and the Bank were prepared, the 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 Group and the Bank, have been written down to an amount which they might be expected to realise.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the assets in the consolidated and separate financial statements of the Group and the Bank misleading in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) no contingent liability in respect of the Group and the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

The financial performance of the Group and the Bank for the financial year was not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature. There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the financial performance of the Group and the Bank for the current financial year in which this report is made.

THE BOARD OF DIRECTORS

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

Mr. Chen Mao Chin	Chairman
Mr. Chi-Kan Chung	Director
Ms. I-Yen Kuo	Director
Mrs. Hun Phalin	Director
Mr. Chien-Hung Chen	Director
Mr. Tung-Lung Kuo	Independent Director
Mr. Chuan-Hsing Huang	Independent Director

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2022 and of its consolidated and separate financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards (CIFRS).

In preparing these consolidated and separate financial statements, the Directors are required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of CIFRS or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the consolidated and separate financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the consolidated and separate financial statements on the going concern basis unless it is inappropriate to assume that the Group and the Bank will continue operations in the foreseeable future; and
- v) effectively control and direct the Group and the Bank in all material decisions affecting its operations and performance and ascertain that such have been properly reflected in the consolidated and separate financial statements.

The Directors confirm that the Group and the Bank have complied with the above requirements in preparing the consolidated and separate financial statements.

APPROVAL OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The accompanying consolidated and separate financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2022 and the financial performance and cash flows of the Group and the Bank for the year then ended in accordance with the CIFRS, were approved by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors.



Mr. Chen Mao Chin
Chairman



Phnom Penh, Kingdom of Cambodia

20 MAR 2023

7 - Independent Auditor's Report

Report of the Independent Auditors To the shareholder of Union Commercial Bank Plc.

Independent Auditor's Report

To the Shareholders of Union Commercial Bank Plc.

Our opinion

In our opinion, the consolidated financial statements and the separate financial statements present fairly, in all material respects, the consolidated financial position of Union Commercial Bank Plc. (the Bank) and its subsidiary, URE Land Holding Co., Ltd. (the Group) and separate financial position of the Bank as at 31 December 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (CIFRS).

What we have audited

Union Commercial Bank Plc.'s financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Other information

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

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and 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 Group and 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 consolidated and separate 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 Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

For PricewaterhouseCoopers (Cambodia) Ltd.


By Kuy Lim
Partner



Phnom Penh, Kingdom of Cambodia
20 March 2023

8 - Financial Report

Union Commercial Bank Plc. and its subsidiary

Consolidated statement of financial position as at 31 December 2022

		2022		2021	
	Notes	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	23,213,412	95,569,617	26,026,939	106,033,749
Balances with the central bank	5	25,420,319	104,655,453	13,416,756	54,659,864
Balances with other banks and financial institutions	6	65,219,797	268,509,904	65,766,909	267,934,387
Statutory deposits with the central bank	7	57,358,060	236,143,133	48,273,549	196,666,439
Loans to customers	8	669,817,567	2,757,638,923	557,330,560	2,270,564,701
Investment securities	9	4,694,836	19,328,640	693,918	2,827,022
Intangible assets	10	248,405	1,022,683	448,079	1,825,474
Property and equipment	11	35,765,372	147,246,037	38,543,576	157,026,529
Right-of-use assets	12	1,275,090	5,249,546	2,908,431	11,848,948
Deferred tax assets	13	2,713,398	11,171,060	2,940,468	11,979,467
Other assets	14	3,327,312	13,698,544	3,517,353	14,329,696
TOTAL ASSETS		889,053,568	3,660,233,540	759,866,538	3,095,696,276
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from other banks	15	45,085,796	185,618,222	46,203,875	188,234,587
Deposits from non-bank customers	16	429,412,796	1,767,892,481	454,998,140	1,853,662,422
Current income tax liabilities	17	4,271,436	17,585,502	3,448,131	14,047,686
Borrowings	18	229,517,186	944,922,255	107,152,786	436,540,450
Lease liabilities	12	1,617,209	6,658,049	3,610,719	14,710,069
Employee benefit obligations		328,127	1,350,900	353,272	1,439,231
Other liabilities	19	5,435,205	22,376,739	5,491,436	22,372,110
Subordinated debts	20	40,440,889	166,495,140	23,270,160	94,802,632
TOTAL LIABILITIES		756,108,644	3,112,899,288	644,528,519	2,625,809,187
EQUITY					
Share capital	21	80,000,000	329,360,000	80,000,000	325,920,000
Regulatory reserves		175,973	724,481	-	-
Non-distributable reserve		25,622,772	105,488,952	25,622,772	104,387,173
Fair value reserve		405,588	1,642,721	412,861	1,672,446
Retained earnings		26,740,591	109,607,193	9,302,386	38,342,528
Other reserve		-	510,905	-	(435,058)
TOTAL EQUITY		132,944,924	547,334,252	115,338,019	469,887,089
TOTAL LIABILITIES AND EQUITY		889,053,568	3,660,233,540	759,866,538	3,095,696,276

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements.

Union Commercial Bank Plc. and its subsidiary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Interest income	22	48,494,289	198,196,159	40,718,649	165,643,464
Interest expense	23	(15,048,611)	(61,503,673)	(9,278,769)	(37,746,032)
Net interest income		<u>33,445,678</u>	<u>136,692,486</u>	<u>31,439,880</u>	<u>127,897,432</u>
Fee and commission income	24	4,288,461	17,526,940	3,866,583	15,729,260
Fee and commission expense	24	(886,989)	(3,625,124)	(628,998)	(2,558,764)
Net fee and commission income		<u>3,401,472</u>	<u>13,901,816</u>	<u>3,237,585</u>	<u>13,170,496</u>
Impairment losses on financial assets	25	(1,893,047)	(7,736,883)	(6,352,640)	(25,842,540)
Other (losses)/gains – net		(758,284)	(3,099,107)	349,227	1,420,655
Other operating income	26	4,517,585	18,463,370	4,920,055	20,014,784
Net other operating loss		<u>1,866,254</u>	<u>7,627,380</u>	<u>(1,083,358)</u>	<u>(4,407,101)</u>
Personnel expenses	27	(7,938,917)	(32,446,354)	(8,744,291)	(35,571,776)
Depreciation and amortisation		(3,586,106)	(14,656,415)	(3,527,312)	(14,349,105)
Other operating expenses	28	(4,912,948)	(20,079,218)	(5,130,505)	(20,870,894)
Profit before income tax		<u>22,275,433</u>	<u>91,039,695</u>	<u>16,191,999</u>	<u>65,869,052</u>
Income tax expense	29	(5,498,037)	(22,470,477)	(2,710,477)	(11,026,220)
Profit for the year		<u>16,777,396</u>	<u>68,569,218</u>	<u>13,481,522</u>	<u>54,842,832</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation loss from Investments in equity instruments designated at FVOCI		(7,273)	(29,725)	(19,002)	(77,300)
Currency translation differences		-	(945,963)	-	(3,624,805)
		<u>(7,273)</u>	<u>(975,688)</u>	<u>(19,002)</u>	<u>(3,702,105)</u>
Total comprehensive income for the year		<u>16,770,123</u>	<u>67,593,530</u>	<u>13,462,520</u>	<u>51,140,727</u>
Profit attributable to:					
Owners of the Bank		16,777,396	68,569,218	13,347,089	54,295,959
Non-controlling interests		-	-	134,433	546,873
		<u>16,777,396</u>	<u>68,569,218</u>	<u>13,481,522</u>	<u>54,842,832</u>
Total comprehensive income attributable to:					
Owners of the Bank		16,770,123	67,593,530	13,425,840	50,991,513
Non-controlling interests		-	-	36,680	149,214
		<u>16,770,123</u>	<u>67,593,530</u>	<u>13,462,520</u>	<u>51,140,727</u>

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements.

Union Commercial Bank Plc. and its subsidiary

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

	Attributable to owners of the Group													
	Share capital		Regulatory reserves		Non-distributable reserve		Fair value reserve		Retained earnings		Other reserve		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at 1 January 2021	80,000,000	320,000,000	1,466,276	5,939,278	25,622,772	103,644,113	431,863	1,749,746	(5,510,979)	(21,892,709)	-	3,189,747	102,009,932	412,630,175
Profit for the year	-	-	-	-	-	-	-	-	13,347,089	54,295,959	-	-	13,347,089	54,295,959
Revaluation loss from Investments in equity instruments designated at FVOCI	-	-	-	-	-	-	(19,002)	(77,300)	-	-	-	-	(19,002)	(77,300)
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(3,624,805)	-	(3,624,805)
Total comprehensive income for the year	-	-	-	-	-	-	(19,002)	(77,300)	13,347,089	54,295,959	-	(3,624,805)	13,328,087	50,593,854
Transactions with owners in their capacity as owners:														
Transfers from regulatory reserves to retained earnings	-	-	(1,466,276)	(5,939,278)	-	-	-	-	1,466,276	5,939,278	-	-	-	-
Currency translation differences	-	5,920,000	-	-	-	743,060	-	-	-	-	-	-	-	6,663,060
Total transactions with owners	-	5,920,000	(1,466,276)	(5,939,278)	-	743,060	-	-	1,466,276	5,939,278	-	-	-	6,663,060
Balance at 31 December 2021	80,000,000	325,920,000	-	-	25,622,772	104,387,173	412,861	1,672,446	9,302,386	38,342,528	-	(435,058)	115,338,019	469,887,089
Balance at 1 January 2022	80,000,000	325,920,000	-	-	25,622,772	104,387,173	412,861	1,672,446	9,302,386	38,342,528	-	(435,058)	115,338,019	469,887,089
Profit for the year	-	-	-	-	-	-	-	-	16,777,396	68,569,218	-	-	16,777,396	68,569,218
Revaluation loss from Investments in equity instruments designated at FVOCI	-	-	-	-	-	-	(7,273)	(29,725)	-	-	-	-	(7,273)	(29,725)
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-	-	945,963	-	945,963
Total comprehensive income for the year	-	-	-	-	-	-	(7,273)	(29,725)	16,777,396	68,569,218	-	945,963	16,770,123	69,485,456
Transactions with owners in their capacity as owners:														
Transfers from regulatory reserves to retained earnings	-	-	175,973	724,481	-	-	-	-	(175,973)	(724,481)	-	-	-	-
Derecognition of non-controlling interest and transfers to retained earnings	-	-	-	-	-	-	-	-	836,782	3,419,928	-	-	836,782	3,419,928
Currency translation differences	-	3,440,000	-	-	-	1,101,779	-	-	-	-	-	-	-	4,541,779
Total transactions with owners	-	3,440,000	175,973	724,481	-	1,101,779	-	-	660,809	2,695,447	-	-	836,782	7,961,707
Balance at 31 December 2022	80,000,000	329,360,000	175,973	724,481	25,622,772	105,488,952	405,588	1,642,721	26,740,591	109,607,193	-	510,905	132,944,924	547,334,252

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements

Union Commercial Bank Plc. and its subsidiary

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

		2022		2021	
	Notes	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		22,275,433	91,039,695	16,191,999	65,869,052
<i>Adjustments for:</i>					
Provision for employee benefit obligations		(25,145)	(102,768)	(14,573)	(59,283)
Depreciation and amortisation		3,586,106	14,656,415	3,527,312	14,349,105
Impairment losses on financial assets	25	1,893,047	7,736,883	6,352,640	25,842,539
Gains on disposal of property and equipment		(17,671)	(72,221)	(236,808)	(963,335)
Interest income	22	(48,494,289)	(198,196,159)	(40,718,648)	(165,643,460)
Interest expense	23	15,048,611	61,503,673	9,278,769	37,746,032
<i>Changes in working capital</i>					
Reserve requirement with the central bank		(9,060,248)	(37,029,234)	(902,554)	(3,671,590)
Loans to customers		(113,384,965)	(463,404,352)	(58,206,066)	(236,782,276)
Other assets		190,041	776,698	707,398	2,877,695
Deposits from other banks		(2,113,056)	(8,636,060)	4,623,572	18,808,691
Deposits from non-bank customers		(11,565,951)	(47,270,042)	(117,569,944)	(478,274,532)
Other liabilities		(6,300,585)	(25,750,491)	(83,849)	(341,098)
Cash used in operations		<u>(147,968,672)</u>	<u>(604,747,963)</u>	<u>(177,050,752)</u>	<u>(720,242,460)</u>
Interest received		47,893,049	195,738,891	40,823,093	166,068,342
Interest paid		(20,187,096)	(82,504,661)	(10,401,491)	(42,313,265)
Income tax paid	17	<u>(4,452,805)</u>	<u>(18,198,614)</u>	<u>(891,001)</u>	<u>(3,624,592)</u>
Net cash used in operating activities		<u>(124,715,524)</u>	<u>(509,712,347)</u>	<u>(147,520,151)</u>	<u>(600,111,975)</u>
Cash flows from investing activities					
Payments for acquisition of investment in debt securities		(3,995,875)	(16,331,141)	-	-
Purchases of property and equipment	11	(327,338)	(1,337,830)	(1,929,656)	(7,849,841)
Purchases of intangible assets	10	-	-	(75,604)	(307,557)
Proceeds from disposals of property and equipment		160,299	655,142	260,843	1,061,109
Negotiable Certificate of Deposits with the central bank		2,030,811	8,299,925	-	-
Balances with other banks and financial institutions		<u>(26,896,772)</u>	<u>(109,927,107)</u>	<u>30,614,674</u>	<u>124,540,494</u>
Net cash (used in)/generated from investing activities		<u>(29,028,875)</u>	<u>(118,641,011)</u>	<u>28,870,257</u>	<u>117,444,205</u>
Cash flows from financing activities					
Repayments from borrowings		(259,485,713)	(1,060,518,109)	(141,358,468)	(575,046,248)
Proceeds of borrowings		397,900,000	1,626,217,300	145,100,000	590,266,800
Principal elements of lease payments		<u>(601,718)</u>	<u>(2,459,221)</u>	<u>(724,342)</u>	<u>(2,946,623)</u>
Net cash generated from financing activities		<u>137,812,569</u>	<u>563,239,970</u>	<u>3,017,190</u>	<u>12,273,929</u>
Net decrease in cash and cash equivalents		(15,931,830)	(65,113,388)	(115,632,704)	(470,393,841)
Cash and cash equivalents at beginning of the year		93,007,549	378,912,754	208,640,253	843,949,823
Currency translation differences		-	3,521,369	-	5,356,772
Cash and cash equivalents at end of the year	30	77,075,719	317,320,735	93,007,549	378,912,754

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements

Union Commercial Bank Plc. and its subsidiary

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	23,213,412	95,569,617	26,026,939	106,033,749
Balances with the central bank	5	25,420,319	104,655,453	13,416,756	54,659,864
Balances with other banks and financial institutions	6	63,226,363	260,302,936	63,862,330	260,175,133
Statutory deposits with the central bank	7	57,358,060	236,143,133	48,273,549	196,666,439
Loans to customers	8	669,817,567	2,757,638,923	557,330,560	2,270,564,701
Investment securities	9	4,694,836	19,328,640	693,918	2,827,022
Investment in subsidiary		490	2,017	490	1,996
Intangible assets	10	248,405	1,022,683	448,079	1,825,474
Property and equipment	11	25,644,788	105,579,592	28,374,965	115,599,607
Right-of-use assets	12	6,983,852	28,752,519	7,901,098	32,189,073
Deferred tax assets	13	3,035,248	12,496,116	3,193,641	13,010,893
Other assets	14	3,273,718	13,477,897	3,488,278	14,211,245
TOTAL ASSETS		<u>882,917,058</u>	<u>3,634,969,526</u>	<u>753,010,603</u>	<u>3,067,765,196</u>
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from other banks	15	45,085,796	185,618,222	46,203,875	188,234,587
Deposits from non-bank customers	16	429,612,560	1,768,714,910	455,483,148	1,855,638,345
Current income tax liabilities	17	4,234,844	17,434,853	3,403,955	13,867,713
Borrowings	18	217,795,854	896,665,531	95,139,148	387,596,889
Lease liabilities	12	9,035,695	37,199,956	9,902,520	40,342,866
Employee benefit obligations		328,127	1,350,897	353,272	1,439,230
Other liabilities	19	5,499,658	22,642,092	4,576,748	18,645,671
Subordinated debts	20	40,440,889	166,495,140	23,270,160	94,802,632
TOTAL LIABILITIES		<u>752,033,423</u>	<u>3,096,121,601</u>	<u>638,332,826</u>	<u>2,600,567,933</u>
EQUITY					
Share capital	21	80,000,000	329,360,000	80,000,000	325,920,000
Regulatory reserves		175,973	724,481	-	-
Non-distributable reserve		25,622,772	105,488,952	25,622,772	104,387,173
Fair value reserve		405,588	1,642,721	412,861	1,672,446
Retained earnings		24,679,302	101,207,836	8,642,144	35,669,252
Other reserves		-	423,935	-	(451,608)
TOTAL EQUITY		<u>130,883,635</u>	<u>538,847,925</u>	<u>114,677,777</u>	<u>467,197,263</u>
TOTAL LIABILITIES AND EQUITY		882,917,058	3,634,969,526	753,010,603	3,067,765,196

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements,

Union Commercial Bank Plc. and its subsidiary

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

	Notes	2022		2021	
		US\$	KHR'000	US\$	KHR'000
Interest income	22	48,378,785	197,724,094	40,596,371	165,146,037
Interest expense	23	(15,246,802)	(62,313,680)	(9,541,974)	(38,816,750)
Net interest income		<u>33,131,983</u>	<u>135,410,414</u>	<u>31,054,397</u>	<u>126,329,287</u>
Fee and commission income	24	4,288,461	17,526,940	3,866,583	15,729,260
Fee and commission expense	24	(886,989)	(3,625,124)	(628,998)	(2,558,764)
Net fee and commission income		<u>3,401,472</u>	<u>13,901,816</u>	<u>3,237,585</u>	<u>13,170,496</u>
Impairment losses on financial assets	25	(1,893,047)	(7,736,883)	(6,352,640)	(25,842,540)
Other gains – net		(758,284)	(3,099,107)	349,227	1,420,655
Other operating income	26	4,505,585	18,414,326	4,920,056	20,014,788
Net other operating income /(loss)		<u>1,854,254</u>	<u>7,578,336</u>	<u>(1,083,357)</u>	<u>(4,407,097)</u>
Personnel expenses	27	(7,938,801)	(32,445,880)	(8,744,178)	(35,571,316)
Depreciation and amortisation		(3,716,307)	(15,188,547)	(3,599,012)	(14,640,781)
Other operating expenses	28	(5,137,633)	(20,997,506)	(5,081,008)	(20,669,541)
Profit before income tax		<u>21,594,968</u>	<u>88,258,633</u>	<u>15,784,427</u>	<u>64,211,048</u>
Income tax expense	29	(5,381,837)	(21,995,568)	(2,404,267)	(9,780,558)
Profit for the year		<u>16,213,131</u>	<u>66,263,065</u>	<u>13,380,160</u>	<u>54,430,490</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation loss from investments in equity instruments designated at FVOCI		(7,273)	(29,725)	(19,002)	(77,300)
Currency translation reserves		-	875,543	-	(3,644,711)
		<u>(7,273)</u>	<u>845,818</u>	<u>(19,002)</u>	<u>(3,722,011)</u>
Total comprehensive income for the year		<u>16,205,858</u>	<u>67,108,883</u>	<u>13,361,158</u>	<u>50,708,479</u>
Profit attributable to owners of the Bank		<u>16,213,131</u>	<u>66,263,065</u>	<u>13,380,160</u>	<u>54,430,490</u>
Total comprehensive income attributable to owners of the Bank		<u>16,205,858</u>	<u>67,108,883</u>	<u>13,361,158</u>	<u>50,708,479</u>

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements.

Union Commercial Bank Plc. and its subsidiary

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

	Attributable to owners of the Group													
	Share capital		Regulatory reserves		Non-distributable reserve		Fair value reserve		Retained earnings		Other reserve		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at 1 January 2021	80,000,000	320,000,000	1,466,276	5,939,278	25,622,772	103,644,113	431,863	1,749,746	(6,204,292)	(24,700,516)	-	3,193,103	101,316,619	409,825,724
Profit for the year	-	-	-	-	-	-	-	-	13,380,160	54,430,490	-	-	13,380,160	54,430,490
Revaluation loss from Investments in equity instruments designated at FVOCI	-	-	-	-	-	-	(19,002)	(77,300)	-	-	-	-	(19,002)	(77,300)
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(3,644,711)	-	(3,644,711)
Total comprehensive income for the year	-	-	-	-	-	-	(19,002)	(77,300)	13,380,160	54,430,490	-	(3,644,711)	13,361,158	50,708,479
Transactions with owners in their capacity as owners:														
Transfers from regulatory reserves to retained earnings	-	-	(1,466,276)	(5,939,278)	-	-	-	-	1,466,276	5,939,278	-	-	-	-
Currency translation differences	-	5,920,000	-	-	-	743,060	-	-	-	-	-	-	-	6,663,060
Total transactions with owners	-	5,920,000	(1,466,276)	(5,939,278)	-	743,060	-	-	1,466,276	5,939,278	-	-	-	6,663,060
Balance at 31 December 2021	80,000,000	325,920,000	-	-	25,622,772	104,387,173	412,861	1,672,446	8,642,144	35,669,252	-	(451,608)	114,677,777	467,197,263
Balance at 1 January 2022	80,000,000	325,920,000	-	-	25,622,772	104,387,173	412,861	1,672,446	8,642,144	35,669,252	-	(451,608)	114,677,777	467,197,263
Profit for the year	-	-	-	-	-	-	-	-	16,213,131	66,263,065	-	-	16,213,131	66,263,065
Revaluation loss from Investments in equity instruments designated at FVOCI	-	-	-	-	-	-	(7,273)	(29,725)	-	-	-	-	(7,273)	(29,725)
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-	-	875,543	-	875,543
Total comprehensive income for the year	-	-	-	-	-	-	(7,273)	(29,725)	16,213,131	66,263,065	-	875,543	16,205,858	67,108,883
Transactions with owners in their capacity as owners:														
Transfers from regulatory reserves to retained earnings	-	-	175,973	724,481	-	-	-	-	(175,973)	(724,481)	-	-	-	-
Currency translation differences	-	3,440,000	-	-	-	1,101,779	-	-	-	-	-	-	-	4,541,779
Total transactions with owners	-	3,440,000	175,973	724,481	-	1,101,779	-	-	(175,973)	(724,481)	-	-	-	4,541,779
Balance at 31 December 2022	80,000,000	329,360,000	175,973	724,481	25,622,772	105,488,952	405,588	1,642,721	24,679,302	101,207,836	-	423,935	130,883,635	538,847,925

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements.

Union Commercial Bank Plc. and its subsidiary

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

Notes	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities				
Profit before income tax	21,594,968	88,258,634	15,784,427	64,211,048
<i>Adjustments for:</i>				
Provision for employee benefit obligations	(25,145)	(102,768)	(14,573)	(59,283)
Depreciation and amortisation	3,716,307	15,188,547	3,599,012	14,640,781
Impairment losses on financial assets	25 1,893,047	7,736,883	6,352,640	25,842,540
Gains on disposal of property and equipment	(17,672)	(72,225)	(236,808)	(963,335)
Interest income	22 (48,378,785)	(197,724,094)	(40,596,371)	(165,146,037)
Interest expense	23 15,246,802	62,313,680	9,541,974	38,816,750
<i>Changes in working capital:</i>				
Placements of reserve requirement with the central bank	(9,060,248)	(37,029,234)	(902,554)	(3,671,590)
Loans to customers	(113,137,082)	(462,391,254)	(58,206,066)	(236,782,276)
Other assets	214,556	876,890	682,884	2,777,972
Deposits from other banks	(2,113,056)	(8,636,060)	5,379,997	21,885,828
Deposits from non-bank customers	(18,590,205)	(75,978,168)	(113,087,556)	(460,040,178)
Other liabilities	540,949	2,210,859	(118,033)	(480,158)
Cash used in operations	<u>(148,115,564)</u>	<u>(605,348,310)</u>	<u>(171,821,027)</u>	<u>(698,967,938)</u>
Interest received	47,801,695	195,365,527	40,693,139	165,539,689
Interest paid	(19,715,984)	(80,579,227)	(15,446,630)	(62,836,891)
Income tax paid	17 (4,397,698)	(17,973,392)	(830,878)	(3,380,012)
Net cash used in from operating activities	<u>(124,427,551)</u>	<u>(508,535,402)</u>	<u>(147,405,396)</u>	<u>(599,645,152)</u>
Cash flows from investing activities				
Purchases for acquisition of investment in debt securities	(3,995,871)	(16,331,123)	-	-
Purchases of property and equipment	11 (327,344)	(1,337,855)	(812,856)	(3,306,698)
Purchases of intangible assets	10 -	-	(75,604)	(307,557)
Proceeds from sale of property and equipment	160,299	655,142	260,843	1,061,108
Withdrawals of Negotiable Certificate of Deposits with the central bank	2,030,811	8,299,925	-	-
Balances with other banks and financial institutions	(26,988,251)	(110,300,982)	29,920,216	121,715,439
Net cash (used in)/generated from investing activities	<u>(29,120,356)</u>	<u>(119,014,893)</u>	<u>29,292,599</u>	<u>119,162,292</u>
Cash flows from financing activities				
Repayments of borrowings	(244,300,000)	(998,454,098)	(141,358,467)	(551,451,844)
Proceeds from borrowings	383,000,000	1,565,321,002	145,100,000	566,672,400
Principal elements of lease payments	(1,139,878)	(4,658,679)	(1,284,280)	(5,224,451)
Net cash generated from financing activities	<u>137,560,122</u>	<u>562,208,225</u>	<u>2,457,253</u>	<u>9,996,105</u>
Net decrease in cash and cash equivalents	(15,987,785)	(65,342,070)	(115,655,544)	(470,486,755)
Cash and cash equivalents at beginning of the year	92,902,970	378,486,700	208,558,514	843,619,189
Currency translation differences	-	3,515,187	-	5,354,266
Cash and cash equivalents at end of the year	30 <u>76,915,185</u>	<u>316,659,817</u>	<u>92,902,970</u>	<u>378,486,700</u>

The accompanying notes from pages 28 to 137 form an integral part of these consolidated and separate financial statements.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Union Commercial Bank Plc. (the Bank), established on 31 March 1994, is duly registered with the Ministry of Commerce under the registration No. Co. 6800KH/2004, and was granted a renewal of banking licence by the National Bank of Cambodia (NBC) on 28 November 2006 for an indefinite period following the Prakas No. B7-06-207, dated 13 September 2006. On 29 August 2016, the Bank obtained Re-Registration No. 00007085 from the Ministry of Commerce. The Bank is a subsidiary of E.Sun Commercial Bank Ltd., a bank incorporated in Taiwan, Republic of China. The ultimate parent is E.Sun Financial Holding Company Ltd., an entity incorporated in Taiwan and listed on Taiwan Stock Exchange.

The principal activity of the Bank is the provision of all aspects of banking business and related financial services in the Kingdom of Cambodia. As at 31 December 2022, the Bank has a head office and thirteen branches in Phnom Penh and Siem Reap.

The registered office of the Bank is located at No. 441, Preah Monivong Blvd, Sangkat Boeung Pralit, Khan 7 Makara, Phnom Penh, the Kingdom of Cambodia.

URE Land Holding Co., Ltd. (the Subsidiary) is a private limited company, which was registered with the Ministry of Commerce under the registration number 1651 KH/2013, dated 25 July 2013. On 23 June 2016, the Company obtained a new Registration No. 00007111 from the Ministry of Commerce.

The principal activity of the subsidiary is to hold parcels of land and buildings for leasing.

The registered office of the Subsidiary is located at No. 61, 130 Road, Sangkat Phsar Chas, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The consolidated and separate financial statements were authorised for issue by the Board of Directors on 20 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated and separate financial statements have been prepared under the historical cost convention, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

2.2 New and amended standards adopted by the Group and the Bank

The Group and the Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

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

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

2.3 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Bank. These standards are not expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

2.4 Basis of consolidation

(a) Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of a subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Bank.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

(b) Changes in ownership interests (continued)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Investment in subsidiaries

In the Bank's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amount of investments are recognised in the separate statement of profit or loss.

The amounts due from subsidiaries of which the Bank does not expect repayment in the foreseeable future are considered as part of the Bank's investments in subsidiaries.

2.5 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated and separate financial statements of the Group and the Bank are measured using the currency of the primary economic environment in which the Group and the Bank operate (the functional currency). The functional currency is the US\$ because of the significant influence of the US\$ on their operations. The consolidated and separate financial statements are presented in United States dollars (US\$) which is the Group and the Bank's functional and presentation currency.

(ii) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currencies (continued)

(iii) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, the consolidated and separate financial statements shall be expressed in Khmer Riel. The consolidated and separate statements of profit or loss and other comprehensive income and the consolidated and separate statements of cash flows are translated into KHR using the average exchange rates for the year. Assets and liabilities for each consolidated and separate statements of financial position presented and shareholders' capital are translated at the closing rates as at the reporting date. Resulting exchange differences arising from the translation of shareholders' capital is recognised directly in equity; all other resulting exchange differences are recognised in the other comprehensive income.

The Group and the Bank have used the official exchange rate published by the National Bank of Cambodia. As at the reporting date, the yearly average rate was US\$ 1 to Riel 4,087 (2021: US\$ 1 to Riel 4,068) and the closing rate was US\$1 to Riel 4,117 (2021: US\$ 1 to Riel 4,074).

2.6 Cash and cash equivalents

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

2.7 Financial assets

a) Classification

The Group and the Bank classify their financial assets in the following measurement categories:

- those to be measured at amortised cost such as cash on hand, deposits and placements with the central bank and other banks and financial institutions, loans to customers at amortised cost, investment securities, other assets, and
- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss).

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

For assets measured at fair value, gains or losses will either be recorded in profit or loss or OCI. For investment in equity instruments that are held for trading, this will depend on whether the Group or the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(i) Financial assets at fair value through OCI comprise of:

- Equity securities which are not held for trading, and for which the Group or the Bank has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

a) Classification (continued)

- (ii) The Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:
- The asset is held within a business model with the objective of collecting the contractual cash flows, and
 - The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

b) Recognition and derecognition

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

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

c) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group and the Bank's business model for managing the assets and the cash flow characteristics of the assets. The Group and the Bank classify their debt instruments as financial assets measured at amortised cost.

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

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value. Where the Group or the Bank's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group or the Bank's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

d) Reclassification of financial assets

The Group and the Bank reclassify financial assets when and only when their business model for managing those assets changes.

e) Impairment

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

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

The Group and the Bank apply a three-stage approach to measuring ECL for the following categories:

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

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

(a) Stage 1: 12-months ECL

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

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

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

(c) Stage 3: Lifetime ECL – credit impaired

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial liabilities

Financial liabilities are recognised when the Group or the Bank becomes a party to the contractual provision of the instruments. Financial liabilities of the Group and Bank include deposits from other banks, deposits from non-bank customers, borrowings, subordinated debts, debt securities issued, and other financial liabilities.

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

Financial liabilities that are not classified as fair value through profit or loss are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from other banks, deposits from non-bank customers, borrowings, subordinated debts, debt securities issued, and other liabilities.

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

2.9 Credit commitments and financial guarantee contracts

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

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

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

Financial guarantees are initially recognised at fair value and subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under CIFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of CIFRS 15 'Revenue from Contracts with Customers', where appropriate.

2.10 Offsetting financial instruments

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Property and equipment

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

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

Work-in-progress and land is not depreciated. Depreciation on other property and equipment are depreciated using the following methods to allocate their cost to their residual value over their estimated useful lives:

	Years	Depreciation method
Buildings	20 years	Straight-line
Leasehold improvements	Shorter of lease term or 10 years	Straight-line
Office equipment	4 years	Straight-line
Motor vehicles	4 years	Straight-line
IT equipment and computers	4 years	Straight-line

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

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

2.12 Intangible asset

Intangible assets, which comprise acquired computer software licence for the core banking system and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licences are capitalised on the basis of costs incurred to acquire the specific software licence and bring them into use. These costs are amortised over their estimated useful lives of 4 years using the straight-line method. Intangible asset work-in-progress is not amortised.

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

2.13 Impairment of non-financial assets

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

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases

(a) The Group and the Bank as a lessee

As at inception of contract, the Group and the Bank assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments from fixed payments (including in-substance fixed payments), less any lease incentives receivable.

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

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

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

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

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

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

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

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

(a) *The Group and the Bank as a lessee (continued)*

The Group and the Bank remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

(b) *The Group and the Bank as a lessor*

Lease income from operating leases is recognised as income on a straight-line basis over the lease term.

2.15 Non-distributable reserves

The non-distributable reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Group and the Bank.

2.16 Regulatory reserves

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Income tax

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

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in the country where the Group and the Bank operate and generate taxable income.

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

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

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

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

2.18 Provisions

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

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

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

2.19 Employee benefits

i) Short-term employee benefits

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

ii) Pension fund schemes

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

iii) Other long-term employment benefits - seniority payments

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

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

iii) Other long-term employment benefits - seniority payments (continued)

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

The past years of seniority service is classified as long-term employee benefits, except for those payable within 12 months. Past seniority liability is recognised at the present value of defined obligations at the reporting period. The present value of the past seniority payment is determined by discounting the estimated future payments by references to the high-quality corporate bond of the currency that the liability is denominated.

2.20 Interest income and expense

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

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

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

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Fee and commission income

Fees and commissions are recognised as income when all conditions precedent is fulfilled (performance obligations are satisfied, and control is transferred over time or point in time).

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

2.22 Rounding of amounts

Khmer riel amounts disclosed in the consolidated and separate financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Consolidation of entities with less than 50% ownership

URE Land Holding Co., Ltd. is 49% owned of class B shares by the Bank and 51% owned of class A shares by Mr. Yang Ming-Tsai.

Management has concluded that the Bank controls URE Land Holding Co., Ltd., even though it holds less than half of the share capital of this subsidiary. This is because the Bank has the practical ability to direct the relevant activities of URE Land Holding Co., Ltd. unilaterally. In addition, the Bank has a sufficiently dominant voting interest to direct the relevant activities of URE Land Holding Co., Ltd due to the superior rights of class B shares which has the right to appoint, remove and set the remuneration of management over the right of class A shares.

Therefore, the Bank has included 100% of URE Land Holding Co., Ltd's financial statements of into these consolidated financial statements.

(ii) Measurement of allowances for expected credit losses

The Group and the Bank assess on a forward-looking basis the expected credit loss (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from credit commitments (including overdraft and revolving facilities) and financial guarantee contracts. The measurement of allowance for ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(ii) Measurement of allowances for expected credit losses (continued)

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

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL

The management has continuously refreshed the macroeconomic variables annually to reflect the recent economic condition in its forward-looking model for the allowances for expected losses for loans and advances to customers. When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Bank's historical loss experience.

(iii) Determination of whether a property is investment property or property and equipment

The Group and the Bank has a head office building located at ESUN Tower, No. 441, Preah Monivong Blvd., Sangkat Boeng Proluet, Khan Prampir Meakkakra, Phnom Penh, Cambodia., which has a total of 18 floors. The Group and the Bank has used the majority of the building as a property and equipment and partly for rental to third parties temporary until the Bank needs it. However, the different parts of the property cannot be sold separately or leased out separately under finance leases. The Group has used 15 of the 18 floors and to use the remaining floor for its rental to others. Therefore, management has determined that this property may be treated in its entirety as a property and equipment as only an insignificant portion is held for rental income.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. CASH ON HAND

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Current</i>								
US dollars	19,345,998	79,647,474	24,347,070	99,189,963	19,345,998	79,647,474	24,347,070	99,189,963
Khmer Riel	3,867,414	15,922,143	1,679,869	6,843,786	3,867,414	15,922,143	1,679,869	6,843,786
	<u>23,213,412</u>	<u>95,569,617</u>	<u>26,026,939</u>	<u>106,033,749</u>	<u>23,213,412</u>	<u>95,569,617</u>	<u>26,026,939</u>	<u>106,033,749</u>

5. BALANCES WITH THE CENTRAL BANK

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Current</i>								
Settlement accounts	21,305,269	87,713,792	7,363,921	30,000,614	21,305,269	87,713,792	7,363,921	30,000,614
Current accounts	1,324,867	5,454,477	1,247,451	5,082,116	1,324,867	5,454,477	1,247,451	5,082,116
Negotiable certificates of deposit (i)	2,790,183	11,487,184	4,805,384	19,577,134	2,790,183	11,487,184	4,805,384	19,577,134
	<u>25,420,319</u>	<u>104,655,453</u>	<u>13,416,756</u>	<u>54,659,864</u>	<u>25,420,319</u>	<u>104,655,453</u>	<u>13,416,756</u>	<u>54,659,864</u>

- (i) The Group and the Bank pledged NCD with the central bank as collateral for settlement clearing facility. As at 31 December 2022, the Group and the Bank had yet utilised the overdraft on settlement clearing facility.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

(a) By residency status

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Deposits and placements with local banks	36,389,046	149,813,702	59,018,824	240,442,689	34,395,612	141,606,735	57,114,245	232,683,434
Deposits and placements with overseas banks	29,724,408	122,375,388	7,393,866	30,122,610	29,724,408	122,375,387	7,393,866	30,122,611
	66,113,454	272,189,090	66,412,690	270,565,299	64,120,020	263,982,122	64,508,111	262,806,045
Less:								
Allowance for expected credit losses	(893,657)	(3,679,186)	(645,781)	(2,630,912)	(893,657)	(3,679,186)	(645,781)	(2,630,912)
	65,219,797	268,509,904	65,766,909	267,934,387	63,226,363	260,302,936	63,862,330	260,175,133

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (continued)

(b) By account type

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Local banks:								
Savings accounts	1,243,297	5,118,654	102,700	418,400	1,084,633	4,465,434	-	-
Current accounts	301,884	1,242,856	21,088,999	85,916,582	300,014	1,235,158	21,087,120	85,908,927
Fixed deposits	34,843,865	143,452,192	37,827,125	154,107,707	33,010,965	135,906,143	36,027,125	146,774,507
Less:								
Allowance for expected credit loss	(479,380)	(1,973,607)	(571,762)	(2,329,358)	(479,380)	(1,973,608)	(571,762)	(2,329,358)
Total balance with local banks	35,909,666	147,840,095	58,447,062	238,113,331	33,916,232	139,633,127	56,542,483	230,354,076
Overseas banks:								
Savings accounts	16,044,739	66,056,190	1,014,259	4,132,091	16,044,739	66,056,190	1,014,259	4,132,092
Current accounts	13,679,669	56,319,198	6,379,607	25,990,519	13,679,669	56,319,197	6,379,607	25,990,519
Less:								
Allowance for expected credit loss	(414,277)	(1,705,579)	(74,019)	(301,554)	(414,277)	(1,705,578)	(74,019)	(301,554)
Total balance with overseas banks	29,310,131	120,669,809	7,319,847	29,821,056	29,310,131	120,669,809	7,319,847	29,821,057
	65,219,797	268,509,904	65,766,909	267,934,387	63,226,363	260,302,936	63,862,330	260,175,133

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (continued)

(c) By maturity

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	65,219,797	268,509,904	65,766,909	267,934,387	63,226,363	260,302,936	63,862,330	260,175,133
Non-current	-	-	-	-	-	-	-	-
	<u>65,219,797</u>	<u>268,509,904</u>	<u>65,766,909</u>	<u>267,934,387</u>	<u>63,226,363</u>	<u>260,302,936</u>	<u>63,862,330</u>	<u>260,175,133</u>

Annual interest rates of deposits and place with other banks and financial institutions are as follows:

	2022	2021
Current accounts	Nil	Nil
Savings accounts	0.2% - 0.5%	0.5%
Fixed deposits	1.5% - 5.25%	1.3% - 3%

7. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Current</i>								
Reserve requirement (i)	49,331,846	203,099,210	40,271,598	164,066,490	49,331,846	203,099,210	40,271,598	164,066,490
<i>Non-current</i>								
Capital guarantee deposits (ii)	8,026,214	33,043,923	8,001,951	32,599,949	8,026,214	33,043,923	8,001,951	32,599,949
	<u>57,358,060</u>	<u>236,143,133</u>	<u>48,273,549</u>	<u>196,666,439</u>	<u>57,358,060</u>	<u>236,143,133</u>	<u>48,273,549</u>	<u>196,666,439</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. STATUTORY DEPOSITS WITH THE CENTRAL BANK (continued)

(i) Reserve requirement

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

(ii) Capital guarantee deposits

Pursuant to Prakas No. B7-01-136 on Bank's Capital Guarantee dated 15 October 2001 issued by the central bank, banks are required to maintain 10% of its paid-up capital as a statutory deposit with the central bank. The deposit, which is not available for use in the Group and the Bank's day-to-day operations, is refundable should the Group and the Bank voluntarily cease its operations in Cambodia.

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

	<u>2022</u>	<u>2021</u>
Reserve requirement	Nil	Nil
Capital guarantee	0.08%-1.19%	0.06%-0.04%

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8. LOANS TO CUSTOMERS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost</i>								
<i>Commercial loans:</i>								
Term loans	97,068,237	399,629,932	93,941,673	382,718,376	97,068,237	399,629,932	93,941,673	382,718,376
Overdraft loans	2,365,980	9,740,740	2,949,401	12,015,860	2,365,980	9,740,740	2,949,401	12,015,860
Trust receipts	19,417,471	79,941,728	7,407,167	30,176,798	19,417,471	79,941,728	7,407,167	30,176,798
Other commercial loans	19,108,325	78,668,974	10,618,711	43,260,629	19,108,325	78,668,974	10,618,711	43,260,629
	<u>137,960,013</u>	<u>567,981,374</u>	<u>114,916,952</u>	<u>468,171,663</u>	<u>137,960,013</u>	<u>567,981,374</u>	<u>114,916,952</u>	<u>468,171,663</u>
<i>Consumer Loans:</i>								
Term loans	329,830,524	1,357,912,267	296,959,891	1,209,814,595	329,830,524	1,357,912,267	296,959,891	1,209,814,595
Overdraft loans	34,850,778	143,480,653	25,192,300	102,633,430	34,850,778	143,480,653	25,192,300	102,633,430
Credit card facilities	7,142,009	29,403,651	5,088,176	20,729,229	7,142,009	29,403,651	5,088,176	20,729,229
Other commercial loans	169,103,617	696,199,591	125,882,582	512,845,639	169,103,617	696,199,591	125,882,582	512,845,639
	<u>540,926,928</u>	<u>2,226,996,162</u>	<u>453,122,949</u>	<u>1,846,022,893</u>	<u>540,926,928</u>	<u>2,226,996,162</u>	<u>453,122,949</u>	<u>1,846,022,893</u>
Total gross loans	678,886,941	2,794,977,536	568,039,901	2,314,194,556	678,886,941	2,794,977,536	568,039,901	2,314,194,556
Less: Allowances for expected credit losses (Note 35.1(f)(i))	<u>(9,069,374)</u>	<u>(37,338,613)</u>	<u>(10,709,341)</u>	<u>(43,629,855)</u>	<u>(9,069,374)</u>	<u>(37,338,613)</u>	<u>(10,709,341)</u>	<u>(43,629,855)</u>
	<u>669,817,567</u>	<u>2,757,638,923</u>	<u>557,330,560</u>	<u>2,270,564,701</u>	<u>669,817,567</u>	<u>2,757,638,923</u>	<u>557,330,560</u>	<u>2,270,564,701</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8. LOANS TO CUSTOMERS (continued)

(a) Allowances for expected credit losses on loans to customers

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	(7,806,418)	(32,139,023)	(10,547,475)	(42,970,413)	(7,806,418)	(32,139,023)	(10,547,475)	(42,970,413)
Lifetime ECL - not credit impaired (Stage 2)	(438,535)	(1,805,449)	(117,589)	(479,058)	(438,535)	(1,805,449)	(117,589)	(479,058)
Lifetime ECL - credit impaired (Stage 3)	(824,421)	(3,394,141)	(44,277)	(180,384)	(824,421)	(3,394,141)	(44,277)	(180,384)
	<u>(9,069,374)</u>	<u>(37,338,613)</u>	<u>(10,709,341)</u>	<u>(43,629,855)</u>	<u>(9,069,374)</u>	<u>(37,338,613)</u>	<u>(10,709,341)</u>	<u>(43,629,855)</u>

(b) Analysis by industry

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Financial institutions	41,623,188	171,362,665	27,357,399	111,454,044	41,623,188	171,362,665	27,357,399	111,454,044
Construction	8,724,226	35,917,638	5,325,356	21,695,500	8,724,226	35,917,638	5,325,356	21,695,500
Agriculture	12,351,022	50,849,158	8,149,188	33,199,792	12,351,022	50,849,158	8,149,188	33,199,792
Household	327,591,707	1,348,695,058	276,443,918	1,126,232,522	327,591,707	1,348,695,058	276,443,918	1,126,232,522
Manufacturing	10,106,051	41,606,612	3,654,113	14,886,856	10,106,051	41,606,612	3,654,113	14,886,856
Real estate	141,572,516	582,854,048	128,859,384	524,973,130	141,572,516	582,854,048	128,859,384	524,973,130
Retail trade	22,162,950	91,244,865	7,697,071	31,357,867	22,162,950	91,244,865	7,697,071	31,357,867
Wholesale trade	7,725,580	31,806,213	7,059,643	28,760,986	7,725,580	31,806,213	7,059,643	28,760,986
Others	107,029,701	440,641,279	103,493,829	421,633,859	107,029,701	440,641,279	103,493,829	421,633,859
	<u>678,886,941</u>	<u>2,794,977,536</u>	<u>568,039,901</u>	<u>2,314,194,556</u>	<u>678,886,941</u>	<u>2,794,977,536</u>	<u>568,039,901</u>	<u>2,314,194,556</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8. LOANS TO CUSTOMERS (continued)

(c) Analysis by loan classification

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>								
Gross amount	669,165,260	2,754,953,375	560,037,360	2,281,592,204	669,165,260	2,754,953,375	560,037,360	2,281,592,204
Exposure at default	669,165,260	2,754,953,375	560,037,360	2,281,592,204	669,165,260	2,754,953,375	560,037,360	2,281,592,204
Allowances for expected credit losses	(7,806,418)	(32,139,023)	(10,547,475)	(42,970,413)	(7,806,418)	(32,139,023)	(10,547,475)	(42,970,413)
<i>Under-performing</i>								
Gross amount	6,111,933	25,162,828	7,942,336	32,357,077	6,111,933	25,162,828	7,942,336	32,357,077
Exposure at default	6,111,933	25,162,828	7,942,336	32,357,077	6,111,933	25,162,828	7,942,336	32,357,077
Allowances for expected credit losses	(438,535)	(1,805,449)	(117,589)	(479,058)	(438,535)	(1,805,449)	(117,589)	(479,058)
<i>Non-performing</i>								
Gross amount	3,609,748	14,861,333	60,205	245,275	3,609,748	14,861,333	60,205	245,275
Exposure at default	3,609,748	14,861,333	60,205	245,275	3,609,748	14,861,333	60,205	245,275
Allowances for expected credit losses	(824,421)	(3,394,141)	(44,277)	(180,384)	(824,421)	(3,394,141)	(44,277)	(180,384)
Total								
Gross amount	678,886,941	2,794,977,536	568,039,901	2,314,194,556	678,886,941	2,794,977,536	568,039,901	2,314,194,556
Exposure at default	678,886,941	2,794,977,536	568,039,901	2,314,194,556	678,886,941	2,794,977,536	568,039,901	2,314,194,556
Allowances for expected credit losses	(9,069,374)	(37,338,613)	(10,709,341)	(43,629,855)	(9,069,374)	(37,338,613)	(10,709,341)	(43,629,855)

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8. LOANS TO CUSTOMERS (continued)

(d) Analysis by maturity

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	119,471,407	491,863,783	89,488,696	364,576,948	119,471,407	491,863,783	89,488,696	364,576,948
Later than 1 year and no later than 3 years	69,026,248	284,181,063	83,701,253	340,998,905	69,026,248	284,181,063	83,701,253	340,998,905
Later than 3 years and no later than 5 years	138,306,002	569,405,810	92,920,187	378,556,842	138,306,002	569,405,810	92,920,187	378,556,842
Later than 5 years	352,083,284	1,449,526,880	301,929,765	1,230,061,862	352,083,284	1,449,526,880	301,929,765	1,230,061,861
Total gross loans	678,886,941	2,794,977,536	568,039,901	2,314,194,557	678,886,941	2,794,977,536	568,039,901	2,314,194,556

(e) Analysis by exposure

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Large exposure	91,604,800	377,136,962	73,222,652	298,309,084	91,604,800	377,136,962	73,222,652	298,309,084
Non-large exposure	587,282,141	2,417,840,574	494,817,249	2,015,885,472	587,282,141	2,417,840,574	494,817,249	2,015,885,472
Total gross loans	678,886,941	2,794,977,536	568,039,901	2,314,194,556	678,886,941	2,794,977,536	568,039,901	2,314,194,556

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8. LOANS TO CUSTOMERS (continued)

(f) Analysis by relationship

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Related parties (Note 33(b))	124,340	511,908	30,835	125,621	124,340	511,908	30,835	125,621
Non-related parties	678,762,601	2,794,465,628	568,009,066	2,314,068,935	678,762,601	2,794,465,628	568,009,066	2,314,068,935
Total gross loans	678,886,941	2,794,977,536	568,039,901	2,314,194,556	678,886,941	2,794,977,536	568,039,901	2,314,194,556

(g) Analysis by residency

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Residents	676,079,551	2,783,419,511	564,247,152	2,298,742,897	676,079,551	2,783,419,511	564,247,152	2,298,742,897
Non-residents	2,807,390	11,558,025	3,792,749	15,451,659	2,807,390	11,558,025	3,792,749	15,451,659
Total gross loans	678,886,941	2,794,977,536	568,039,901	2,314,194,556	678,886,941	2,794,977,536	568,039,901	2,314,194,556

(h) Interest rate

These loans to customers earn annual interest rates as follows:

	2022	2021
Term loans	3% - 15%	3% - 15%
Overdraft loans	5% - 9.5%	5% - 9.5%
Trust receipts	6.1% - 8.92%	5.19% - 8.5%
Other commercial loans	3% - 24%	3% - 24%

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. INVESTMENT SECURITIES

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current								
<i>Debt investment at amortised cost:</i>								
<i>Listed government bond</i>								
Ministry of Economy and Finance	998,692	4,111,615	-	-	998,692	4,111,615	-	-
Non-current								
<i>Unlisted corporate bond</i>								
Cambodia Airport Investment Co., Ltd.	3,004,356	12,368,934	-	-	3,004,356	12,368,934	-	-
Total debt investment at amortised cost	4,003,048	16,480,549	-	-	4,003,048	16,480,549	-	-
Non-current								
<i>Equity investment at FVOCI:</i>								
<i>Listed securities</i>								
Visa Inc. (*)	541,788	2,230,541	543,918	2,215,922	541,788	2,230,541	543,918	2,215,922
<i>Unlisted securities</i>								
Credit bureau (Cambodia) Co., Ltd.	150,000	617,550	150,000	611,100	150,000	617,550	150,000	611,100
Total equity investment at FVOCI	691,788	2,848,091	693,918	2,827,022	691,788	2,848,091	693,918	2,827,022
	4,694,836	19,328,640	693,918	2,827,022	4,694,836	19,328,640	693,918	2,827,022

(*) During the year, the revaluation loss from investment in equity investment amounting to US\$7,273 (2021: US\$19,002) were recognised in other comprehensive income. Dividends are received from equity investment at fair value through other comprehensive income (FVOCI) of US\$2,811 (2021: US\$2,373) and recognised as other operating income in profit or loss.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

10. INTANGIBLE ASSETS

	Consolidated financial statements		Separate financial statements	
	Computer software US\$	Total US\$	Computer software US\$	Total US\$
As at 1 January 2021				
Cost	3,502,629	3,502,629	3,501,771	3,501,771
Accumulated amortisation	(2,931,984)	(2,931,984)	(2,931,126)	(2,931,126)
Net book value	570,645	570,645	570,645	570,645
<i>In KHR'000 equivalents</i>	2,324,808	2,324,808	2,324,808	2,324,808
For the year ended 31 December 2021				
Opening net book value	570,645	570,645	570,645	570,645
Additions	75,604	75,604	75,604	75,604
Amortisation charges	(198,170)	(198,170)	(198,170)	(198,170)
Closing net book value	448,079	448,079	448,079	448,079
As at 31 December 2021				
Cost	3,575,733	3,575,733	3,574,875	3,574,875
Accumulated amortisation	(3,127,654)	(3,127,654)	(3,126,796)	(3,126,796)
Net book value	448,079	448,079	448,079	448,079
<i>In KHR'000 equivalent</i>	1,825,474	1,825,474	1,825,474	1,825,474
	Consolidated financial statements		Separate financial statements	
	Computer software US\$	Total US\$	Computer software US\$	Total US\$
As at 1 January 2022				
Cost	3,575,733	3,575,733	3,574,875	3,574,875
Accumulated amortisation	(3,127,654)	(3,127,654)	(3,126,796)	(3,126,796)
Net book value	448,079	448,079	448,079	448,079
<i>In KHR'000 equivalents</i>	1,844,741	1,844,741	1,844,741	1,844,741
For the year ended 31 December 2022				
Opening net book value	448,079	448,079	448,079	448,079
Amortisation charges	(199,674)	(199,674)	(199,674)	(199,674)
Closing net book value	248,405	248,405	248,405	248,405
As at 31 December 2022				
Cost	3,575,733	3,575,733	3,574,875	3,574,875
Accumulated amortisation	(3,327,328)	(3,327,328)	(3,326,470)	(3,326,470)
Net book value	248,405	248,405	248,405	248,405
<i>In KHR'000 equivalent</i>	1,022,683	1,022,683	1,022,683	1,022,683

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. PROPERTY AND EQUIPMENT

	Consolidated financial statements						Total US\$
	Freehold land US\$	Buildings US\$	Leasehold improvements US\$	Office equipment US\$	Motor vehicles US\$	IT equipment and computers US\$	
As at 1 January 2021							
Cost	8,579,170	25,699,735	10,960,567	2,235,627	1,474,698	3,319,515	52,269,312
Accumulated depreciation	-	(3,720,218)	(3,642,326)	(1,610,616)	(1,311,916)	(2,472,887)	(12,757,963)
Net book value	8,579,170	21,979,517	7,318,241	625,011	162,782	846,628	39,511,349
<i>In KHR'000 equivalents</i>	34,702,743	88,907,146	29,602,285	2,528,169	658,453	3,424,610	159,823,406
For the year ended 31 December 2021							
Opening net book value	8,579,170	21,979,517	7,318,241	625,011	162,782	846,628	39,511,349
Additions	-	1,116,800	276,903	157,053	53,400	325,500	1,929,656
Disposal	-	-	-	(184)	(23,851)	-	(24,035)
Depreciation charges	-	(1,251,130)	(1,055,644)	(210,693)	(63,379)	(292,548)	(2,873,394)
Closing net book value	8,579,170	21,845,187	6,539,500	571,187	128,952	879,580	38,543,576
As at 31 December 2021							
Cost	8,579,170	26,816,535	11,237,470	2,336,059	851,091	3,590,454	53,410,779
Accumulated depreciation	-	(4,971,348)	(4,697,970)	(1,764,872)	(722,139)	(2,710,874)	(14,867,203)
Net book value	8,579,170	21,845,187	6,539,500	571,187	128,952	879,580	38,543,576
<i>In KHR'000 equivalent</i>	34,951,539	88,997,292	26,641,923	2,327,016	525,350	3,583,409	157,026,529

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. PROPERTY AND EQUIPMENT (continued)

	Consolidated financial statements						
	Land US\$	Buildings US\$	Leasehold improvements US\$	Furniture and fittings US\$	IT equipment US\$	Motor vehicles US\$	Total US\$
As at 1 January 2022							
Cost	8,579,170	26,816,535	11,237,470	2,336,059	851,091	3,590,454	53,410,779
Accumulated depreciation	-	(4,971,348)	(4,697,970)	(1,764,872)	(722,139)	(2,710,874)	(14,867,203)
Net book value	8,579,170	21,845,187	6,539,500	571,187	128,952	879,580	38,543,576
<i>In KHR'000 equivalents</i>	34,951,539	88,997,292	26,641,923	2,327,016	525,350	3,583,409	157,026,529
For the year ended 31 December 2022							
Opening net book value	8,579,170	21,845,187	6,539,500	571,187	128,952	879,580	38,543,576
Additions	-	-	230,310	31,699	6,050	59,285	327,344
Disposal	-	-	(137,321)	(1,675)	-	(3,632)	(142,628)
Reclassification	913,745	(913,745)	-	-	-	-	-
Depreciation charges	-	(1,260,438)	(1,060,377)	(227,033)	(61,497)	(353,575)	(2,962,920)
Closing net book value	9,492,915	19,671,004	5,572,112	374,178	73,505	581,658	35,765,372
As at 31 December 2022							
Cost	9,492,915	25,902,790	11,116,371	2,270,466	673,046	3,621,131	53,076,719
Accumulated depreciation	-	(6,231,786)	(5,544,259)	(1,896,288)	(599,541)	(3,039,473)	(17,311,347)
Net book value	9,492,915	19,671,004	5,572,112	374,178	73,505	581,658	35,765,372
<i>In KHR'000 equivalent</i>	39,082,331	80,985,523	22,940,385	1,540,491	302,620	2,394,687	147,246,037

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. PROPERTY AND EQUIPMENT (continued)

	Separate financial statements					
	Buildings US\$	Building improvements US\$	Office equipment US\$	Motor vehicles US\$	IT equipment and computers US\$	Total US\$
As at 1 January 2021						
Cost	24,942,255	10,960,567	2,235,627	1,474,698	3,319,515	42,932,662
Accumulated depreciation	(3,474,097)	(3,642,326)	(1,610,616)	(1,311,918)	(2,472,887)	(12,511,844)
Net book value	21,468,158	7,318,241	625,011	162,780	846,628	30,420,818
<i>In KHR'000 equivalents</i>	86,838,699	29,602,285	2,528,169	658,445	3,424,610	123,052,208
For the year ended 31 December 2021						
Opening net book value	21,468,158	7,318,241	625,011	162,780	846,628	30,420,818
Additions	-	276,903	157,053	53,400	325,500	812,856
Disposal	-	-	(184)	(23,851)	-	(24,035)
Depreciation charges	(1,212,410)	(1,055,644)	(210,693)	(63,379)	(292,548)	(2,834,674)
Closing net book value	20,255,748	6,539,500	571,187	128,950	879,580	28,374,965
As at 31 December 2021						
Cost	24,942,255	11,237,470	2,336,059	851,091	3,590,454	42,957,329
Accumulated depreciation	(4,686,507)	(4,697,970)	(1,764,872)	(722,141)	(2,710,874)	(14,582,364)
Net book value	20,255,748	6,539,500	571,187	128,950	879,580	28,374,965
<i>In KHR'000 equivalent</i>	82,521,917	26,641,923	2,327,016	525,342	3,583,409	115,599,607

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. PROPERTY AND EQUIPMENT (continued)

	Separate financial statements					
	Buildings US\$	Leasehold improvements US\$	Furniture and fittings US\$	IT equipment US\$	Motor vehicles US\$	Total US\$
As at 1 January 2022						
Cost	24,942,255	11,237,470	2,336,059	851,091	3,590,454	42,957,329
Accumulated depreciation	(4,686,507)	(4,697,970)	(1,764,872)	(722,141)	(2,710,874)	(14,582,364)
Net book value	29,628,762	15,935,440	4,100,931	1,573,232	6,301,328	57,539,693
<i>In KHR'000 equivalents</i>	120,707,576	64,920,983	16,707,193	6,409,347	25,671,610	234,416,709
For the year ended 31 December 2022						
Opening net book value	29,628,762	15,935,440	4,100,931	1,573,232	6,301,328	57,539,693
Additions	-	230,310	31,699	6,050	59,285	327,344
Disposal	-	(137,321)	(1,675)	-	(3,632)	(142,628)
Depreciation charges	(1,212,410)	(1,060,378)	(227,033)	(61,497)	(353,575)	(2,914,893)
Closing net book value	28,416,352	14,968,051	3,903,922	1,517,785	6,003,406	54,809,516
As at 31 December 2022						
Cost	24,942,255	11,116,371	2,270,466	673,046	3,621,131	42,623,269
Accumulated depreciation	(5,898,917)	(5,544,260)	(1,896,288)	(599,543)	(3,039,473)	(16,978,481)
Net book value	19,043,338	5,572,111	374,178	73,503	581,658	25,644,788
<i>In KHR'000 equivalent</i>	78,401,423	22,940,381	1,540,491	302,612	2,394,685	105,579,592

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. LEASES

This note provides information for leases where the Group and the Bank are the lessees.

The Group and the Bank lease various buildings for its head office and branch operations. Rental contracts are typically made for fixed periods of 2 to 20 years.

(i) Amounts recognised in the consolidated and separate statements of financial position

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>								
Buildings	1,275,090	5,249,546	2,908,431	11,848,948	6,983,852	28,752,519	7,901,098	32,189,073
	<u>1,275,090</u>	<u>5,249,546</u>	<u>2,908,431</u>	<u>11,848,948</u>	<u>6,983,852</u>	<u>28,752,519</u>	<u>7,901,098</u>	<u>32,189,073</u>
<i>Lease liabilities</i>								
Current	556,729	2,292,053	465,127	1,894,927	595,320	2,450,932	474,553	1,933,329
Non-current	1,060,480	4,365,996	3,145,592	12,815,142	8,440,375	34,749,024	9,427,967	38,409,537
	<u>1,617,209</u>	<u>6,658,049</u>	<u>3,610,719</u>	<u>14,710,069</u>	<u>9,035,695</u>	<u>37,199,956</u>	<u>9,902,520</u>	<u>40,342,866</u>

Right-of-use assets' additions for the Group and the Bank during the year were US\$198,890 (2021: US\$474,445).

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. LEASES (continued)

(ii) Amounts recognised in the consolidated and separate statements of profit or loss and other comprehensive income

The consolidated and separate statements of profit or loss and other comprehensive income shows the following amounts relating to leases:

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Depreciation of right-of-use assets</i>								
Buildings	423,512	1,743,599	444,534	1,811,032	601,740	2,477,364	555,169	2,261,759
Vehicles	-	-	11,000	44,814	-	-	11,000	44,814
	<u>423,512</u>	<u>1,743,599</u>	<u>455,534</u>	<u>1,855,846</u>	<u>601,740</u>	<u>2,477,364</u>	<u>566,169</u>	<u>2,306,573</u>
Interest expenses	222,087	914,332	366,186	1,491,842	783,667	3,226,357	820,163	3,341,344
Expense relating to leases of low value assets (including in operating expenses)	176,089	724,958	110,965	452,071	176,089	719,676	110,965	451,406
	<u>398,176</u>	<u>1,639,290</u>	<u>477,151</u>	<u>1,943,913</u>	<u>959,756</u>	<u>3,946,033</u>	<u>931,128</u>	<u>3,792,750</u>

The total cash outflow for leases for the consolidated financial statements for the year ended 31 December 2022 was US\$601,718 for principal portion (2021: US\$724,342) and US\$222,087 for interest portion (2021: US\$275,165) and for the separate financial statements for the year ended 31 December 2022 was US\$1,139,878 for principal portion (2021: US\$1,284,280) and US\$783,667 for interest portion (2021: US\$820,163).

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. DEFERRED TAX ASSETS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Non-current								
Deferred tax assets	2,976,946	12,256,087	3,066,228	12,491,814	3,298,796	13,581,143	3,319,401	13,523,240
Deferred tax liabilities	(263,548)	(1,085,027)	(125,760)	(512,347)	(263,548)	(1,085,027)	(125,760)	(512,347)
Deferred tax assets - net	2,713,398	11,171,060	2,940,468	11,979,467	3,035,248	12,496,116	3,193,641	13,010,893

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

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At 1 January	2,940,468	11,979,467	1,838,955	7,491,903	3,193,641	13,010,893	1,836,112	7,427,073
Charged to profit or loss	(227,070)	(928,035)	1,101,513	4,480,955	(158,393)	(647,352)	1,357,529	5,522,428
Currency translation differences	-	119,628	-	6,609	-	132,575	-	61,392
At 31 December	2,713,398	11,171,060	2,940,468	11,979,467	3,035,248	12,496,116	3,193,641	13,010,893

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets:

	Consolidated financial statement					
	Impairment loss on financial assets US\$	Leases US\$	Unamortised loan processing fees US\$	Accelerated depreciation US\$	Employee benefits obligation US\$	Total US\$
At 1 January 2021	1,552,454	150,425	596,882	-	73,569	2,373,330
(Charged)/credited to profit or loss	282,294	(39,705)	265,349	187,875	(2,915)	692,898
At 31 December 2021	1,834,748	110,720	862,231	187,875	70,654	3,066,228
<i>In KHR'000 equivalent</i>	7,474,763	451,073	3,512,729	765,403	287,846	12,491,814
At 1 January 2022	1,834,748	110,720	862,231	187,875	70,654	3,066,228
(Charged)/credited to profit or loss	16,115	(57,724)	(135,989)	93,344	(5,028)	(89,282)
At 31 December 2022	1,850,863	52,996	726,242	281,219	65,626	2,976,946
<i>In KHR'000 equivalent</i>	7,620,003	218,185	2,989,938	1,157,779	270,182	12,256,087

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets (continued):

	Separate financial statement					
	Impairment loss on financial assets US\$	Leases US\$	Unamortised loan processing fees US\$	Accelerated depreciation US\$	Employee benefits obligation US\$	Total US\$
At 1 January 2021	1,552,454	150,425	596,882	-	73,569	2,373,330
(Charged)/credited to profit or loss	282,294	213,468	265,349	187,875	(2,915)	946,071
At 31 December 2021	1,834,748	363,893	862,231	187,875	70,654	3,319,401
<i>In KHR'000 equivalent</i>	7,474,763	1,482,500	3,512,729	765,403	287,845	13,523,240
At 1 January 2022	1,834,748	363,893	862,231	187,875	70,654	3,319,401
(Charged)/credited to profit or loss	16,115	10,953	(135,989)	93,344	(5,028)	(20,605)
At 31 December 2022	1,850,863	374,846	726,242	281,219	65,626	3,298,796
<i>In KHR'000 equivalent</i>	7,620,003	1,543,241	2,989,938	1,157,779	270,182	13,581,143

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. DEFERRED TAX ASSETS (continued)

Deferred tax liabilities:

	Consolidated financial statements				Separate financial statements			
	Equity investment at FVOCI US\$	Unrealised exchange gain US\$	Accelerated depreciation US\$	Total US\$	Equity investment at FVOCI US\$	Unrealised exchange gain US\$	Accelerated depreciation US\$	Total US\$
As at 1 January 2021	113,534	(5,159)	225,831	334,206	113,534	(5,159)	225,831	334,206
(Credited)/charged to profit or loss	(10,221)	27,606	(225,831)	(208,446)	(10,221)	27,606	(225,831)	(208,446)
As at 31 December 2021	103,313	22,447	-	125,760	103,313	22,447	-	125,760
<i>In KHR'000 equivalent</i>	420,897	91,450	-	512,347	420,897	91,450	-	512,347
As at 1 January 2022	103,313	108,358	-	211,671	103,313	108,358	-	211,671
Charged to profit or loss	5,045	46,832	-	51,877	5,045	46,832	-	51,877
As at 31 December 2022	108,358	155,190	-	263,548	108,358	155,190	-	263,548
<i>In KHR'000 equivalent</i>	446,110	638,917	-	1,085,027	446,110	638,917	-	1,085,027

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

14. OTHER ASSETS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Prepayments and deposits	3,133,976	12,902,579	3,396,188	13,836,070	3,133,211	12,899,430	3,396,188	13,836,070
Others	193,336	795,965	121,165	493,626	140,507	578,467	92,090	375,175
	<u>3,327,312</u>	<u>13,698,544</u>	<u>3,517,353</u>	<u>14,329,696</u>	<u>3,273,718</u>	<u>13,477,897</u>	<u>3,488,278</u>	<u>14,211,245</u>

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	2,870,112	11,816,251	3,060,153	12,467,063	2,816,518	11,595,605	3,031,078	12,348,612
Non-current	457,200	1,882,293	457,200	1,862,633	457,200	1,882,292	457,200	1,862,633
	<u>3,327,312</u>	<u>13,698,544</u>	<u>3,517,353</u>	<u>14,329,696</u>	<u>3,273,718</u>	<u>13,477,897</u>	<u>3,488,278</u>	<u>14,211,245</u>

15. DEPOSITS FROM OTHER BANKS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current accounts	1,179,595	4,856,392	1,508,681	6,146,366	1,179,595	4,856,392	1,508,681	6,146,366
Savings accounts	9,472,409	38,997,908	38,617,311	157,326,925	9,472,409	38,997,908	38,617,311	157,326,925
Fixed deposits	34,433,792	141,763,922	6,077,883	24,761,296	34,433,792	141,763,922	6,077,883	24,761,296
	<u>45,085,796</u>	<u>185,618,222</u>	<u>46,203,875</u>	<u>188,234,587</u>	<u>45,085,796</u>	<u>185,618,222</u>	<u>46,203,875</u>	<u>188,234,587</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15. DEPOSITS FROM OTHER BANKS (continued)

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	45,085,796	185,618,222	46,203,875	188,234,587	45,085,796	185,618,222	46,203,875	188,234,587
Non-current	-	-	-	-	-	-	-	-
	45,085,796	185,618,222	46,203,875	188,234,587	45,085,796	185,618,222	46,203,875	188,234,587

Annual interest rates for deposits from customers are as follows:

	2022	2021
Current accounts	Nil	Nil
Savings accounts	0.2% - 0.5%	0.2% - 0.5%
Fixed deposits	1.5% - 5.25%	0.30%-4.5%

16. DEPOSITS FROM NON-BANK CUSTOMERS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Fixed deposits	234,893,905	967,058,207	196,079,167	798,826,526	234,893,905	967,058,207	196,079,167	798,826,526
Savings accounts	154,128,371	634,546,503	187,345,260	763,244,589	154,313,292	635,307,823	187,820,242	765,179,666
Current accounts	40,390,520	166,287,771	70,546,515	287,406,502	40,405,363	166,348,880	70,556,541	287,447,348
Margin deposits (*)	-	-	1,027,198	4,184,805	-	-	1,027,198	4,184,805
	429,412,796	1,767,892,481	454,998,140	1,853,662,422	429,612,560	1,768,714,910	455,483,148	1,855,638,345

(*) Margin deposits represent the aggregate balances of required non-interest-bearing cash deposits from customers for letters of credit and guarantee.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16. DEPOSITS FROM NON-BANK CUSTOMERS (continued)

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	415,266,593	1,709,652,563	446,727,764	1,819,968,911	415,466,357	1,710,474,992	447,212,772	1,821,944,833
Non-current	14,146,203	58,239,918	8,270,376	33,693,511	14,146,203	58,239,918	8,270,376	33,693,512
	<u>429,412,796</u>	<u>1,767,892,481</u>	<u>454,998,140</u>	<u>1,853,662,422</u>	<u>429,612,560</u>	<u>1,768,714,910</u>	<u>455,483,148</u>	<u>1,855,638,345</u>
	2022	2021						
Current accounts	Nil	Nil						
Savings accounts	0.2% - 0.5%	0.5%						
Fixed deposits	2% - 7.5%	2% - 4.5%						
Margin deposits	0%	1.5% - 3%						

17. CURRENT INCOME TAX LIABILITIES

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At 1 January	3,448,131	14,195,955	531,894	2,163,745	3,403,955	14,014,083	477,789	1,946,512
Current income tax expense (Note 29)	5,276,110	21,563,461	3,807,238	15,487,844	5,228,587	21,369,235	3,757,044	15,283,655
Income tax paid	(4,452,805)	(18,198,614)	(891,001)	(3,624,592)	(4,397,698)	(17,973,392)	(830,878)	(3,380,012)
Currency translation differences	-	24,700	-	20,689	-	24,927	-	17,558
At 31 December	<u>4,271,436</u>	<u>17,585,502</u>	<u>3,448,131</u>	<u>14,047,686</u>	<u>4,234,844</u>	<u>17,434,853</u>	<u>3,403,955</u>	<u>13,867,713</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

18. BORROWINGS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Borrowings at amortised cost</i>								
<i>Current</i>								
Parent bank	105,089,692	432,654,262	75,039,148	305,709,489	105,089,692	432,654,262	75,039,148	305,709,489
Oversea banks	100,695,811	414,564,654	20,100,000	81,887,400	100,695,811	414,564,654	20,100,000	81,887,400
	<u>205,785,503</u>	<u>847,218,916</u>	<u>95,139,148</u>	<u>387,596,889</u>	<u>205,785,503</u>	<u>847,218,916</u>	<u>95,139,148</u>	<u>387,596,889</u>
<i>Non-current</i>								
Parent bank	12,010,351	49,446,615	-	-	12,010,351	49,446,615	-	-
Oversea banks	9,721,332	40,022,724	10,013,638	40,795,561	-	-	-	-
Local banks	2,000,000	8,234,000	2,000,000	8,148,000	-	-	-	-
	<u>23,731,683</u>	<u>97,703,339</u>	<u>12,013,638</u>	<u>48,943,561</u>	<u>12,010,351</u>	<u>49,446,615</u>	<u>-</u>	<u>-</u>
	<u>229,517,186</u>	<u>944,922,255</u>	<u>107,152,786</u>	<u>436,540,450</u>	<u>217,795,854</u>	<u>896,665,531</u>	<u>95,139,148</u>	<u>387,596,889</u>

These borrowings are unsecured and have terms ranging from 1 month to 24 months and interest rates ranging from 0.86% to 6.23% (2021: 0.84% to 5.14%).

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Principal	228,714,287	941,616,720	107,100,000	436,325,400	217,000,000	893,389,000	95,100,000	387,437,400
Interest payables	802,899	3,305,535	52,786	215,050	795,854	3,276,531	39,148	159,489
	<u>229,517,186</u>	<u>944,922,255</u>	<u>107,152,786</u>	<u>436,540,450</u>	<u>217,795,854</u>	<u>896,665,531</u>	<u>95,139,148</u>	<u>387,596,889</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

19. OTHER LIABILITIES

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Accrued credit card	1,972,640	8,121,359	964,859	3,930,836	1,972,640	8,121,359	964,859	3,930,836
Accrued bonus	1,226,869	5,051,020	1,479,437	6,027,226	1,226,869	5,051,020	1,479,437	6,027,226
Other taxes payables	428,269	1,763,183	263,868	1,074,998	411,366	1,693,594	254,265	1,035,876
Accounts payable	475,887	1,959,227	459,357	1,871,420	475,887	1,959,227	459,357	1,871,420
Others	1,331,540	5,481,950	2,323,915	9,467,630	1,412,896	5,816,892	1,418,830	5,780,313
	<u>5,435,205</u>	<u>22,376,739</u>	<u>5,491,436</u>	<u>22,372,110</u>	<u>5,499,658</u>	<u>22,642,092</u>	<u>4,576,748</u>	<u>18,645,671</u>
	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	5,435,205	22,376,739	5,491,436	22,372,110	5,499,658	22,642,092	4,576,748	18,645,671
Non-current	-	-	-	-	-	-	-	-
	<u>5,435,205</u>	<u>22,376,739</u>	<u>5,491,436</u>	<u>22,372,110</u>	<u>5,499,658</u>	<u>22,642,092</u>	<u>4,576,748</u>	<u>18,645,671</u>

20. SUBORDINATED DEBTS

This represents the borrowing obtained from the E.Sun Commercial Bank Ltd. amounting to US\$40,000,000 (2021: US\$23,200,000) and are unsecured with seven years term and interest rate at 6.20% per annum (2021: 1.63% to 1.72% per annum). These borrowings were qualified as Tier II subordinated debts for the net worth computation purpose and approved by the central bank on 24 October 2022.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

21. SHARE CAPITAL

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At beginning of the year	80,000,000	325,920,000	80,000,000	320,000,000	80,000,000	325,920,000	80,000,000	320,000,000
Currency translation differences	-	3,440,000	-	5,920,000	-	3,440,000	-	5,920,000
At end of the year	80,000,000	329,360,000	80,000,000	325,920,000	80,000,000	329,360,000	80,000,000	325,920,000
	2022				2021			
	Number of shares	%	US\$	KHR'000	Number of shares	%	US\$	KHR'000
Shareholders:								
E.Sun Commercial Bank Ltd.	80,000	100	80,000,000	329,360,000	80,000	100	80,000,000	320,000,000

22. INTEREST INCOME

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Interest income from financial assets at amortised cost</i>								
Loans to customers	47,353,283	193,532,868	38,978,709	158,565,388	47,353,283	193,532,868	38,978,709	158,565,388
Balances with other banks	1,005,934	4,111,252	1,708,423	6,949,865	890,430	3,639,187	1,586,145	6,452,438
Balances with the central bank	97,899	400,113	31,517	128,211	97,899	400,113	31,517	128,211
Investment securities	37,173	151,926	-	-	37,173	151,926	-	-
	48,494,289	198,196,159	40,718,649	165,643,464	48,378,785	197,724,094	40,596,371	165,146,037

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

23. INTEREST EXPENSE

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Interest expense on financial liabilities at amortised cost:</i>								
Deposits from non-bank customers	7,446,538	30,434,000	6,444,057	26,214,424	7,446,538	30,434,001	6,444,057	26,214,424
Deposits from other banks	5,401,513	22,075,984	1,327,581	5,400,600	5,038,124	20,590,813	1,045,788	4,254,266
Borrowings	994,977	4,066,471	732,451	2,979,610	994,977	4,066,471	732,451	2,979,610
Subordinated debts	983,496	4,019,548	499,515	2,032,027	983,496	4,019,548	499,515	2,032,027
Leases	222,087	907,670	275,165	1,119,371	783,667	3,202,847	820,163	3,336,423
	<u>15,048,611</u>	<u>61,503,673</u>	<u>9,278,769</u>	<u>37,746,032</u>	<u>15,246,802</u>	<u>62,313,680</u>	<u>9,541,974</u>	<u>38,816,750</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

24. NET FEE AND COMMISSION INCOME

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>								
Loan syndicated fees	1,499,657	6,129,098	1,150,118	4,678,680	1,499,657	6,129,098	1,150,118	4,678,680
Settlement services income	1,390,991	5,684,980	1,480,426	6,022,373	1,390,991	5,684,980	1,480,426	6,022,373
Fees and commission from credit card	530,621	2,168,648	252,523	1,027,264	530,621	2,168,648	252,523	1,027,264
Income from ATM/credit card	288,230	1,177,996	527,384	2,145,398	288,230	1,177,996	527,384	2,145,398
Telecommunication income	178,621	730,024	178,863	727,615	178,621	730,024	178,863	727,615
Others	400,341	1,636,194	277,269	1,127,930	400,341	1,636,194	277,269	1,127,930
Total fee and commission income	4,288,461	17,526,940	3,866,583	15,729,260	4,288,461	17,526,940	3,866,583	15,729,260
<i>Fee and commission expense:</i>								
Expenses for ATM/credit card	677,278	2,768,035	490,385	1,994,886	677,278	2,768,035	490,385	1,994,886
Commission fees	67,693	276,661	65,250	265,437	67,693	276,661	65,250	265,437
Telecommunication expense	91,830	375,309	67,622	275,086	91,830	375,309	67,622	275,086
Settlement services	50,188	205,119	5,741	23,355	50,188	205,119	5,741	23,355
Fee and commission expense	886,989	3,625,124	628,998	2,558,764	886,989	3,625,124	628,998	2,558,764
Net fee and commission income	3,401,472	13,901,816	3,237,585	13,170,496	3,401,472	13,901,816	3,237,585	13,170,496

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Expected Credit Loss (ECL):</i>								
Loans to customers	1,263,210	5,162,739	6,365,483	25,894,785	1,263,210	5,162,739	6,365,483	25,894,785
Off-balance sheet financial commitments	381,961	1,561,075	(5,172)	(21,039)	381,961	1,561,075	(5,172)	(21,039)
Balance with other banks and financial institutions	247,876	1,013,069	(7,671)	(31,206)	247,876	1,013,069	(7,671)	(31,206)
	<u>1,893,047</u>	<u>7,736,883</u>	<u>6,352,640</u>	<u>25,842,540</u>	<u>1,893,047</u>	<u>7,736,883</u>	<u>6,352,640</u>	<u>25,842,540</u>

26. OTHER OPERATING INCOME

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Recovery from loans previously written off	4,020,073	16,430,039	4,395,814	17,882,171	4,020,073	16,430,038	4,395,814	17,882,171
Rental income	309,012	1,262,932	297,287	1,209,364	297,012	1,213,888	297,288	1,209,368
Dividend income	119,711	489,259	117,994	480,000	119,711	489,259	117,994	480,000
Others	68,789	281,140	108,960	443,249	68,789	281,141	108,960	443,249
	<u>4,517,585</u>	<u>18,463,370</u>	<u>4,920,055</u>	<u>20,014,784</u>	<u>4,505,585</u>	<u>18,414,326</u>	<u>4,920,056</u>	<u>20,014,788</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

27. PERSONNEL EXPENSES

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Salaries and wages	5,606,901	22,915,404	5,426,583	22,075,340	5,606,785	22,914,930	5,426,470	22,074,880
Bonuses and incentives	2,088,002	8,533,664	3,073,385	12,502,530	2,088,002	8,533,664	3,073,385	12,502,530
Other employee benefits	244,014	997,286	244,323	993,906	244,014	997,286	244,323	993,906
	<u>7,938,917</u>	<u>32,446,354</u>	<u>8,744,291</u>	<u>35,571,776</u>	<u>7,938,801</u>	<u>32,445,880</u>	<u>8,744,178</u>	<u>35,571,316</u>

28. OTHER OPERATING EXPENSES

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Repairs and maintenance	1,236,384	5,053,101	1,084,945	4,413,556	1,236,384	5,053,101	1,084,945	4,413,556
Other tax expenses	1,096,602	4,481,812	1,094,002	4,450,400	1,338,188	5,469,174	1,050,535	4,273,576
Utilities	420,030	1,716,663	447,229	1,819,328	420,030	1,716,663	447,229	1,819,328
Stationery and printing	415,753	1,699,183	416,773	1,695,433	415,753	1,699,183	416,773	1,695,433
Bank security expenses	346,413	1,415,790	392,211	1,595,514	346,413	1,415,790	392,211	1,595,514
Licence fees	286,782	1,172,078	282,865	1,150,695	286,782	1,172,078	282,865	1,150,695
Business and public relations	278,965	1,140,130	281,841	1,146,529	278,965	1,140,130	281,841	1,146,529
Short-term leases	176,089	719,676	110,155	448,111	176,089	719,676	110,965	451,406
Telecommunication	132,083	539,823	190,894	776,557	132,083	539,823	190,894	776,557
Professional and other related costs	141,620	578,801	162,384	660,577	130,748	534,367	156,654	637,268
Motor vehicle and running costs	57,697	235,808	79,396	322,983	57,697	235,808	79,396	322,983
Court fees	34,151	139,575	28,233	114,852	34,151	139,575	28,233	114,852
Promotion	28,236	115,401	3,857	15,690	28,236	115,401	3,857	15,690
Charity and donation	20,912	85,467	8,228	33,472	20,912	85,467	8,228	33,472
Travelling and transportation	-	-	8,666	35,253	-	-	8,666	35,253
Others	241,231	985,910	538,826	2,191,944	235,202	961,270	537,716	2,187,429
	<u>4,912,948</u>	<u>20,079,218</u>	<u>5,130,505</u>	<u>20,870,894</u>	<u>5,137,633</u>	<u>20,997,506</u>	<u>5,081,008</u>	<u>20,669,541</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

29. INCOME TAX EXPENSE

(a) Income tax expense

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current income tax	5,276,110	21,563,461	3,807,238	15,487,844	5,228,587	21,369,235	3,757,044	15,283,655
Deferred tax	221,927	907,016	(1,096,761)	(4,461,624)	153,250	626,333	(1,352,777)	(5,503,097)
	<u>5,498,037</u>	<u>22,470,477</u>	<u>2,710,477</u>	<u>11,026,220</u>	<u>5,381,837</u>	<u>21,995,568</u>	<u>2,404,267</u>	<u>9,780,558</u>

(b) Reconciliation between income tax expenses and accounting profit

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Profit before income tax	22,275,433	91,039,695	16,191,999	65,869,052	21,594,968	88,258,633	15,784,427	64,211,048
Tax at application income tax rate at 20%	4,340,195	17,738,377	3,238,400	13,173,810	4,318,994	17,651,727	3,156,885	12,842,208
Tax effect of reconciling items:								
Effect of non-deductible expenses	277,114	1,132,565	290,367	1,181,214	264,632	1,081,551	272,362	1,107,969
Adjustments for current tax of prior periods	880,728	3,599,535	(818,290)	(3,328,804)	798,211	3,262,290	(1,024,980)	(4,169,619)
Income tax expense	<u>5,498,037</u>	<u>22,470,477</u>	<u>2,710,477</u>	<u>11,026,220</u>	<u>5,381,837</u>	<u>21,995,568</u>	<u>2,404,267</u>	<u>9,780,558</u>

Under the Cambodian tax regulations, the Group and the Bank are subject to 20% Income Tax.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

29. INCOME TAX EXPENSE (continued)

(c) Other matter

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

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

30. CASH AND CASH EQUIVALENTS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash on hand	23,213,412	95,569,617	26,026,939	106,033,749	23,213,412	95,569,617	26,026,939	106,033,749
Balances with the central bank:								
Settlement accounts								
(Note 5)	21,305,269	87,713,792	7,363,921	30,000,614	21,305,269	87,713,792	7,363,921	30,000,614
Current accounts	1,324,867	5,454,478	1,247,451	5,082,116	1,324,867	5,454,478	1,247,451	5,082,116
Negotiable certificates of deposit	-	-	4,805,384	19,577,134	-	-	4,805,384	19,577,134
Balances with other banks and financial institutions								
Current accounts	13,944,134	57,408,000	27,468,605	111,907,097	13,942,264	57,400,301	27,466,726	111,899,443
Savings accounts	17,288,037	71,174,848	1,116,960	4,550,495	17,129,373	70,521,629	1,014,260	4,132,095
Term deposits (maturity of three months or less)	-	-	24,978,289	101,761,549	-	-	24,978,289	101,761,549
	<u>77,075,719</u>	<u>317,320,735</u>	<u>93,007,549</u>	<u>378,912,754</u>	<u>76,915,185</u>	<u>316,659,817</u>	<u>92,902,970</u>	<u>378,486,700</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

31. NET DEBT RECONCILIATIONS

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash and cash equivalents	77,075,719	317,320,735	93,007,549	378,912,754	76,915,185	316,659,817	92,902,970	378,486,700
Borrowings	(229,517,186)	(944,922,255)	(107,152,786)	(436,540,450)	(217,795,854)	(896,665,531)	(95,139,148)	(387,596,889)
Subordinated debts	(40,440,889)	(166,495,140)	(23,270,160)	(94,802,632)	(40,440,889)	(166,495,140)	(23,270,160)	(94,802,632)
Lease liabilities	(1,617,209)	(6,658,049)	(3,610,719)	(14,710,069)	(9,035,695)	(37,199,956)	(9,902,520)	(40,342,866)
	<u>(194,499,565)</u>	<u>(800,754,709)</u>	<u>(41,026,116)</u>	<u>(167,140,397)</u>	<u>(190,357,253)</u>	<u>(783,700,810)</u>	<u>(35,408,858)</u>	<u>(144,255,687)</u>

	Consolidated financial statements					
	Liabilities from financing activities				Other assets	
	Borrowings US\$	Subordinated debts US\$	Leases US\$	Sub-total US\$	Cash and cash equivalents US\$	Total US\$
Net debt as at 1 January 2021	(97,827,737)	(29,092,643)	(3,877,933)	(130,798,313)	208,640,253	77,841,940
Cash flows	(9,541,532)	5,800,000	724,342	(3,017,190)	(115,632,704)	(118,649,894)
New leases	-	-	(457,128)	(457,128)	-	(457,128)
Other changes (i)	216,483	22,483	-	238,966	-	238,966
Net debt as at 31 December 2021	<u>(107,152,786)</u>	<u>(23,270,160)</u>	<u>(3,610,719)</u>	<u>(134,033,665)</u>	<u>93,007,549</u>	<u>(41,026,116)</u>
In KHR'000 equivalents	<u>(436,540,450)</u>	<u>(94,802,632)</u>	<u>(14,710,070)</u>	<u>(546,053,152)</u>	<u>378,912,755</u>	<u>(167,140,397)</u>
Net debt as at 1 January 2022	(107,152,786)	(23,270,160)	(3,610,719)	(134,033,665)	93,007,549	(41,026,116)
Cash flows	(121,614,287)	(16,800,000)	601,718	(137,812,569)	(15,931,830)	(153,744,399)
New leases	-	-	(198,890)	(198,890)	-	(198,890)
Other changes (i)	(750,113)	(370,729)	-	(1,120,842)	-	(1,120,842)
Other adjustments	-	-	1,590,682	1,590,682	-	1,590,682
Net debt as at 31 December 2022	<u>(229,517,186)</u>	<u>(40,440,889)</u>	<u>(1,617,209)</u>	<u>(271,575,284)</u>	<u>77,075,719</u>	<u>(194,499,565)</u>
In KHR'000 equivalents	<u>(944,922,255)</u>	<u>(166,495,140)</u>	<u>(6,658,049)</u>	<u>(1,118,075,444)</u>	<u>317,320,735</u>	<u>(800,754,709)</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

31. NET DEBT RECONCILIATIONS (continued)

	Separate financial statements					
	Liabilities from financing activities				Other assets	
	Borrowings	Subordinated	Leases	Sub-total	Cash and cash	Total
	US\$	debts	US\$	US\$	equivalents	US\$
		US\$				
Net debt as at 1 January 2021	(85,813,057)	(29,092,643)	(9,820,230)	(124,725,930)	208,558,514	83,832,584
Cash flows	(9,541,533)	5,800,000	1,284,280	(2,457,253)	(115,655,544)	(118,112,797)
New leases	-	-	(1,366,570)	(1,366,570)	-	(1,366,570)
Other changes (i)	215,442	22,483	-	237,925	-	237,925
Net debt as at 31 December 2021	(95,139,148)	(23,270,160)	(9,902,520)	(128,311,828)	92,902,970	(35,408,858)
In KHR'000 equivalents	(387,596,889)	(94,802,632)	(40,342,866)	(522,742,387)	378,486,700	(144,255,687)
Net debt as at 1 January 2022	(95,139,148)	(23,270,160)	(9,902,520)	(128,311,828)	92,902,970	(35,408,858)
Cash flows	(121,900,000)	(16,800,000)	1,070,058	(137,629,942)	(15,987,785)	(153,617,727)
New leases	-	-	(203,233)	(203,233)	-	(203,233)
Other changes (i)	(756,706)	(370,729)	-	(1,127,435)	-	(1,127,435)
Net debt as at 31 December 2022	(217,795,854)	(40,440,889)	(9,035,695)	(267,272,438)	76,915,185	(190,357,253)
In KHR'000 equivalents	(896,665,531)	(166,495,140)	(37,199,956)	(1,100,360,627)	316,659,817	(783,700,810)

- (i) Other changes include non-cash movements and accrued interest expenses which will be presented as operating cash flows in the consolidated and separate statements of cash flows when paid.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

32. COMMITMENTS

The Group and the Bank had the contractual amounts of the Group and the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

(a) Loan commitments and guarantees

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Unused portion of loan, overdraft and credit card	54,780,096	225,529,655	38,819,346	158,150,016	54,780,096	225,529,655	38,819,346	159,819,247
Payment guarantee	30,000	123,510	30,000	122,220	30,000	123,510	30,000	123,510
Bid, performance and warranty bonds	-	-	135,128	550,511	-	-	135,128	556,322
Letters of credit	2,624,622	10,805,569	3,019,279	12,300,543	2,624,622	10,805,569	3,019,279	12,430,372
Other commitment and guarantee	1,037,566	4,271,659	1,877,523	7,649,029	1,037,566	4,271,659	1,877,523	7,729,762
	<u>58,472,284</u>	<u>240,730,393</u>	<u>43,881,276</u>	<u>178,772,319</u>	<u>58,472,284</u>	<u>240,730,393</u>	<u>43,881,276</u>	<u>180,659,213</u>
Less:								
Allowance for expected credit loss	<u>(592,728)</u>	<u>(2,440,263)</u>	<u>(458,644)</u>	<u>(1,868,516)</u>	<u>(592,728)</u>	<u>(2,440,263)</u>	<u>(458,644)</u>	<u>(1,888,237)</u>
	<u>57,879,556</u>	<u>238,290,130</u>	<u>43,422,632</u>	<u>176,903,803</u>	<u>57,879,556</u>	<u>238,290,130</u>	<u>43,422,632</u>	<u>178,770,976</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

33. RELATED PARTY BALANCES AND TRANSACTIONS

The Group and the Bank entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions outstanding balances at the year end and relating expenses and income for the year are as follows:

(a) Related parties and relationships

The related parties of and their relationship with the Group and the Bank are as follows:

Related party	Relationship
E.Sun Financial Holding Company Ltd.	Ultimate parent company
E.Sun Commercial Bank Ltd.	Immediate parent bank
URE Land Holding Co., Ltd.	Subsidiary
Key management personnel	All directors of the Group and the Bank who make critical decisions in relation to the strategic direction of the Group and the Bank and senior management staff (including their close family members)

(b) Loans to related parties

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Key management personnel	124,340	511,908	30,835	125,621	124,340	511,908	30,835	125,621

(c) Deposits with related parties

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent bank	16,044,739	66,056,190	1,129,453	4,594,615	16,044,739	66,056,190	1,129,453	4,601,392

This represents the current account and savings account of E.Sun Commercial Bank Ltd. maintained with the Bank bearing no interest.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

33. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(d) Deposits from related parties

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Subsidiary	-	-	-	-	199,764	822,428	485,008	1,975,923
Key management personnel	1,200,435	4,942,191	1,599,442	6,506,530	1,200,435	4,942,191	1,599,442	6,516,127
	<u>1,200,435</u>	<u>4,942,191</u>	<u>1,599,442</u>	<u>6,506,530</u>	<u>1,400,199</u>	<u>5,764,619</u>	<u>2,084,450</u>	<u>8,492,050</u>

(e) Borrowings from related parties

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent bank	117,100,043	482,100,877	75,039,148	305,709,489	117,100,043	482,100,877	75,039,148	305,709,489

(f) Subordinated debts from related parties

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent entity	40,440,889	166,495,140	23,270,160	94,802,632	40,440,889	166,495,140	23,270,160	95,105,144

(g) Interest income

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Key management personnel	2,785	11,382	3,472	14,124	2,785	11,382	3,472	14,124

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

33. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(h) Interest expense

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent bank	3,488,621	14,362,653	873,357	3,552,816	3,488,621	14,362,653	873,357	3,552,816
Subsidiary	-	-	-	-	1,811	7,402	2,135	8,685
Key management personnel	79,475	324,814	36,656	149,117	79,475	324,814	36,656	149,117
	<u>3,568,096</u>	<u>14,687,467</u>	<u>910,013</u>	<u>3,701,933</u>	<u>3,569,907</u>	<u>14,694,869</u>	<u>912,148</u>	<u>3,710,618</u>

(i) Other operating expenses

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Land leases from the subsidiary	-	-	-	-	516,650	2,127,048	596,727	2,427,485
Board of directors' fee	156,000	642,252	156,000	634,608	156,000	642,252	156,000	634,608
Purchases of maintenance services from immediate parent bank (*)	670,000	2,758,390	220,000	894,960	670,000	2,758,390	220,000	894,960
	<u>826,000</u>	<u>3,400,642</u>	<u>376,000</u>	<u>1,529,568</u>	<u>1,342,650</u>	<u>5,527,690</u>	<u>972,727</u>	<u>3,957,053</u>

(*) This represents the payments of consultant and maintenance fees on Credit Card System from E Sun Commercial Bank Ltd.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

33. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(j) Key management compensation

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Salaries and other short-term benefits	1,399,371	5,761,210	2,349,123	9,556,232	1,399,371	5,761,210	2,349,123	9,556,232

(k) Terms and conditions

The purchase transactions with the related parties were made on normal commercial terms and conditions.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

34. PRIOR YEAR RECLASSIFICATION

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

	Consolidated financial statements					
	2021		Reclassification		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	<i>Previously reported</i>	<i>Previously reported</i>			<i>Reclassified</i>	<i>Reclassified</i>
STATEMENT OF FINANCIAL POSITION (EXTRACT)						
ASSETS						
Cash on hand	92,361,768	376,281,842	(66,334,829)	(270,248,093)	26,026,939	106,033,749
Balances with National Bank of Cambodia	-	-	13,416,756	54,659,864	13,416,756	54,659,864
Balances with other banks and financial institutions	12,848,836	52,346,158	52,918,073	215,588,229	65,766,909	267,934,387
Investment securities	543,918	2,215,922	150,000	611,100	693,918	2,827,022
Other assets	3,667,353	14,940,796	(150,000)	(611,100)	3,517,353	14,329,696
	<u>109,421,875</u>	<u>445,784,718</u>	<u>-</u>	<u>-</u>	<u>109,421,875</u>	<u>445,784,718</u>
LIABILITIES						
Deposits from customers	448,233,051	1,826,101,449	6,765,089	27,560,973	454,998,140	1,853,662,422
Allowance for financial guaranteed contracts	458,644	1,868,516	(458,644)	(1,868,516)	-	-
Lease liabilities	3,428,756	13,968,751	181,963	741,318	3,610,719	14,710,069
Other liabilities	11,979,844	48,805,885	(6,488,408)	(26,433,775)	5,491,436	22,372,110
	<u>464,100,295</u>	<u>1,890,744,601</u>	<u>-</u>	<u>-</u>	<u>464,100,295</u>	<u>1,890,744,601</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

34. PRIOR YEAR RECLASSIFICATION (continued)

	Separate financial statements					
	2021		Reclassification		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	<i>Previously reported</i>	<i>Previously reported</i>			<i>Reclassified</i>	<i>Reclassified</i>
STATEMENT OF FINANCIAL POSITION (EXTRACT)						
ASSETS						
Cash on hand	92,257,189	375,855,788	(66,230,250)	(269,822,039)	26,026,939	106,033,749
Balances with National Bank of Cambodia	-	-	13,416,756	54,659,864	13,416,756	54,659,864
Balances with other banks and financial institutions	11,048,836	45,012,958	52,813,494	215,162,175	63,862,330	260,175,133
Investment securities	543,918	2,215,922	150,000	611,100	693,918	2,827,022
Other assets	3,638,278	14,822,345	(150,000)	(611,100)	3,488,278	14,211,245
	<u>107,488,221</u>	<u>437,907,013</u>	<u>-</u>	<u>-</u>	<u>107,488,221</u>	<u>437,907,013</u>
LIABILITIES						
Deposits from customers	448,718,059	1,828,077,372	6,765,089	27,560,973	455,483,148	1,855,638,345
Allowance for financial guaranteed contracts	458,644	1,868,516	(458,644)	(1,868,516)	-	-
Lease liabilities	9,720,557	39,601,549	181,963	741,317	9,902,520	40,342,866
Other liabilities	11,065,156	45,079,445	(6,488,408)	(26,433,774)	4,576,748	18,645,671
	<u>469,962,416</u>	<u>1,914,626,882</u>	<u>-</u>	<u>-</u>	<u>469,962,416</u>	<u>1,914,626,882</u>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

34. PRIOR YEAR RECLASSIFICATION (continued)

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

Consolidated financial statements					
2021		Reclassification		2021	
US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Previously reported</i>	<i>Previously reported</i>			<i>Reclassified</i>	<i>Reclassified</i>
Other gains – net	-	349,227	1,420,655	349,227	1,420,655
Other operating income	5,269,282	(349,227)	(1,420,655)	4,920,055	20,014,784
	5,269,282	-	-	5,269,282	21,435,439

Separate financial statements					
2021		Reclassification		2021	
US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Previously reported</i>	<i>Previously reported</i>			<i>Reclassified</i>	<i>Reclassified</i>
Other gains – net	-	349,227	1,420,655	349,227	1,420,655
Other operating income	5,269,283	(349,227)	(1,420,655)	4,920,056	20,014,788

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT

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

Generally, the objectives of the Group and the Bank's risk management activities are to:

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

The Group and the Bank hold the following financial assets and financial liabilities:

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Financial assets								
<i>Financial assets at amortised cost</i>								
Cash on hand	23,213,412	95,569,617	26,026,939	106,033,749	23,213,412	95,569,617	26,026,939	106,033,749
Balances with the central bank	25,420,319	104,655,453	13,416,756	54,659,864	25,420,319	104,655,453	13,416,756	54,659,864
Balances with other banks and financial institutions	66,113,454	272,189,090	66,412,690	270,565,299	64,120,020	263,982,122	64,508,111	262,806,045
Loans to customers	678,886,941	2,794,977,536	568,039,901	2,314,194,557	678,886,941	2,794,977,536	568,039,901	2,314,194,556
Investment securities	4,033,048	16,604,059	-	-	4,033,048	16,604,059	-	-
Other financial assets	1,758,558	7,239,983	1,681,684	6,851,181	1,704,964	7,019,337	1,652,609	6,732,729
<i>Financial assets at fair value through other comprehensive income</i>								
Investment securities	691,788	2,848,091	693,918	2,827,022	691,788	2,848,091	693,918	2,827,022
Total financial assets	800,117,520	3,294,083,829	676,271,888	2,755,131,672	798,070,492	3,285,656,215	674,338,234	2,747,253,965
Financial liabilities								
<i>Financial liabilities at amortised cost</i>								
Deposits from other banks	45,085,796	185,618,222	46,203,875	188,234,587	45,085,796	185,618,222	46,203,875	188,234,587
Deposits from non-bank customers	429,412,796	1,767,892,481	454,998,140	1,853,662,422	429,612,560	1,768,714,910	455,483,148	1,855,638,345
Borrowings	229,517,186	944,922,255	107,152,786	436,540,450	217,795,854	896,665,531	95,139,148	387,596,889
Lease liabilities	1,617,209	6,658,049	3,610,719	14,710,069	9,035,695	37,199,956	9,902,520	40,342,866
Other financial liabilities	5,303,045	21,832,636	2,567,297	10,459,168	4,494,035	18,501,942	1,652,609	6,732,729
Subordinated debts	40,440,889	166,495,140	23,270,160	94,802,632	40,440,889	166,495,140	23,270,160	94,802,632
Total financial liabilities	751,376,921	3,093,418,783	637,802,977	2,598,409,328	746,464,829	3,073,195,701	631,651,460	2,573,348,048

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk

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

(a) Credit risk measurement

Credit risk is managed on a group basis.

For loans to customers and credit commitments, the estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, of the associated loss ratios and of default correlations between counterparties. The Group and the Bank measure credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD) for the purposes of measuring expected credit loss (ECL) under CIFRS 9.

Deposits and placements with the central bank and other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month ECL. Other financial assets at amortised cost and financial assets at FVOCI are monitored for its credit rating deterioration, and the measurement of impairment follows a three-stage approach in note 35.1(c). The central bank has no historical loss, and with strong capacity to meet obligations in near term, expected credit loss for deposits and placements with central banks are nil.

The Group and the Bank's investment securities at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' ECL. Management considers these investment securities to be low credit risk where they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. For investment in government bonds, there is no historical loss as the government does not have experienced any past financial difficulties. Therefore, the expected credit losses for government bonds are nil.

(b) Risk limit control and mitigation policies

The Group and the Bank operate and provide loans to individuals or enterprises within Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified.

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

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

(c) ECL policies

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(c) ECL policies (continued)

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

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

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

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

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Past due 15 days for short-term on its contractual payment, and
- Past due 30 days for long-term on its contractual payment;

(ii) *Definition of default and credit impaired*

The Group and the Bank define a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

- The principal or interest or both of the loan is past due for more than 30 days and 90 days for short-term and long-term, respectively. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of 30 days or more and 90 days or more consecutive days for short-term and long-term, respectively. For the purpose of ascertaining the period in arrears:
 - (1) Repayment on each of the instalment amounts must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
 - (2) Where a moratorium on loan repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor's/counterparty's application for the moratorium.
 - (3) Where repayments are scheduled on intervals of 30 days or longer for short-term loans and 90 days or longer for long-term loans, the loan is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading policy.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(c) ECL policies (continued)

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

- The loan is forced impaired due to various reasons, such as bankruptcy, significant financial difficulty, etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by the credit committee.
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of an obligor/counterparty.
- When an obligor/counterparty has multiple loans with the Group and the Bank and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts.

(iii) *Measurement of ECL - inputs, assumptions and estimation techniques*

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

For individual assessment, the allowance for ECL is determined by comparing the outstanding exposure with the present value of cash flow of collateral recoverable amount which is expected to be received from the borrowers.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for the collective segment. The three components are multiplied together to calculate an ECL for each future year.

Probability of Default (PD)

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

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition through the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

Exposure at Default (EAD)

EAD is the total amount that the Group and the Bank are exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.
- For revolving products, the exposure at default is predicted by taking the current drawn balance and adding a "credit conversion factor", which was benchmarked from an external source, which allows for the expected drawdown of the remaining limit by the time of default.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(c) ECL policies (continued)

(iii) *Measurement of ECL - inputs, assumptions and estimation techniques (continued)*

Loss Given Default (LGD)

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

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

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

The estimation of ECL incorporates forward-looking information. The Group and the Bank have performed statistical analysis based on historical experience to identify the key economic variables impacting credit risk and expected credit losses for each portfolio.

The analysis is performed on PD to understand the impact changes in these variables have had historically on default rate. Historical economic variables for analysis are sourced from an external research house. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates, while LGD is based on historical recovery post default.

In addition to the based economic scenario, the Group and the Bank consider other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. As at 31 December 2021 and 31 December 2022, the Group and the Bank concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

The percentages for probability-weighted scenarios used in macroeconomic variable assumptions have been restored to before COVID-19 pandemic period. Having reflected the most recent economic conditions due to COVID-19 within the existing ECL model, the management determines that the percentages for probability-weighted scenarios of 80% for base case, 10% for best case, and 10% for worst case reflect the current economic prospect from external research houses

As with any economic forecasts, the projects and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group and the Bank consider these forecasts to represent its best estimate of the possible outcomes and have analysed the non-linearities and asymmetries within the Group and the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(c) ECL policies (continued)

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

Macroeconomic variable assumptions

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

	Base %	Best %	Worst %
As at 31 December 2022			
Scenario probability weighting	80%	10%	10%
As at 31 December 2021			
Scenario probability weighting	80%	10%	10%

Sensitivity analysis

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

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

	Changes +/-1%			
	Consolidated financial statements			
	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes in key variables	(824,489)	(3,394,419)	(973,576)	(43,629,855)
Total increase in ECL on the negative changes in key variables	906,937	3,733,861	1,070,934	4,362,986
	Separate financial statements			
	2022		2021	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes in key variables	(824,489)	(3,394,419)	(973,576)	(3,966,350)
Total increase in ECL on the negative changes in key variables	906,937	3,733,861	1,070,934	4,362,986

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(c) Impairment (ECL) policies (continued)

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

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

Term	Segment
Short-term	Housing loan
	Non-housing loan
	Corporate loan
Long-term	Housing loan
	Corporate loan
	Non-housing loan

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

The appropriateness of groupings is monitored and reviewed on a periodic basis to ensure that each group consists of homogenous exposures.

(vi) *Write off policy*

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

(vii) *Modification of loans*

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do this by considering, among others, the following factors:

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(c) Impairment (ECL) policies (continued)

(vii) *Modification of loans* (continued)

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

(viii) *Off-balance sheet exposures*

Off-Balance Sheet exposures are exposures such as trade facilities and undrawn commitments. The Group and the Bank applied Credit Conversion Factor (CCF) to estimate the EAD of off-balance sheet items. CCF is estimated to be 100% of the off-balance sheet exposure.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

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

The maximum exposure to credit risk for financial assets recognised in the consolidated and separate statements of financial position is their carrying amounts. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Bank on financial instruments subject to impairment:

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At 31 December								
Credit risk exposure related to on-balance sheet assets:								
Balances with other banks and financial institutions	66,113,454	272,189,090	66,412,690	270,565,299	64,120,020	263,982,122	64,508,111	262,806,045
Loans to customers	678,886,941	2,794,977,536	568,039,901	2,314,194,557	678,886,941	2,794,977,536	568,039,901	2,314,194,557
Investment securities	4,694,836	19,328,640	693,918	2,827,022	4,694,836	19,328,640	693,918	2,827,022
Other financial assets	1,758,558	7,239,983	1,681,684	6,851,181	1,704,964	7,019,337	1,652,609	6,732,729
Credit risk exposure related to off-balance sheet items:								
Unused portion of loan, overdraft, and credit card	54,780,096	225,529,655	38,819,346	158,150,016	54,780,096	225,529,655	38,819,346	159,819,247
Payment guarantee	30,000	123,510	30,000	122,220	30,000	123,510	30,000	123,510
Bid, performance, and warranty bonds	-	-	135,128	550,511	-	-	135,128	556,322
Letters of credit	2,624,622	10,805,569	3,019,279	12,300,543	2,624,622	10,805,569	3,019,279	12,430,372
Other commitment and guarantee	1,037,566	4,271,659	1,877,523	7,649,029	1,037,566	4,271,659	1,877,523	7,729,762
Total gross credit exposure	809,926,073	3,334,465,642	680,709,469	2,773,210,378	807,879,045	3,326,038,028	678,775,815	2,767,219,566
Allowances for expected credit losses	(10,585,760)	(43,581,574)	(11,813,766)	(48,129,282)	(10,585,760)	(43,581,574)	(11,813,766)	(48,129,282)
Total net credit exposure	799,340,313	3,290,884,068	668,895,703	2,725,081,096	797,293,285	3,282,456,454	666,962,049	2,719,090,284

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets

The Group and the Bank assess credit quality of loans to customers using internal rating techniques tailored in combination with the day post due information for staging criteria.

Credit quality description is summarised as follows:

Credit Quality	Description
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment. The Group and the Bank monitor obligors in this category by delinquency status. Obligors that are less than 15 days past due on its contractual payments for short-term and less than 30 days on its contractual payment past due for long-term facilities are in standard monitoring.
Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments. The Group and the Bank monitor obligors in this category by delinquency status. Obligors that are from 15 days to 30 days past due on its contractual payments for short-term facilities or are from 31 to 89 days past due on its contractual payments for long-term facilities are included in special monitoring.
Default/Credit impaired	Obligors are assessed to be impaired.

Except for substandard for short-term loans, the obligors in this category have a fairly acceptable capacity to meet financial commitments.

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

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

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

	Consolidated financial statements							
	2022				2021			
	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	12-month ECL US\$	US\$	US\$	US\$	12-month ECL US\$	US\$	US\$	US\$
Balances with other banks and financial institutions								
Investment grade	29,941,294	-	-	29,941,294	13,011,176	-	-	13,011,176
Non-investment grade	-	-	-	-	-	-	-	-
Un-graded	36,172,160	-	-	36,172,160	53,401,514	-	-	53,401,514
Gross carrying amount	66,113,454	-	-	66,113,454	66,412,690	-	-	66,412,690
<i>In KHR'000 equivalent</i>	272,189,090	-	-	272,189,090	270,565,299	-	-	270,565,299

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$		12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	
Balances with other banks and financial institutions								
Investment grade	29,941,294	-	-	29,941,294	13,011,176	-	-	13,011,176
Non-investment grade	-	-	-	-	-	-	-	-
Un-graded	34,178,726	-	-	34,178,726	51,496,935	-	-	51,496,935
Gross carrying amount	64,120,020	-	-	64,120,020	64,508,111	-	-	64,508,111
<i>In KHR'000 equivalent</i>	263,982,122	-	-	263,982,122	262,806,045	-	-	262,806,045

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2022				2021			
	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	12-month ECL US\$	US\$	US\$	US\$	12-month ECL US\$	US\$	US\$	US\$
Loans to customers at amortised cost								
Standard monitoring	669,165,260	-	-	669,165,260	560,037,360	-	-	560,037,360
Special monitoring	-	6,111,933	-	6,111,933	-	7,942,336	-	7,942,336
Default/Credit impaired	-	-	3,609,748	3,609,748	-	-	60,205	60,205
Gross carrying amount	669,165,260	6,111,933	3,609,748	678,886,941	560,037,360	7,942,336	60,205	568,039,901
Allowances for expected credit losses	(7,806,418)	(438,535)	(824,421)	(9,069,374)	(10,538,208)	(151,170)	(19,963)	(10,709,341)
Net carrying amount	661,358,842	5,673,398	2,785,327	669,817,567	549,499,152	7,791,166	40,242	557,330,560
<i>In KHR'000 equivalent</i>	2,722,814,353	23,357,380	11,467,190	2,757,638,923	2,238,659,545	31,741,210	163,946	2,270,564,701

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2022				2021			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Loans to customers at amortised cost								
Standard monitoring	669,165,260	-	-	669,165,260	560,037,360	-	-	560,037,360
Special monitoring	-	6,111,933	-	6,111,933	-	7,942,336	-	7,942,336
Default/Credit impaired	-	-	3,609,748	3,609,748	-	-	60,205	60,205
Gross carrying amount	669,165,260	6,111,933	3,609,748	678,886,941	560,037,360	7,942,336	60,205	568,039,901
Allowances for expected credit losses	(7,806,418)	(438,535)	(824,421)	(9,069,374)	(10,538,208)	(151,170)	(19,963)	(10,709,341)
Net carrying amount	661,358,842	5,673,398	2,785,327	669,817,567	549,499,152	7,791,166	40,242	557,330,560
<i>In KHR'000 equivalent</i>	2,722,814,353	23,357,380	11,467,190	2,757,638,923	2,238,659,545	31,741,210	163,946	2,270,564,701

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2022				2021			
	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	12-month ECL US\$	US\$	US\$	US\$	12-month ECL US\$	US\$	US\$	US\$
Investment securities at amortised cost								
Standard monitoring	4,033,048	-	-	4,033,048	-	-	-	-
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	4,033,048	-	-	4,033,048	-	-	-	-
Allowances for expected credit losses	(30,000)	-	-	(30,000)	-	-	-	-
Net carrying amount	4,003,048	-	-	4,003,048	-	-	-	-
<i>In KHR'000 equivalent</i>	16,480,549	-	-	16,480,549	-	-	-	-

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2022				2021			
	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	12-month ECL US\$	US\$	US\$	US\$	12-month ECL US\$	US\$	US\$	US\$
Investment securities at amortised cost								
Standard monitoring	4,033,048	-	-	4,033,048	-	-	-	-
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	4,033,048	-	-	4,033,048	-	-	-	-
Allowances for expected credit losses	(30,000)	-	-	(30,000)	-	-	-	-
Net carrying amount	4,003,048	-	-	4,003,048	-	-	-	-
<i>In KHR'000 equivalent</i>	16,480,549	-	-	16,480,549	-	-	-	-

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$		12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	
Other financial assets at amortised cost								
Investment grade	-	-	-	-	-	-	-	-
Non-investment grade	-	-	-	-	-	-	-	-
Un-graded	1,758,558	-	-	1,758,558	1,681,684	-	-	1,681,684
Gross exposure	1,758,558	-	-	1,758,558	1,681,684	-	-	1,681,684
<i>In KHR'000 equivalent</i>	7,239,983	-	-	7,239,983	6,851,181	-	-	6,851,181

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$		12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	
Other financial assets at amortised cost								
Investment grade	-	-	-	-	-	-	-	-
Non-investment grade	-	-	-	-	-	-	-	-
Un-graded	1,704,964	-	-	1,704,964	1,652,609	-	-	1,652,609
Gross exposure	1,704,964	-	-	1,704,964	1,652,609	-	-	1,652,609
<i>In KHR'000 equivalent</i>	7,019,337	-	-	7,019,337	6,732,729	-	-	6,732,729

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2022				2021			
	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	12-month ECL US\$	US\$	US\$	US\$	12-month ECL US\$	US\$	US\$	US\$
Off-balance sheet items								
Standard monitoring	58,472,284	-	-	58,472,284	43,881,276	-	-	43,881,276
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross exposure	58,472,284	-	-	58,472,284	43,881,276	-	-	43,881,276
Allowances for expected credit losses	(592,728)	-	-	(592,728)	(458,644)	-	-	(458,644)
Net exposure	57,879,556	-	-	57,879,556	43,422,632	-	-	43,422,632
<i>In KHR'000 equivalent</i>	238,290,132	-	-	238,290,132	176,903,803	-	-	176,903,803

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2022				2021			
	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total	Stage 1	Stage 2 Lifetime ECL not Credit- Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	12-month ECL US\$	US\$	US\$	US\$	12-month ECL US\$	US\$	US\$	US\$
Off-balance sheet items								
Standard monitoring	58,472,284	-	-	58,472,284	43,881,276	-	-	43,881,276
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	58,472,284	-	-	58,472,284	43,881,276	-	-	43,881,276
Allowances for expected credit losses	(592,728)	-	-	(592,728)	(458,644)	-	-	(458,644)
Net carrying amount	57,879,556	-	-	57,879,556	43,422,632	-	-	43,422,632
<i>In KHR'000 equivalent</i>	238,290,132	-	-	238,290,132	176,903,803	-	-	176,903,803

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance

(i) Expected credit loss reconciliation – loans to customers

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US\$	not Credit-	Credit-Impaired	US\$	US\$	not Credit-	Credit-Impaired	US\$
		Impaired	US\$			Impaired	US\$	
		US\$				US\$		
Loss allowance as at 1 January 2022	10,538,208	151,170	19,963	10,709,341	10,538,208	151,170	19,963	10,709,341
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	2,300	(2,278)	(22)	-	2,300	(2,278)	(22)	-
Transfer to stage 2	(58,906)	58,906	-	-	(58,906)	58,906	-	-
Transfer to stage 3	(789,818)	(56,180)	845,998	-	(789,818)	(56,180)	845,998	-
New financial assets originated	4,725,773	-	-	4,725,773	4,725,773	-	-	4,725,773
Net remeasurement of loss allowance (*)	(1,394,742)	290,296	3,130,068	2,025,622	(1,394,742)	290,296	3,130,068	2,025,622
Financial assets derecognised during the year other than write-off	(5,216,397)	(3,379)	(20,532)	(5,240,308)	(5,216,397)	(3,379)	(20,532)	(5,240,308)
Write-off	-	-	(3,151,054)	(3,151,054)	-	-	(3,151,054)	(3,151,054)
Loss allowance as at 31 December 2022	7,806,418	438,535	824,421	9,069,374	7,806,418	438,535	824,421	9,069,374
<i>In KHR'000 equivalent</i>	32,139,023	1,805,449	3,394,141	37,338,613	32,139,023	1,805,449	3,394,141	37,338,613

(*) This is the impact of the measurement of ECL due to changes in PD, LGD, and credit rating of obligors during the year arising from regular refreshing of inputs to models.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance (continued)

(i) Expected credit loss reconciliation – loans to customers (continued)

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US\$	not Credit-Impaired	Credit-Impaired	US\$	US\$	not Credit-Impaired	Credit-Impaired	US\$
		US\$	US\$			US\$	US\$	
Gross carrying amount								
Gross carrying amount as at 1 January 2022	560,037,360	7,942,336	60,205	568,039,901	560,037,360	7,942,336	60,205	568,039,901
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	932,506	(650,647)	(281,859)	-	932,506	(650,647)	(281,859)	-
Transfer to stage 2	(979,210)	979,210	-	-	(979,210)	979,210	-	-
Transfer to stage 3	(6,977,991)	(85,005)	7,062,996	-	(6,977,991)	(85,005)	7,062,996	-
New financial assets originated	240,508,267	-	-	240,508,267	240,508,267	-	-	240,508,267
Financial assets derecognised during the year other than write-off	(124,355,672)	(2,073,961)	(80,540)	(126,510,173)	(124,355,672)	(2,073,961)	(80,540)	(126,510,173)
Write-off	-	-	(3,151,054)	(3,151,054)	-	-	(3,151,054)	(3,151,054)
Gross carrying amount as at 31 December 2022	669,165,260	6,111,933	3,609,748	678,886,941	669,165,260	6,111,933	3,609,748	678,886,941
<i>In KHR'000 equivalent</i>	2,754,953,375	25,162,828	14,861,333	2,794,977,536	2,754,953,375	25,162,828	14,861,333	2,794,977,536

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance (continued)

(i) Expected credit loss reconciliation – loans to customers (continued)

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Loss allowance as at 1 January 2021	4,927,304	1,433,552	899,244	7,260,100	4,927,304	1,433,552	899,244	7,260,100
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	664,680	(14,375)	(650,305)	-	664,680	(14,375)	(650,305)	-
Transfer to stage 2	(3,527)	5,378	(1,851)	-	(3,527)	5,378	(1,851)	-
Transfer to stage 3	(956,983)	(2,010)	958,993	-	(956,983)	(2,010)	958,993	-
New financial assets originated	4,631,221	12,570	-	4,643,791	4,631,221	12,570	-	4,643,791
Net remeasurement of loss allowance (*)	1,276,335	(1,280,557)	1,730,124	1,725,902	1,276,335	(1,280,557)	1,730,124	1,725,902
Financial assets derecognised during the year other than write-off	(822)	(3,388)	-	(4,210)	(822)	(3,388)	-	(4,210)
Write-offs	-	-	(2,916,242)	(2,916,242)	-	-	(2,916,242)	(2,916,242)
Loss allowance as at 31 December 2021	10,538,208	151,170	19,963	10,709,341	10,538,208	151,170	19,963	10,709,341
<i>In KHR'000 equivalent</i>	42,932,659	615,867	81,329	43,629,855	42,932,659	615,867	81,329	43,629,855

(*) This is the impact of the measurement of ECL due to changes in PD, LGD, and credit rating of obligors during the year arising from regular refreshing of inputs to models.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance (continued)

(i) Expected credit loss reconciliation – loans to customers (continued)

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US\$	not Credit-Impaired	Credit-Impaired	US\$	US\$	not Credit-Impaired	Credit-Impaired	US\$
		US\$	US\$			US\$	US\$	
Gross carrying amount								
Gross carrying amount as at 1 January 2021	500,355,954	9,544,966	2,973,308	512,874,228	500,355,954	9,544,966	2,973,308	512,874,228
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	7,853,553	(3,757,271)	(4,096,282)	-	7,853,553	(3,757,271)	(4,096,282)	-
Transfer to stage 2	(8,119,954)	8,129,748	(9,794)	-	(8,119,954)	8,129,748	(9,794)	-
Transfer to stage 3	(2,978,298)	(5,778,572)	8,756,870	-	(2,978,298)	(5,778,572)	8,756,870	-
New financial assets originated	215,078,940	15,221	-	215,094,161	215,078,940	15,221	-	215,094,161
Financial assets derecognised during the year other than write-off	(152,152,835)	(211,756)	(4,649,645)	(157,014,236)	(152,152,835)	(211,756)	(4,649,645)	(157,014,236)
Write-offs	-	-	(2,914,252)	(2,914,252)	-	-	(2,914,252)	(2,914,252)
Gross carrying amount as at 31 December 2021	560,037,360	7,942,336	60,205	568,039,901	560,037,360	7,942,336	60,205	568,039,901
<i>In KHR'000 equivalent</i>	2,281,592,205	32,357,077	245,274	2,314,194,556	2,281,592,205	32,357,077	245,274	2,314,194,556

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – Off-balance sheet items

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US\$	not Credit-	Credit-Impaired	US\$	US\$	not Credit-	Credit-Impaired	US\$
		Impaired	US\$			Impaired	US\$	
		US\$				US\$		
Expected credit loss								
Loss allowance as at 1 January 2022	458,644	-	-	458,644	458,644	-	-	458,644
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	134,084	-	-	134,084	134,084	-	-	134,084
Loss allowance as at 31 December 2022	592,728	-	-	592,728	592,728	-	-	592,728
<i>In KHR'000 equivalent</i>	2,440,261	-	-	2,440,261	2,440,261	-	-	2,440,261

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – Off-balance sheet items (continued)

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US\$	not Credit-	Credit-Impaired	US\$	US\$	not Credit-	Credit-Impaired	US\$
		Impaired				Impaired		
		US\$	US\$			US\$	US\$	
Gross carrying amount								
Gross carrying amount as at 1 January 2022	43,881,276	-	-	43,881,276	43,881,276	-	-	43,881,276
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	14,591,008	-	-	14,591,008	14,591,008	-	-	14,591,008
Gross carrying amount as at 31 December 2022	58,472,284	-	-	58,472,284	58,472,284	-	-	58,472,284
<i>In KHR'000 equivalent</i>	240,730,393	-	-	240,730,393	240,730,393	-	-	240,730,393

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – Off-balance sheet items (continued)

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US\$	not Credit-	Credit-Impaired	US\$	US\$	not Credit-	Credit-Impaired	US\$
		Impaired	US\$			Impaired	US\$	
		US\$				US\$		
Expected credit loss								
Loss allowance as at 1 January 2021	463,816	-	-	463,816	463,816	-	-	463,816
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	128,912	-	-	128,912	128,912	-	-	128,912
Loss allowance as at 31 December 2021	592,728	-	-	592,728	592,728	-	-	592,728
<i>In KHR'000 equivalent</i>	2,414,774	-	-	2,414,774	2,414,774	-	-	2,414,774

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) Loss allowance (continued)

(ii) Expected credit loss reconciliation – Off-balance sheet items (continued)

	Consolidated financial statements				Separate financial statements			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	US\$	not Credit-	Credit-Impaired	US\$	US\$	not Credit-	Credit-Impaired	US\$
		Impaired	US\$			Impaired	US\$	
		US\$				US\$		
Gross carrying amount								
Gross carrying amount as at 1 January 2021	43,049,124	-	-	43,049,124	43,049,124	-	-	43,049,124
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	832,152	-	-	832,152	832,152	-	-	832,152
Gross carrying amount as at 31 December 2021	43,881,276	-	-	43,881,276	43,881,276	-	-	43,881,276
<i>In KHR'000 equivalent</i>	178,772,318	-	-	178,772,318	178,772,318	-	-	178,772,318

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(g) Concentration of financial assets with credit risk exposure

(i) *Industry sector*

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

	Consolidated financial statements					
	2022					
	Balance with other banks and financial institutions US\$	Loans to customers US\$	Investment securities US\$	Other financial assets US\$	Off-balance sheet items US\$	Total US\$
Financial institutions	66,113,454	41,623,188	4,724,836	-	-	112,461,478
Construction	-	8,724,226	-	-	-	8,724,226
Agriculture	-	12,351,022	-	-	-	12,351,022
Household	-	327,591,707	-	-	-	327,591,707
Manufacturing	-	10,106,051	-	-	-	10,106,051
Real estate	-	141,572,516	-	-	-	141,572,516
Retail trade	-	22,162,950	-	-	-	22,162,950
Wholesale trade	-	7,725,580	-	-	-	7,725,580
Others	-	107,029,701	-	1,758,558	58,472,284	167,260,543
Total credit exposure	66,113,454	678,886,941	4,724,836	1,758,558	58,472,284	809,956,073
In KHR'000 equivalent	272,189,090	2,794,977,536	19,452,150	7,239,983	240,730,393	3,334,589,152

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

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

(i) *Industry sector* (continued)

	Separate financial statements					
	2022					
	Balance with other banks and financial institutions US\$	Loans to customers US\$	Investment securities US\$	Other financial assets US\$	Off-balance sheet items US\$	Total US\$
Financial institutions	64,120,020	41,623,188	4,724,836	-	-	110,468,044
Construction	-	8,724,226	-	-	-	8,724,226
Agriculture	-	12,351,022	-	-	-	12,351,022
Household	-	327,591,707	-	-	-	327,591,707
Manufacturing	-	10,106,051	-	-	-	10,106,051
Real estate	-	141,572,516	-	-	-	141,572,516
Retail trade	-	22,162,950	-	-	-	22,162,950
Wholesale trade	-	7,725,580	-	-	-	7,725,580
Others	-	107,029,701	-	1,704,964	58,472,284	167,206,949
Total credit exposure	64,120,020	678,886,941	4,724,836	1,704,964	58,472,284	807,909,045
In KHR'000 equivalent	263,982,122	2,794,977,536	19,452,150	7,019,337	240,730,393	3,326,161,538

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

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

(i) *Industry sector* (continued)

Consolidated financial statements						
2021						
	Balance with other banks and financial institutions US\$	Loans to customers US\$	Investment securities US\$	Other financial assets US\$	Off-balance sheet items US\$	Total US\$
Financial institutions	66,412,690	27,357,399	693,918	-	-	94,464,007
Construction	-	5,325,356	-	-	-	5,325,356
Agriculture	-	8,149,188	-	-	-	8,149,188
Household	-	276,443,918	-	-	-	276,443,918
Manufacturing	-	3,654,113	-	-	-	3,654,113
Real estate	-	128,859,384	-	-	-	128,859,384
Retail trade	-	7,697,071	-	-	-	7,697,071
Wholesale trade	-	7,059,643	-	-	-	7,059,643
Others	-	103,493,829	-	1,681,684	43,881,276	149,056,789
Total credit exposure	66,412,690	568,039,901	693,918	1,681,684	43,881,276	680,709,469
<i>In KHR'000 equivalent</i>	270,565,299	2,314,194,557	2,827,022	6,851,181	178,772,318	2,773,210,377

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

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

(i) *Industry sector* (continued)

	Separate financial statements					
	2021					
	Balance with other banks and financial institutions US\$	Loans to customers US\$	Investment securities US\$	Other financial assets US\$	Off-balance sheet items US\$	Total US\$
Financial institutions	64,508,111	27,357,399	693,918	-	-	92,559,428
Construction	-	5,325,356	-	-	-	5,325,356
Agriculture	-	8,149,188	-	-	-	8,149,188
Household	-	276,443,918	-	-	-	276,443,918
Manufacturing	-	3,654,113	-	-	-	3,654,113
Real estate	-	128,859,384	-	-	-	128,859,384
Retail trade	-	7,697,071	-	-	-	7,697,071
Wholesale trade	-	7,059,643	-	-	-	7,059,643
Others	-	103,493,829	-	1,652,609	43,881,276	149,027,714
Total credit exposure	64,508,111	568,039,901	693,918	1,652,609	43,881,276	678,775,815
In KHR'000 equivalent	262,806,044	2,314,194,557	2,827,022	6,732,729	178,772,318	2,765,332,670

(h) Repossessed collateral

The Group and the Bank did not obtain assets by taking possession of collateral held as security as at 31 December 2022 and 31 December 2021.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk

The Group and the Bank take 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 Group and the Bank do not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

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

The Group and the Bank operate in Cambodia and transact in many currencies, and are exposed to various currency risks, primarily with respect to Khmer Riel.

The management monitors their foreign exchange risk against functional currencies. However, the Group and the Bank do not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

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

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(i) Foreign exchange risk (continued)

	Consolidated financial statements				Separate financial statements			
	In US\$ equivalent				In US\$ equivalent			
	US\$	KHR	Others	Total	US\$	KHR	Others	Total
As at 31 December 2022								
Financial assets								
Cash on hand	19,345,998	3,867,414	-	23,213,412	19,345,998	3,867,414	-	23,213,412
Balances with the central bank	21,325,352	4,094,967	-	25,420,319	21,325,352	4,094,967	-	25,420,319
Balances with other banks and financial institutions	65,462,145	259,072	392,237	66,113,454	63,468,711	259,072	392,237	64,120,020
Loans to customers	601,691,360	75,111,566	2,084,015	678,886,941	601,691,360	75,111,566	2,084,015	678,886,941
Investment securities	3,726,144	998,692	-	4,724,836	3,726,144	998,692	-	4,724,836
Other financial assets	1,758,558	-	-	1,758,558	1,704,964	-	-	1,704,964
Total financial assets	713,309,557	84,331,711	2,476,252	800,117,520	711,262,529	84,331,711	2,476,252	798,070,492
Financial liabilities								
Deposits from other banks	10,778,121	34,307,675	-	45,085,796	10,778,121	34,307,675	-	45,085,796
Deposits from other non-bank customers	421,514,899	7,896,576	1,321	429,412,796	421,700,930	7,910,309	1,321	429,612,560
Borrowings	229,517,186	-	-	229,517,186	217,795,854	-	-	217,795,854
Lease liabilities	1,617,209	-	-	1,617,209	9,035,695	-	-	9,035,695
Other financial liabilities	5,303,045	-	-	5,303,045	4,494,035	-	-	4,494,035
Subordinated debts	40,440,889	-	-	40,440,889	40,440,889	-	-	40,440,889
Total financial liabilities	709,171,349	42,204,251	1,321	751,376,921	704,245,524	42,217,984	1,321	746,464,829
Net position	4,138,208	42,127,460	2,474,931	48,740,599	7,017,005	42,113,727	2,474,931	51,605,663
In KHR'000 equivalent	17,037,002	173,438,753	10,189,291	200,665,046	28,889,010	173,382,214	10,189,291	212,460,515
Off-balance sheet items	58,472,284	-	-	58,472,284	58,472,284	-	-	58,472,284
In KHR'000 equivalent	240,730,393	-	-	240,730,393	240,730,393	-	-	240,730,393

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(i) Foreign exchange risk (continued)

	Consolidated financial statements				Separate financial statements			
	In US\$ equivalent				In US\$ equivalent			
	US\$	KHR	Others	Total	US\$	KHR	Others	Total
As at 31 December 2021								
Financial assets								
Cash on hand	24,347,070	1,679,869	-	26,026,939	24,347,070	1,679,869	-	26,026,939
Balances with the central bank	12,199,816	1,216,940	-	13,416,756	12,199,816	1,216,940	-	13,416,756
Balances with other banks and financial institutions	62,190,307	4,164,151	58,232	66,412,690	60,285,728	4,164,151	58,232	64,508,111
Loans to customers	504,408,564	61,044,006	2,587,331	568,039,901	504,408,564	61,044,006	2,587,331	568,039,901
Investment securities	693,918	-	-	693,918	693,918	-	-	693,918
Other financial assets	1,681,684	-	-	1,681,684	1,652,609	-	-	1,652,609
Total financial assets	605,521,359	68,104,966	2,645,563	676,271,888	603,587,705	68,104,966	2,645,563	674,338,234
Financial liabilities								
Deposits from other banks	45,368,847	835,028	-	46,203,875	45,368,847	835,028	-	46,203,875
Deposits from other non-bank customers	453,893,537	1,103,147	1,456	454,998,140	454,378,545	1,103,147	1,456	455,483,148
Borrowings	107,152,786	-	-	107,152,786	95,139,148	-	-	95,139,148
Lease liabilities	3,610,719	-	-	3,610,719	9,902,520	-	-	9,902,520
Other financial liabilities	2,567,297	-	-	2,567,297	1,652,609	-	-	1,652,609
Subordinated debts	23,270,160	-	-	23,270,160	23,270,160	-	-	23,270,160
Total financial liabilities	635,863,346	1,938,175	1,456	637,802,977	629,711,829	1,938,175	1,456	631,651,460
Net position	(30,341,987)	66,166,791	2,644,107	38,468,911	(26,124,124)	66,166,791	2,644,107	42,686,774
In KHR'000 equivalent	(123,613,255)	269,563,507	10,772,092	156,722,344	(106,429,681)	269,563,507	10,772,092	173,905,918
Off-balance sheet items	43,881,276	-	-	43,881,276	43,881,276	-	-	43,881,276
In KHR'000 equivalent	178,772,318	-	-	178,772,318	178,772,318	-	-	178,772,318

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity analysis

As shown in the table above, the Group and the Bank are primarily exposed to changes in US\$/KHR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from KHR denominated financial instruments.

	Consolidated financial statements				Separate financial statements			
	Impact on post tax profit		Impact on other component of equity		Impact on post tax profit		Impact on other component of equity	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
2022								
US\$/KHR exchange rate - increase by 1%	(415,399)	(1,697,736)	-	-	(415,263)	(1,697,180)	-	-
US\$/KHR exchange rate - decrease by 1%	423,755	1,731,887	-	-	423,617	1,731,323	-	-
2021								
US\$/KHR exchange rate - increase by 1%	(659,257)	(2,681,857)	-	-	(659,257)	(2,681,857)	-	-
US\$/KHR exchange rate - decrease by 1%	672,660	2,736,381	-	-	672,660	2,736,381	-	-

The analysis is based on the assumption that the KHR exchange rate has increased or decreased by 1% which is based on the 5-year moving average of the exchange rate from 2018 to 2022.

(ii) Price risk

The Group and the Bank's exposure to equity securities price risk arises from investment held by the Group and the Bank and classified as FVOCI. The investment amount is insignificant, so the Group and the Bank did not have any policy to manage its price risk arising from investments in equity securities.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The management of the Group and the Bank at this stage do not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch.

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

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Consolidated financial statements						Total US\$
	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\$	
As at 31 December 2022							
Financial assets							
Cash on hand	-	-	-	-	-	23,213,412	23,213,412
Balances with the central bank	26,214	2,790,183	-	-	-	22,603,922	25,420,319
Balances with other banks and financial institutions	-	-	34,881,284	-	-	31,232,170	66,113,454
Loans to customers	31,409,735	14,182,433	73,879,281	193,771,599	365,643,893	-	678,886,941
Investment securities	-	-	998,691	3,034,356	-	691,789	4,724,836
Other financial assets	-	-	-	-	-	1,758,558	1,758,558
Total financial assets	31,435,949	16,972,616	109,759,256	196,805,955	365,643,893	79,499,851	800,117,520
Financial liabilities							
Deposits from other banks	-	842,124	33,591,668	-	-	10,652,004	45,085,796
Deposits from non-bank customers	19,223,814	43,109,608	157,983,769	14,376,950	-	194,718,655	429,412,796
Borrowings	105,795,854	65,000,000	35,000,000	23,721,332	-	-	229,517,186
Lease liabilities	66,607	108,305	381,817	833,855	226,625	-	1,617,209
Other financial liabilities	-	-	-	-	-	4,429,583	4,429,583
Subordinated debts	-	-	-	-	40,440,889	-	40,440,889
Total financial liabilities	125,086,275	109,060,037	226,957,254	38,932,137	40,667,514	209,800,242	750,503,459
Total interest repricing gap	(93,650,326)	(92,087,421)	(117,197,998)	157,873,818	324,976,379	(130,300,391)	49,614,061
In KHR'000 equivalent	(385,558,392)	(379,123,912)	(482,504,158)	649,966,509	1,337,927,752	(536,446,710)	204,261,089

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Separate financial statements						
	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 2022							
Financial assets							
Cash on hand	-	-	-	-	-	23,213,412	23,213,412
Balances with the central bank	26,214	2,790,183	-	-	-	22,603,922	25,420,319
Balances with other banks and financial institutions	-	-	33,048,384	-	-	31,071,636	64,120,020
Loans to customers	31,409,735	14,182,433	73,879,281	193,771,599	365,643,893	-	678,886,941
Investment securities	-	-	998,691	3,034,356	-	691,789	4,724,836
Other financial assets	-	-	-	-	-	1,704,964	1,704,964
Total financial assets	31,435,949	16,972,616	107,926,356	196,805,955	365,643,893	79,285,723	798,070,492
Liabilities							
Deposits from other banks	-	842,124	33,591,668	-	-	10,652,004	45,085,796
Deposits from non-bank customers	19,223,814	43,309,372	157,983,769	14,376,950	-	194,718,655	429,612,560
Borrowings	105,795,854	65,000,000	35,000,000	12,000,000	-	-	217,795,854
Lease liabilities	71,934	116,375	407,011	1,051,364	7,389,011	-	9,035,695
Other financial liabilities	-	-	-	-	-	4,494,035	4,494,035
Subordinated debts	-	-	-	-	40,440,889	-	40,440,889
Total financial liabilities	125,091,602	109,267,871	226,982,448	27,428,314	47,829,900	209,864,694	746,464,829
Total interest repricing gap	(93,655,653)	(92,295,255)	(119,056,092)	169,377,641	317,813,993	(130,578,971)	51,605,663
In KHR'000 equivalent	(385,580,323)	(379,979,565)	(490,153,931)	697,327,748	1,308,440,209	(537,593,624)	212,460,514

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Consolidated financial statements						
	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 2021							
Financial assets							
Cash on hand	-	-	-	-	-	26,026,939	26,026,939
Balances with the central bank	-	4,805,384	-	-	-	8,611,372	13,416,756
Balances with other banks and financial institutions	38,313,522	14,950,332	13,148,836	-	-	-	66,412,690
Loans to customers	36,118,308	5,498,543	47,871,845	176,621,440	301,929,765	-	568,039,901
Investment securities	-	-	-	-	-	693,918	693,918
Other financial assets	-	-	-	-	-	1,681,684	1,681,684
Total financial assets	74,431,830	25,254,259	61,020,681	176,621,440	301,929,765	37,013,913	676,271,888
Financial liabilities							
Deposits from other banks	38,622,579	5,629,243	443,372	-	-	1,508,681	46,203,875
Deposits from non-bank customers	220,197,132	48,016,950	108,442,150	8,270,376	-	70,071,532	454,998,140
Borrowings	-	12,013,638	95,039,115	100,033	-	-	107,152,786
Lease liabilities	58,386	100,502	354,311	1,221,299	1,876,221	-	3,610,719
Other financial liabilities	-	-	-	-	-	2,567,297	2,567,297
Subordinated debts	-	-	5,800,000	17,470,160	-	-	23,270,160
Total financial liabilities	258,878,097	65,760,333	210,078,948	27,061,868	1,876,221	74,147,510	637,802,977
Total interest repricing gap	(184,446,267)	(40,506,074)	(149,058,267)	149,559,572	300,053,544	(37,133,597)	38,468,911
In KHR'000 equivalent	(751,434,092)	(165,021,745)	(607,263,380)	609,305,696	1,222,418,138	(151,282,274)	156,722,343

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(iii) Interest rate risk (continued)

	Separate financial statements						Total US\$
	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\$	
As at 31 December 2021							
Financial assets							
Cash on hand	-	-	-	-	-	26,026,939	26,026,939
Balances with the central bank	-	4,805,384	-	-	-	8,611,372	13,416,756
Balances with other banks and financial institutions	38,208,943	14,950,332	11,348,836	-	-	-	64,508,111
Loans to customers	36,118,308	5,498,543	47,871,845	176,621,440	301,929,765	-	568,039,901
Investment securities	-	-	-	-	-	693,918	693,918
Other financial assets	-	-	-	-	-	1,652,609	1,652,609
Total financial assets	74,327,251	25,254,259	59,220,681	176,621,440	301,929,765	36,984,838	674,338,234
Liabilities							
Deposits from other banks	38,622,579	5,629,243	443,372	-	-	1,508,681	46,203,875
Deposits from non-bank customers	220,197,132	48,016,950	108,442,150	8,270,376	-	70,556,540	455,483,148
Borrowings	-	-	95,039,115	100,033	-	-	95,139,148
Lease liabilities	54,543	94,689	369,079	1,341,810	8,042,399	-	9,902,520
Other financial liabilities	-	-	-	-	-	1,652,609	1,652,609
Subordinated debts	-	-	5,800,000	17,470,160	-	-	23,270,160
Total financial liabilities	258,874,254	53,740,882	210,093,716	27,182,379	8,042,399	73,717,830	631,651,460
Total interest repricing gap	(184,547,003)	(28,486,623)	(150,873,035)	149,439,061	293,887,366	(36,732,992)	42,686,774
In KHR'000 equivalent	(751,844,490)	(116,054,502)	(614,656,745)	608,814,735	1,197,297,129	(149,650,209)	173,905,918

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk

Liquidity risk is the risk that the Group or 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 of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity risk management process

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

(b) Funding approach

The Group and the Bank's main sources of liquidities arise from shareholder's paid-up capital, subordinated debts, debt securities issued, borrowings and customers' deposits. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

(c) Non-derivative cash flows

The table below presents the cash flows payable by the Group and the Bank under non-derivative financial liabilities based on remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group and the Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Consolidated financial statements					Total contractual cash flow US\$
	1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
As at 31 December 2022						
Financial liabilities						
Deposits from other banks	10,753,567	871,574	33,721,055	-	-	45,346,196
Deposits from other non-bank customers	213,978,379	43,335,046	162,786,639	15,567,055	-	435,667,119
Borrowings	106,494,985	65,625,361	36,724,174	23,721,332	-	232,565,852
Lease liabilities	50,845	101,690	610,140	1,449,670	-	2,212,345
Other financial liabilities	4,429,583	-	-	-	-	4,429,583
Subordinated debts	213,556	406,444	1,894,444	10,064,667	45,035,778	57,614,889
Total financial liabilities by remaining contractual maturities	335,920,915	110,340,115	235,736,452	50,802,724	45,035,778	777,835,984
In KHR'000 equivalent	1,382,986,408	454,270,253	970,526,973	209,154,815	185,412,298	3,202,350,747
Off-balance sheet items	5,713,380	3,118,230	23,646,996	25,993,678	-	58,472,284
Liquidity - off-balance sheet	5,713,380	3,118,230	23,646,996	25,993,678	-	58,472,284
In KHR'000 equivalent	23,521,985	12,837,753	97,354,683	107,015,972	-	240,730,393

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Separate financial statements					Total contractual cash flow US\$
	1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
As at 31 December 2022						
Financial liabilities						
Deposits from other banks	10,753,567	871,574	33,721,055	-	-	45,346,196
Deposits from other non-bank customers	213,978,379	43,534,810	162,786,639	15,567,055	-	435,866,883
Borrowings	106,494,985	65,625,361	36,724,174	12,000,000	-	220,844,520
Lease liabilities	103,612	284,436	695,737	4,108,430	19,977,534	25,169,749
Other financial liabilities	4,494,035	-	-	-	-	4,494,035
Subordinated debts	213,556	406,444	1,894,444	10,064,667	45,035,778	57,614,889
Total financial liabilities by remaining contractual maturities	336,038,134	110,722,625	235,822,049	41,740,152	65,013,312	789,336,272
In KHR'000 equivalent	1,383,468,999	455,845,047	970,879,376	171,844,206	267,659,806	3,249,697,434
Off-balance sheet items	5,713,380	3,118,230	23,646,996	25,993,678	-	58,472,284
Liquidity - off-balance sheet	5,713,380	3,118,230	23,646,996	25,993,678	-	58,472,284
In KHR'000 equivalent	23,521,985	12,837,753	97,354,683	107,015,972	-	240,730,393

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Consolidated financial statements					Total contractual cash flow US\$
	1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
As at 31 December 2021						
Financial liabilities						
Deposits from other banks	40,232,823	5,658,693	572,759	-	-	46,464,275
Deposits from other non-bank customers	290,304,574	48,242,388	113,245,020	9,460,481	-	461,252,463
Borrowings	78,898	12,123,129	95,403,637	100,033	-	107,705,697
Lease liabilities	54,645	163,935	437,160	1,573,080	1,662,400	3,891,220
Other financial liabilities	2,567,297	-	-	-	-	2,567,297
Subordinated debts	32,462	61,782	6,452,490	18,537,214	-	25,083,948
Total financial liabilities by remaining contractual maturities	333,270,699	66,249,927	216,111,066	29,670,808	1,662,400	646,964,900
In KHR'000 equivalent	1,357,744,829	269,902,203	880,436,483	120,878,871	6,772,618	2,635,735,004
Off-balance sheet items	6,668,649	776,813	-	20,461,469	-	27,906,931
Liquidity - off-balance sheet	6,668,649	776,813	-	20,461,469	-	27,906,931
In KHR'000 equivalent	27,168,076	3,164,736	-	83,360,025	-	113,692,837

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Separate financial statements					Total contractual cash flow US\$
	1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
As at 31 December 2021						
Financial liabilities						
Deposits from other banks	40,232,823	5,658,693	572,759	-	-	46,464,275
Deposits from other non-bank customers	290,789,582	48,242,388	113,245,020	9,460,481	-	461,737,471
Borrowings	78,898	109,491	95,403,637	100,033	-	95,692,059
Lease liabilities	103,112	309,336	824,897	5,188,716	19,977,534	26,403,595
Other financial liabilities	1,652,609	-	-	-	-	1,652,609
Subordinated debts	32,462	61,782	6,087,968	19,604,268	-	25,786,480
Total financial liabilities by remaining contractual maturities	332,889,486	54,381,690	216,134,281	34,353,498	19,977,534	657,736,489
In KHR'000 equivalent	1,356,191,767	221,551,005	880,531,061	139,956,150	81,388,474	2,679,618,457
Off-balance sheet items	6,668,649	776,813	15,974,346	20,461,468	-	43,881,276
Liquidity - off-balance sheet	6,668,649	776,813	15,974,346	20,461,468	-	43,881,276
In KHR'000 equivalent	27,168,076	3,164,735	65,079,488	83,360,021	-	178,772,320

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group and the Bank classify its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group and the Bank's financial assets measured and recognised at fair value at 31 December 2022 and 31 December 2021 on a recurring basis:

	Consolidated financial statements			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
As at 31 December 2022				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	541,788	-	150,000	691,788
Total financial assets	541,788	-	150,000	691,788
<i>In KHR'000 equivalent</i>	<i>2,230,541</i>	<i>-</i>	<i>617,550</i>	<i>2,848,091</i>
As at 31 December 2021				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	543,918	-	150,000	693,918
Total financial assets	543,918	-	150,000	693,918
<i>In KHR'000 equivalent</i>	<i>2,215,922</i>	<i>-</i>	<i>611,100</i>	<i>2,827,022</i>

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.4 Fair value of financial assets and liabilities (continued)

(a) Fair value hierarchy (continued)

	Separate financial statements			
	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
As at 31 December 2022				
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities	541,788	-	150,000	691,788
Total financial assets	541,788	-	150,000	691,788
In KHR'000 equivalent	2,230,541	-	617,550	2,848,091
As at 31 December 2021				
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities	543,918	-	150,000	693,918
Total financial assets	543,918	-	150,000	693,918
In KHR'000 equivalent	2,215,922	-	611,100	2,827,022

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group and the Bank are the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.4 Fair value of financial assets and liabilities (continued)

(b) Financial instruments measured at fair value

The Group and the Bank's financial asset at FVOCI are investment in both a listed entity and an unlisted entity which are measured at fair value through other comprehensive income.

The listed equity securities are the investment in VISA Inc. which is measured at the fair value through other comprehensive income (FVOCI) and the fair value has been determined based on the quoted market prices available on the New York Stock Exchange (NYSE). The loss on revaluation of fair value amounting to US\$7,273 (2021: US\$19,002) is recognised in other comprehensive income.

(c) Fair value measurements using significant unobservable inputs (level 3)

The unlisted equity securities are the investment in Credit Bureau Cambodia (CBC) to be measured at fair value through other comprehensive income as they are not held for trading and the Bank has irrevocably elected at initial recognition to recognise as the financial assets at FVOCI. These are the strategic investments, and the Bank considers this classification to be more relevant.

The fair values for an investment in equity securities in the unlisted equity security has been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

There is no gain or loss recognised in other comprehensive income due to fair value approximating the carrying amount. There is no loss allowance for this FVOCI at 31 December 2022 and 31 December 2021.

(d) Financial instruments not measured at fair value

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

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

i) *Deposits and placements with the central bank and other banks*

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

ii) *Loans to customers*

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

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

iii) *Investment securities*

The estimated fair value of investment securities is generally based on quoted and observable market prices at the date of statement of financial position. They are not presently traded. The estimated fair values of debt securities are approximate their carrying values based on estimated future cash flows using prevailing market rates.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.4 Fair value of financial assets and liabilities (continued)

(d) Financial instruments not measured at fair value (continued)

iv) Deposits from banks and non-bank customers

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

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

v) Other financial assets and other financial liabilities

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

vi) Borrowings and subordinated debts

Borrowings and subordinated debts are not quoted in the active market and their fair value approximates their carrying amount due to its short term.

Union Commercial Bank Plc. and its subsidiary

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. FINANCIAL RISK MANAGEMENT (continued)

35.5 Capital management

The Group and the Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of consolidated and separate statements of financial position statements of financial position, are:

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

The central bank requires all commercial banks to i) hold minimum capital requirement, ii) maintain the Group and the Bank's net worth at least equal to minimum capital and iii) comply with solvency, liquidity and other prudential ratios.

The table below summarises the composition of regulatory capital:

	Consolidated financial statements				Separate financial statements			
	2022		2021		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Tier I capital								
Share capital	80,000,000	329,360,000	80,000,000	325,920,000	80,000,000	329,360,000	80,000,000	325,920,000
Non-distributable reserves	25,622,772	105,488,952	25,622,772	104,387,173	25,622,772	105,488,952	25,622,772	104,387,173
Retained earnings	25,867,129	106,037,354	8,642,144	35,669,252	24,679,302	101,207,836	8,642,144	35,669,252
Less: Intangible assets	(248,405)	(1,022,683)	(448,079)	(1,825,474)	(248,405)	(1,022,683)	(448,079)	(1,825,474)
Less: Loans to related parties	(124,340)	(511,908)	(30,835)	(125,622)	(124,340)	(511,908)	(30,835)	(125,622)
	<u>131,117,156</u>	<u>539,351,715</u>	<u>113,786,002</u>	<u>464,025,329</u>	<u>129,929,329</u>	<u>534,522,197</u>	<u>113,786,002</u>	<u>464,025,329</u>
Tier II complementary capital								
General provision	7,944,219	32,706,350	6,515,488	26,544,098	7,944,219	32,706,350	6,515,488	26,544,098
Subordinated debts approved by the Central Bank	40,000,000	164,680,000	23,200,000	94,516,800	40,000,000	164,680,000	23,200,000	94,516,800
Less: Equity participation in banking or financial institutions	(150,000)	(617,550)	(150,000)	(611,100)	(150,000)	(617,550)	(150,000)	(611,100)
	<u>47,794,219</u>	<u>196,768,800</u>	<u>29,565,488</u>	<u>120,449,798</u>	<u>47,794,219</u>	<u>196,768,800</u>	<u>29,565,488</u>	<u>120,449,798</u>
Total Capital Tier I + Tier II	<u>178,911,375</u>	<u>736,120,515</u>	<u>143,351,490</u>	<u>584,475,127</u>	<u>177,723,548</u>	<u>731,290,997</u>	<u>143,351,490</u>	<u>584,475,127</u>

9 - Services & Financial Product

1. Personal Banking

- Saving Deposit
- Demand Deposit
- Time Deposit
- Housing Loan
- Credit Card
- Online Banking
- Mobile Banking
- ATM Service

2. Corporate Banking

- Term Loan
- Working Capital Loan
- Business Check Account
- Management Holding Account
- Payroll Service
- Acquiring Service

3. International Banking

- Money Transfer
- Trade Finance
- Import & Export L/C
- D/P & D/A
- Guarantee & Standby L/C
- Check Discounted
- Trade Finance Loan

10 - Contact Information

- **Head Office**

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Union Commercial Bank Plc.

FINANCIAL STATEMENTS

For the year ended 31 December 2022



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UNION COMMERCIAL BANK PLC.

聯合商業銀行

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