

UCB
2023
ANNUAL
REPORT



Union Commercial Bank Plc.
FINANCIAL STATEMENTS
For the year ended 31 December 2023



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1- Message from Management Team

對柬埔寨乃至於全球市場而言，過去一年是歷經衰退的艱辛旅程，市場信用風險攀升，侵蝕整體金融業獲利。在總體環境影響下，即使UCB採取一系列行動，抑制資金成本增加以及控制費用，2023年獲利仍自前年高點滑落。然而資產品質、流動性控制是對抗經濟衰退的重要指標，UCB有效控制年度逾放比率於2.07%，遠低市場均值5.30%；存款量大幅成長，年增19.6%，在全球資金回流美國的情勢下，穩定流動性根基；資本適足率則為25.09%，財務體質維持韌性且健全。感謝全體同仁努力，在動盪之中讓UCB成為顧客心中信賴的銀行。

As for Cambodia along with global market, it was the arduous journey in 2023 to bottom out of the recession. The market credit risk has been emerging and rising, which erodes the profitability of banking industry in Cambodia. Affected by macroeconomic situation, even though the Bank took series actions to curb the rising funding cost and control expense, the Bank's net profit still slumped down from the peak in 2022; nevertheless, asset quality and liquidity control are deemed even crucial indicators to combat economic recession. By taking appropriate measures, the Bank performed its NPL ratio at 2.07%, which was far lower than the market average of 5.30%; deposit balance reached a significant growth rate of 19.6%, stabilizing the liquidity foundation under the circumstance that capital returned to the U.S.; the solvency ratio was 25.09%, showing a resilient financial status. I sincerely appreciate all UCB colleagues' effort, making the Bank trustworthy by clients during a bumpy period.

即使面臨景氣循環挑戰，2023年卻也正是改變的關鍵一年。柬埔寨王國由洪馬奈博士(HE Dr. HUN Manet)接任新總理，領導新內閣積極推動基礎建設，立下產業升級基礎，並在金融領域強化數位發展、接軌國際。同一年度，UCB前任董事會因部分成員任期屆滿進行改組，新任經營團隊涵蓋新舊班底，確保了經營方向的延續性與開創性，獨立董事亦具備審計專業，提供公司治理方面的寶貴建議。與此同時，在新任經營團隊充分支持與領導下，UCB傾力投入組織轉型、人才精進工程、核心系統升級與探詢新商業模式的可能性，是2023年的豐碩成果。

Even faced with the challenge of reverse economic cycle, 2023 was exactly a critical year as well. H.E. Dr. Hun Manet was appointed to be the new prime minister of the Kingdom and led the new cabinet to actively lay the foundation for industrial upgrading and strengthen digital development in the financial field in order to integrate with international standards. Occurring in the same year, the Bank's Board of Directors recomposed due to the expiration of some members' service term. Accordingly, the new leading management team includes existing and new members, which is conducive for ensuring both the continuity and pioneering perspective for the Bank's operation. For instance, the new independent director has auditing expertise and is capable to provide valuable advice on corporate governance. In the meanwhile, it was still considered a fruitful year in 2023. Strongly supported by the new management team, UCB devoted itself to rebuilding organization, enhancing talent cultivation, upgrading core banking system and exploring the possibility of new business models.

ESG是玉山集團的特色亮點，UCB扮演理念傳遞者的角色，在柬埔寨王國發揮影響力。過去一年，UCB與母公司合作舉辦訓練課程，教導同仁ESG發展趨勢，結合未來業務發展，並邀請在地企業赴台灣參與倡議活動，贏得正面迴響與尊重，累積品牌價值。在CSR活動上，「Hope for Future」專案持續從教育領域出發，為兒童提供學業幫助，期待未來能改善人民生活，貢獻社會。

ESG sustainability, which includes environmental, social, and governance, is the core spirit of the E.SUN Group. The Bank not only acts as a transmitter of the concept but also brings impact for the Kingdom. In 2023, the Bank cooperated with E.SUN Bank for designing training course to plant the idea in colleague's mind for the business development linked with ESG implementation. Moreover, the Bank invited local company to participate the "E.SUN ESG and Sustainability Initiative" conference held in Headquarter, Taiwan, which won the positive feedback and respect from local participators and polish the brand name. Speaking of CSR activity, "Hope for Future" project continues to involve in educational area, rendering assistance on children and students. In the long run, we hope to improve citizens' life and contribute the society.

2024年仍會有外部挑戰，但也存在機會，UCB會追尋集團的海外佈局，立下遠矚目標，在客群轉型、增加獲利能力、厚植基礎工程的策略軸線下，重拾成長動能，務實地朝目標前進。我們期許在下一個十年，UCB將成為「柬埔寨優秀人才最嚮往的外資銀行」。

Looking forward to 2024, opportunities will come after challenges. The Bank will pursue the ESUN Group's overseas expansion layout and set up a challenging goal. By transforming target clients, increasing profit capability and strengthening infrastructure, which are the three pillar strategies in 2024, the Bank will revert to the growth momentum and be down-to-earth approaching to the goal. We deeply expect that UCB will become "*the most desirable foreign Bank by talent in Cambodia*" in the next decade.



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「綜合績效、社會責任、永續發展」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, Mr. Yong Ren Huang, a team of professional banker and elite beheld a shared goal – in the name of E.SUN, committed to the philosophy of “excellent overall performance, corporate social responsibility, and sustainability”, 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、福岡、布里斯本等9家分行，另於曼谷、胡志明市、河內設立代表人辦事處，截至2023年底，已於10個國家經營31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 9 branches, which are Hong Kong, Los Angeles, Singapore, Vietnam, Myanmar, Sydney, Tokyo, Fukuoka and Brisbane Branch. Besides, there are representative offices in Bangkok, Ho Chi Minh City and Hanoi. As of the end of 2023, E.SUN runs its business in 31 locations across 10 countries. 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450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 450 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

	2023	2022	2021
Operating Result (USD)			
Operating Income	28,860,377	40,606,451	39,946,747
Profit before Tax	6,266,461	22,275,433	16,191,999
Net Profit	5,007,452	16,777,396	13,481,522
Key Balance Sheet Data (USD)			
Total Assets	826,913,168	889,053,568	759,866,538
Loan to Customers (net)	637,537,583	669,817,567	557,330,560
Deposit from Customer	487,885,861	429,412,796	448,233,051
Total Liabilities	688,851,757	756,108,644	644,528,519
Paid-up Capital	80,000,000	80,000,000	80,000,000
Shareholder's Equity	138,061,411	132,944,924	115,338,019
Return on Asset (ROA)	0.63%	1.84%	1.78%
Return on Equity (ROE)	3.79%	12.39%	11.67%
Non-performing Loan % (NPL %)	2.07%	0.83%	1.13%
Statutory Ratios			
Solvency Ratio	25.09%	23.21%	21.97%
Liquidity Coverage Ratio (LCR)	203.22%	195.33%	213.92%

❖ The figures in Year 2023, 2022 and 2021 all complied with CIFRS.

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. In 2023, the Bank participated the Bakong membership and initiated the core banking system upgrade project. In the oncoming year, the Bank would plan for (1) upgrading internet banking interface and functions; (2) improving the Mobile Banking App; (3) strengthening database management and its application; (4) formulating cloud strategy roadmap; (5) cultivating potential IT talent.

○ 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. This year, in order to enhance HR efficiency, the Bank conducted several reviews on existing talent pool and identified their potential. Additionally, the Bank applied a more sophisticated way to fairly appraise employee’s output contribution.

○ Risk Management & Compliances

In general, there was no significant change in overall risk indicators in 2023, 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. 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 2023, 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 2023, we invited volunteers within the Bank and launched the renovation project for orphanages, helping children have a decent living area and nice classroom. We anticipated the children could own a different life through learning, and the Bank would contribute more in education area.

3. Looking Forward for 2024

Stepping toward 2024, the global economic seems to be slowly but gradually getting rid of the recession. Even though optimists have been anticipating the Fed would cut the certain rate during this year, UCB would stand at a conservative territory that the Fed would show its patience on the loosen policy out of considerations of the US's strong labor market and remained rising wage, causing a sticky inflation trend. Given the inflation rate is unable to dip till 2% target, the Fed may nail the rate in a high plain level. In the view of developing counties, it means a lower capital inflow; as a result, it may bog down the economic growth.

Looking toward the global economic, the European Union expects to recover albeit at a tardy pace, while mainland China needs to deal with the avoidance of deflation and the risk from property sector. In addition to above reasons, regional conflict and extreme weather factors, these will affect supply chains and supposedly intensify the trend of deglobalization. It is worth watching whether an inflation crisis, which is expected to turn moderate, would strike again or not. As Cambodia's international trade continues to grow, these will hold back the Kingdom's economic growth momentum.

According IMF's forecast, Cambodia's GDP will grow by 6.1%, with CPI increasing by 3%. Lead by H.E. Dr. Hun Manet and in line with the Pentagonal Strategy, the new RGC is undertaking to improve the business environment, education, infrastructure, industry transformation etc. Despite the fact that it would take years to see the enhancement, it assures the Kingdom is stepping on the right direction. Overall, the impact of supply chain change are both challenge and opportunity. The Kingdom needs to prepare in advance in order to take the benefit from the supply chain movement.

According to NBC's statistics, total credit growth reached \$57.6 billion in 2023, marking the lowest growth rate of 4.8% in past two decades. At the same time, an increase in late payment cases has led to a rising credit risk, which is likely to continue during the 2024H1 and not improve until the 2024H2. Regardless of the situation, the Bank have taken measures to improve its credit risk assessment mechanism and expects to scales up its asset size in a steady pace. The Bank will act in line with RGC's instruction to shore up the economic policy and grow together with Cambodia. With the expansion of revenue sources and strict expense management, the Bank's profit will be better the next year. In addition, the Bank will keep investing in talent cultivation and facilities to lay the ground for development in the fourth decade.

○ **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.
- ❖ Physical branches are not only an important channel to reach clients, but also an effective way for brand image dissemination. Expanding our branch network and service has always been in the mind of the Bank. We would continue to assess potential spots such as commercial area or industrial zone to establish our platform.

○ **Loan Services**

- ❖ Considering the macroeconomic outlook is ambiguous, the Bank's loan business growth target shall set in a positive but prudential level. In this moment, finding premium loan customer, with robust cash inflow, is crucial. Being an advanced foreign bank, the Bank would provide professional service with our customer to meet their funding demand.

- ❖ For corporate loans, the Bank would support the economic development goal in the Kingdom. Regardless of diverse business models among different industries and companies, the Bank is capable of solving customer's problem by offering customized loan consultant service. Furthermore, cash management service is another opportunity. The Bank will emphasize the improvement on managing company's working capital.
- ❖ 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, the Bank will mainly focus on those who are anxious for having their own dwelling; in the meantime, especially the moment of the downfall in housing transaction volume, it is more critical to review the location of the collateral and the condition of the borrower's background.

○ **Cards Services**

- ❖ The Bank is aimed to be from middle to high-end customers' first choice of credit card consumption by providing secure and convenience credit card payment experience. We use customer-oriented concept to offer service and bring customer an enjoyable lifestyle. Apart from providing payment service from payer side, the Bank's has also enhanced its service from merchant side in order to forge a comprehensive payment chain.
- ❖ 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 named "UCB Hope for Future Project". 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). In addition to KHR loan requirement, the Bank also encourages clients to open KHR account when they come to the counter. Speaking of KHR 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

The 50th Donation Celebration



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

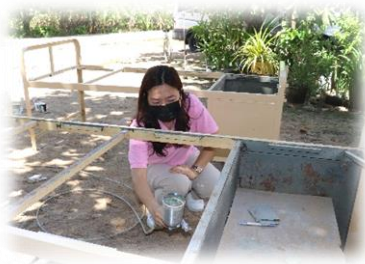
As soon as UCB achieved the 50th orphanage donation, which covers across all provinces, we felt thankful and humble. In the next page, we aim to make progress to the 100th shortly after the 50th.



The 1st Renovation Project



Here is not only the children's home, but also their learning place. UCB staff works with the vendor to build up a secure environment and to make the children focus on their study.



Education is not the filling of a pail but the lighting of a fire

by William Butler Yeats

Donations across Provinces



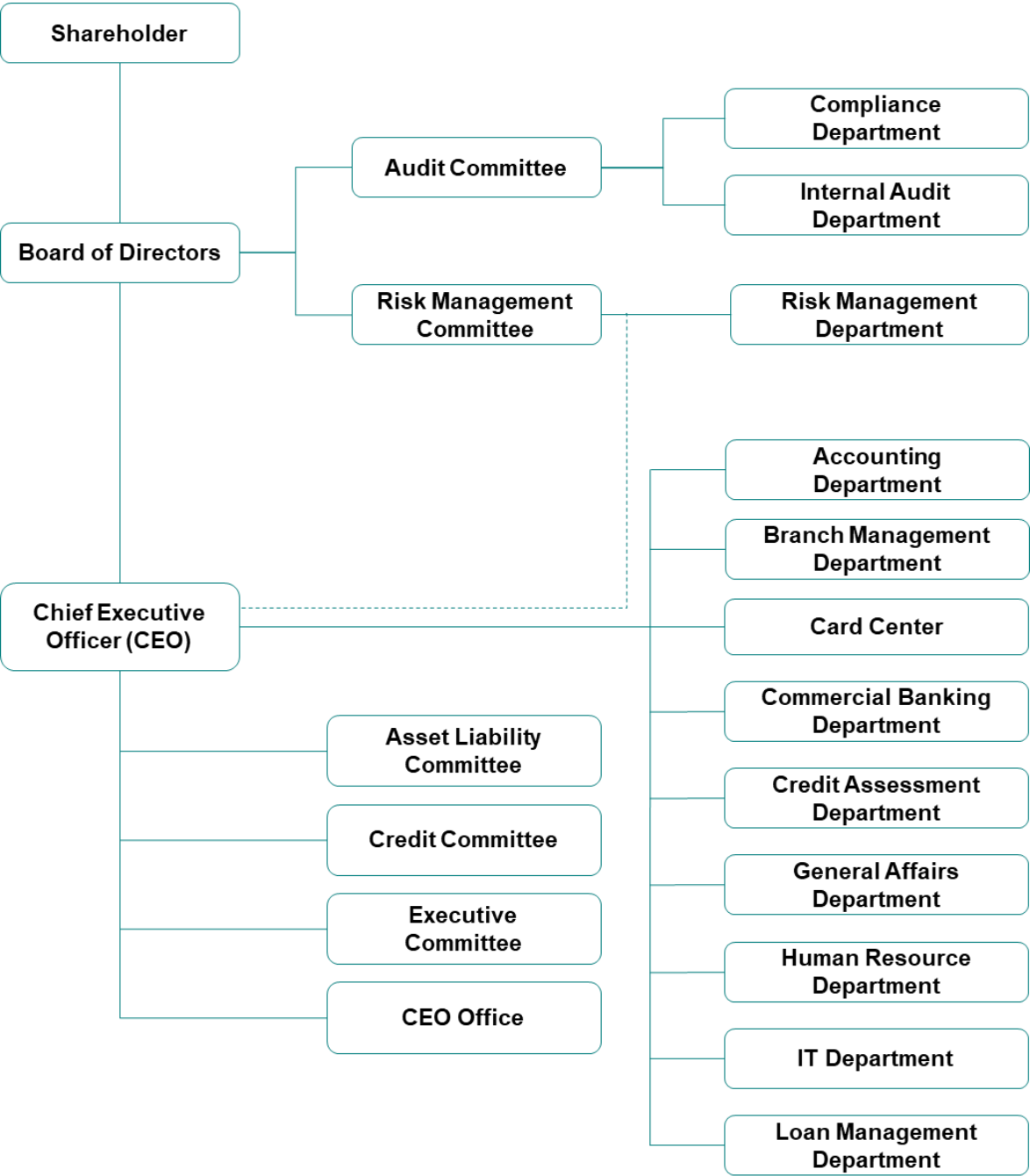
MoU of HR Cooperation



5 - Corporate Governance

UCB Organizational Structure

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



Base Date: 2023/12/31

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. Lung-Cheng Lin	Chairman	03-May-2023	E.SUN Bank holds 80,000 shares (100%)		Bachelor of Arts National Taipei University
2	Ms. I-Yen Kuo	Director	19-March-2020			Master of Economics National Taiwan University
3	Mr. Yuan-Jen Chiang	Director (CEO)	03-May-2023			Bachelor of Department of Finance and Taxation National Cheng-Chi University
4	Mr. Chien-Hung Chen	Director	19-March-2020			Master of Business Administration Drexel University
5	Ms. Ping-Yu Tseng	Director	03-May-2023			Master of Business Administration Fu-Jen Catholic University
6	Mr. Tung-Lung Kuo	Independent Director	19-March-2020			Bachelor of Law in Public Administration National Taipei University
7	Mr. Kuan-Ho Wu	Independent Director	03-May-2023			Bachelor of Business Administration National Taipei 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.

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 2023.

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 2023 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 2023.

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. Lung-Cheng Lin	Chairman (appointed on 03 May 2023)
Mr. Chen Mao Chin	Chairman (resigned on 03 May 2023)
Mr. Chien-Hung Chen	Director
Ms. I-Yen Kuo	Director
Ms. Ping-Yu Tseng	Director (appointed on 03 May 2023)
Ms. Hun Phalin	Director (resigned on 03 May 2023)
Mr. Yuan-Jen Chiang	Director (appointed on 03 May 2023)
Mr. Chi Kan Chung	Director (resigned on 03 May 2023)
Mr. Tung-Lung Kuo	Independent Director
Mr. Kuan-Ho Wu	Independent Director (appointed on 03 May 2023)
Mr. Huang Chuan Hsing	Independent Director (resigned on 03 May 2023)

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 2023 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 2023 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. Lung-Cheng Lin
Chairman

Phnom Penh, Kingdom of Cambodia

15 MAR 2024

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 2023, 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

The Bank's financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023
- 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 2023;
- 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 material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 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
15 March 2024

8 - Financial Report

Union Commercial Bank Plc. and its subsidiary

Consolidated statement of financial position As at 31 December 2023

		2023		2022	
	Notes	US\$	KHR'000	Notes	US\$
ASSETS					
Cash on hand	4	9,907,558	40,472,374	23,213,412	95,569,617
Balances with the central bank	5	32,051,829	130,931,721	25,420,319	104,655,453
Balances with other banks and financial institutions	6	53,863,514	220,032,455	65,219,797	268,509,904
Statutory deposits with the central bank	7	49,641,782	202,786,679	57,358,060	236,143,133
Loans to customers	8	637,537,583	2,604,341,027	669,817,567	2,757,638,923
Investment securities	9	3,832,438	15,655,509	4,694,836	19,328,640
Intangible assets	10	841,156	3,436,122	248,405	1,022,683
Property and equipment	11	33,095,908	135,196,784	35,765,372	147,246,037
Right-of-use assets	12	896,706	3,663,044	1,275,090	5,249,546
Deferred tax assets	13	1,648,194	6,732,872	2,713,398	11,171,060
Other assets	14	3,596,500	14,691,703	3,327,312	13,698,544
TOTAL ASSETS		826,913,168	3,377,940,290	889,053,568	3,660,233,540
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from other banks	15	79,585,711	325,107,629	45,085,796	185,618,222
Deposits from non-bank customers	16	487,885,861	1,993,013,742	429,412,796	1,767,892,481
Current income tax liabilities	17	42,897	175,234	4,271,436	17,585,502
Borrowings	18	74,508,539	304,367,382	229,517,186	944,922,255
Lease liabilities	12	1,185,319	4,842,028	1,617,209	6,658,049
Employee benefit obligations		232,158	948,365	328,127	1,350,900
Other liabilities	19	4,896,116	20,000,634	5,435,205	22,376,739
Subordinated debts	20	40,515,156	165,504,412	40,440,889	166,495,140
TOTAL LIABILITIES		688,851,757	2,813,959,426	756,108,644	3,112,899,288
EQUITY					
Share capital	21	80,000,000	326,800,000	80,000,000	329,360,000
Regulatory reserves		5,614,780	22,936,376	175,973	724,481
Non-distributable reserve		25,622,772	104,669,024	25,622,772	105,488,952
Fair value reserve		514,623	2,102,235	405,588	1,642,721
Retained earnings		26,309,236	107,975,924	26,740,591	109,607,193
Other reserve		-	(502,695)	-	510,905
TOTAL EQUITY		138,061,411	563,980,864	132,944,924	547,334,252
TOTAL LIABILITIES AND EQUITY		826,913,168	3,377,940,290	889,053,568	3,660,233,540

The accompanying notes from pages 28 to 136 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 2023

	Notes	2023		2022	
		US\$	KHR'000	US\$	KHR'000
Interest income	22	51,759,267	212,730,587	48,494,289	198,196,159
Interest expense	23	(30,489,051)	(125,310,000)	(15,048,611)	(61,503,673)
Net interest income		<u>21,270,216</u>	<u>87,420,587</u>	<u>33,445,678</u>	<u>136,692,486</u>
Fee and commission income	24	4,751,959	19,530,551	4,288,461	17,526,940
Fee and commission expense	24	(1,459,072)	(5,996,786)	(886,989)	(3,625,124)
Net fee and commission income		<u>3,292,887</u>	<u>13,533,765</u>	<u>3,401,472</u>	<u>13,901,816</u>
Impairment losses on financial assets	25	(4,545,823)	(18,683,333)	(1,893,047)	(7,736,883)
Other gains/(losses) – net		203,388	835,925	(758,284)	(3,099,107)
Other operating income	26	4,093,886	16,825,871	4,517,585	18,463,370
Net other operating (loss)/profit		<u>(248,549)</u>	<u>(1,021,537)</u>	<u>1,866,254</u>	<u>7,627,380</u>
Personnel expenses	27	(7,589,566)	(31,193,116)	(7,938,917)	(32,446,354)
Depreciation and amortisation		(3,599,295)	(14,793,102)	(3,586,106)	(14,656,415)
Other operating expenses	28	(6,859,232)	(28,191,444)	(4,912,948)	(20,079,218)
Profit before income tax		<u>6,266,461</u>	<u>25,755,153</u>	<u>22,275,433</u>	<u>91,039,695</u>
Income tax expense	29	(1,259,009)	(5,174,527)	(5,498,037)	(22,470,477)
Profit for the year		<u>5,007,452</u>	<u>20,580,626</u>	<u>16,777,396</u>	<u>68,569,218</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation gains/(losses) from Investments in equity instruments designated at FVOCI		109,035	448,134	(7,273)	(29,725)
Currency translation differences		-	(1,013,600)	-	945,963
		<u>109,035</u>	<u>(565,466)</u>	<u>(7,273)</u>	<u>916,238</u>
Total comprehensive income for the year		<u>5,116,487</u>	<u>20,015,160</u>	<u>16,770,123</u>	<u>69,485,456</u>
Profit attributable to:					
Owners of the Group		<u>5,007,452</u>	<u>20,580,626</u>	<u>16,777,396</u>	<u>68,569,218</u>
Total comprehensive income attributable to:					
Owners of the Group		<u>5,116,487</u>	<u>20,015,160</u>	<u>16,770,123</u>	<u>69,485,456</u>

The accompanying notes from pages 28 to 136 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 2023

	Attributable to owners of the Group													
	Share capital		Regulatory reserves		Share capital		Regulatory reserves		Share capital		Regulatory reserves		Share capital	
	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 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 losses 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
Balance at 1 January 2023	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
Profit for the year	-	-	-	-	-	-	-	-	5,007,452	20,580,626	-	-	5,007,452	20,580,626
Revaluation gains from Investments in equity instruments designated at FVOCI	-	-	-	-	-	-	109,035	448,134	-	-	-	-	109,035	448,134
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(1,013,600)	-	(1,013,600)
Total comprehensive income for the year	-	-	-	-	-	-	109,035	448,134	5,007,452	20,580,626	-	(1,013,600)	5,116,487	20,015,160
Transactions with owners in their capacity as owners:														
Transfers from regulatory reserves to retained earnings	-	-	5,438,807	22,211,895	-	-	-	-	(5,438,807)	(22,211,895)	-	-	-	-
Currency translation differences	-	(2,560,000)	-	-	-	(819,928)	-	11,380	-	-	-	-	-	(3,368,548)
Total transactions with owners	-	(2,560,000)	5,438,807	22,211,895	-	(819,928)	-	11,380	(5,438,807)	(22,211,895)	-	-	-	(3,368,548)
Balance at 31 December 2023	80,000,000	326,800,000	5,614,780	22,936,376	25,622,772	104,669,024	514,623	2,102,235	26,309,236	107,975,924	-	(502,695)	138,061,411	563,980,864

The accompanying notes from pages 28 to 136 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 2023

	Notes	2023		2022	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		6,266,461	25,755,155	22,275,433	91,039,695
<i>Adjustments for:</i>					
Provision for employee benefit obligations		(95,969)	(394,433)	(25,145)	(102,768)
Depreciation and amortisation		3,579,329	14,711,042	3,586,106	14,656,415
Impairment losses on financial assets	25	4,545,823	18,683,333	1,893,047	7,736,883
Losses/(gains) on disposal of property and equipment		1,340	5,507	(17,671)	(72,221)
Interest income	22	(51,759,267)	(212,730,587)	(48,494,289)	(198,196,159)
Interest expense	23	30,489,051	125,310,000	15,048,611	61,503,673
<i>Changes in working capital</i>					
Reserve requirement with the central bank		7,743,702	31,826,615	(9,060,248)	(37,029,234)
Loans to customers		27,821,841	114,347,767	(113,384,965)	(463,404,352)
Other assets		(254,801)	(1,047,234)	190,041	776,698
Deposits from other banks		34,262,316	140,818,119	(2,113,056)	(8,636,060)
Deposits from non-bank customers		55,494,352	228,081,788	(11,565,951)	(47,270,042)
Other liabilities		(635,935)	(2,613,693)	(6,300,585)	(25,750,491)
Cash generated from/(used in) operations		<u>117,458,243</u>	<u>482,753,379</u>	<u>(147,968,672)</u>	<u>(604,747,963)</u>
Interest received		51,503,030	211,677,453	47,893,049	195,738,891
Interest paid		(27,088,227)	(111,332,613)	(20,187,096)	(82,504,661)
Income tax paid	17	<u>(4,463,990)</u>	<u>(18,346,999)</u>	<u>(4,452,805)</u>	<u>(18,198,614)</u>
Net cash generated from/(used in) operating activities		<u>137,409,056</u>	<u>564,751,220</u>	<u>(124,715,524)</u>	<u>(509,712,347)</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	(287,258)	(1,180,630)	(327,338)	(1,337,830)
Purchases of intangible assets	10	(789,370)	(3,244,311)	-	-
Proceeds from disposals of property and equipment		-	-	160,299	655,142
Negotiable Certificate of Deposits with the central bank		(2,831,762)	(11,638,542)	2,030,811	8,299,925
Balances with other banks and financial institutions		<u>(4,463,221)</u>	<u>(18,343,838)</u>	<u>(26,896,772)</u>	<u>(109,927,107)</u>
Net cash used in investing activities		<u>(8,371,611)</u>	<u>(34,407,321)</u>	<u>(29,028,875)</u>	<u>(118,641,011)</u>
Cash flows from financing activities					
Repayments from borrowings		(402,118,892)	(1,652,708,646)	(259,485,713)	(1,060,518,109)
Proceeds from borrowings		247,000,000	1,015,170,000	397,900,000	1,626,217,300
Proceeds from sales of investment in debt securities		995,872	4,093,034	-	-
Principal elements of lease payments		<u>(480,834)</u>	<u>(1,976,228)</u>	<u>(601,718)</u>	<u>(2,459,221)</u>
Net cash (used in)/generated from financing activities		<u>(154,603,854)</u>	<u>(635,421,840)</u>	<u>137,812,569</u>	<u>563,239,970</u>
Net decrease in cash and cash equivalents		(25,566,409)	(105,077,941)	(15,931,830)	(65,113,388)
Cash and cash equivalents at beginning of the year		77,075,719	317,320,735	93,007,549	378,912,754
Currency translation differences		-	(1,827,263)	-	3,521,369
Cash and cash equivalents at end of the year	30	<u>51,509,310</u>	<u>210,415,531</u>	<u>77,075,719</u>	<u>317,320,735</u>

The accompanying notes from pages 28 to 136 form an integral part of these consolidated and separate financial statements

Union Commercial Bank Plc.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		2023		2022	
	Notes	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	9,907,558	40,472,374	23,213,412	95,569,617
Balances with the central bank	5	32,051,829	130,931,721	25,420,319	104,655,453
Balances with other banks and financial institutions	6	52,300,130	213,646,031	63,226,363	260,302,936
Statutory deposits with the central bank	7	49,641,782	202,786,679	57,358,060	236,143,133
Loans to customers	8	637,537,583	2,604,341,027	669,817,567	2,757,638,923
Investment securities	9	3,832,438	15,655,509	4,694,836	19,328,640
Investment in subsidiary		490	2,002	490	2,017
Intangible assets	10	841,156	3,436,122	248,405	1,022,683
Property and equipment	11	23,023,352	94,050,393	25,644,788	105,579,592
Right-of-use assets	12	5,929,143	24,220,549	6,983,852	28,752,519
Deferred tax assets	13	1,900,920	7,765,258	3,035,248	12,496,116
Other assets	14	3,546,694	14,488,245	3,273,718	13,477,897
TOTAL ASSETS		820,513,075	3,351,795,910	882,917,058	3,634,969,526
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from other banks	15	79,585,711	325,107,629	45,085,796	185,618,222
Deposits from non-bank customers	16	487,932,436	1,993,204,001	429,612,560	1,768,714,910
Current income tax liabilities	17	-	-	4,234,844	17,434,853
Borrowings	18	63,070,534	257,643,131	217,795,854	896,665,531
Lease liabilities	12	7,999,413	32,677,602	9,035,695	37,199,956
Employee benefit obligations		232,158	948,365	328,127	1,350,897
Other liabilities	19	5,018,568	20,500,851	5,499,658	22,642,092
Subordinated debts	20	40,515,156	165,504,412	40,440,889	166,495,140
TOTAL LIABILITIES		684,353,976	2,795,585,991	752,033,423	3,096,121,601
EQUITY					
Share capital	21	80,000,000	326,800,000	80,000,000	329,360,000
Regulatory reserves		5,614,780	23,077,978	175,973	724,481
Non-distributable reserve		25,622,772	104,669,024	25,622,772	105,488,952
Fair value reserve		514,623	2,102,235	405,588	1,642,721
Retained earnings		24,406,924	100,088,361	24,679,302	101,207,836
Other reserves		-	(527,679)	-	423,935
TOTAL EQUITY		136,159,099	556,209,919	130,883,635	538,847,925
TOTAL LIABILITIES AND EQUITY		820,513,075	3,351,795,910	882,917,058	3,634,969,526

The accompanying notes from pages 28 to 136 form an integral part of these consolidated and separate financial statements,

Union Commercial Bank Plc.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023		2022	
		US\$	KHR'000	US\$	KHR'000
Interest income	22	51,632,973	212,211,519	48,378,785	197,724,094
Interest expense	23	(30,233,517)	(124,259,755)	(15,246,802)	(62,313,680)
Net interest income		<u>21,399,456</u>	<u>87,951,764</u>	<u>33,131,983</u>	<u>135,410,414</u>
Fee and commission income	24	4,751,959	19,530,551	4,288,461	17,526,940
Fee and commission expense	24	(1,459,072)	(5,996,786)	(886,989)	(3,625,124)
Net fee and commission income		<u>3,292,887</u>	<u>13,533,765</u>	<u>3,401,472</u>	<u>13,901,816</u>
Impairment losses on financial assets	25	(4,545,823)	(18,683,333)	(1,893,047)	(7,736,883)
Other gains/(losses) – net		203,388	835,925	(758,284)	(3,099,107)
Other operating income	26	4,045,621	16,627,502	4,505,585	18,414,326
Net other operating (loss)/profit		<u>(296,814)</u>	<u>(1,219,906)</u>	<u>1,854,254</u>	<u>7,578,336</u>
Personnel expenses	27	(7,589,477)	(31,192,750)	(7,938,801)	(32,445,880)
Depreciation and amortisation		(3,709,529)	(15,246,164)	(3,716,307)	(15,188,547)
Other operating expenses	28	(6,666,662)	(27,399,981)	(5,137,633)	(20,997,506)
Profit before income tax		<u>6,429,861</u>	<u>26,426,728</u>	<u>21,594,968</u>	<u>88,258,633</u>
Income tax expense	29	(1,263,432)	(5,192,706)	(5,381,837)	(21,995,568)
Profit for the year		<u>5,166,429</u>	<u>21,234,022</u>	<u>16,213,131</u>	<u>66,263,065</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation gains/(losses) from investments in equity instruments designated at FVOCI		109,035	448,134	(7,273)	(29,725)
Currency translation reserves		-	(945,982)	-	875,543
		<u>109,035</u>	<u>(497,848)</u>	<u>(7,273)</u>	<u>845,818</u>
Total comprehensive income for the year		<u>5,275,464</u>	<u>20,736,174</u>	<u>16,205,858</u>	<u>67,108,883</u>
Profit attributable to:					
Owners of the Bank		<u>5,166,429</u>	<u>21,234,022</u>	<u>16,213,131</u>	<u>66,263,065</u>
Total comprehensive income attributable to:					
Owners of the Bank		<u>5,275,464</u>	<u>20,736,174</u>	<u>16,205,858</u>	<u>67,108,883</u>

The accompanying notes from pages 28 to 136 form an integral part of these consolidated and separate financial statements.

Union Commercial Bank Plc.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Bank													
	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 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 losses 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
Balance at 1 January 2023	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
Profit for the year	-	-	-	-	-	-	-	-	5,166,429	21,234,022	-	-	5,166,429	21,234,022
Revaluation gains from Investments in equity instruments designated at FVOCI	-	-	-	-	-	-	109,035	448,134	-	-	-	-	109,035	448,134
Other comprehensive income - currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(951,614)	-	(951,614)
Total comprehensive income for the year	-	-	-	-	-	-	109,035	448,134	5,166,429	21,234,022	-	(951,614)	5,275,464	20,730,542
Transactions with owners in their capacity as owners:														
Transfers from regulatory reserves to retained earnings	-	-	5,438,807	22,353,497	-	-	-	-	(5,438,807)	(22,353,497)	-	-	-	-
Currency translation differences	-	(2,560,000)	-	-	-	(819,928)	-	11,380	-	-	-	-	-	(3,368,548)
Total transactions with owners	-	(2,560,000)	5,438,807	22,353,497	-	(819,928)	-	11,380	(5,438,807)	(22,353,497)	-	-	-	(3,368,548)
Balance at 31 December 2023	80,000,000	326,800,000	5,614,780	23,077,978	25,622,772	104,669,024	514,623	2,102,235	24,406,924	100,088,361	-	(527,679)	136,159,099	556,209,919

The accompanying notes from pages 28 to 136 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

Notes	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities				
Profit before income tax	6,429,861	26,426,729	21,594,968	88,258,634
<i>Adjustments for:</i>				
Provision for employee benefit obligations	(95,969)	(394,433)	(25,145)	(102,768)
Depreciation and amortisation	3,709,529	15,246,164	3,716,307	15,188,547
Impairment losses on financial assets	25 4,545,823	18,683,333	1,893,047	7,736,883
Losses/(gains) on disposal of property and equipment	1,340	5,507	(17,672)	(72,225)
Interest income	22 (51,632,973)	(212,211,519)	(48,378,785)	(197,724,094)
Interest expense	23 30,233,517	124,259,755	15,246,802	62,313,680
	<u>(6,808,872)</u>	<u>(27,984,464)</u>	<u>(5,970,478)</u>	<u>(24,401,343)</u>
<i>Changes in working capital:</i>				
Placements of reserve requirement with the central bank	7,743,702	31,826,615	(9,060,248)	(37,029,234)
Loans to customers	27,839,675	114,421,064	(113,137,082)	(462,391,254)
Other assets	(300,235)	(1,233,964)	214,556	876,890
Deposits from other banks	34,262,316	140,818,119	(2,113,056)	(8,636,060)
Deposits from non-bank customers	55,341,163	227,452,180	(18,590,205)	(75,978,168)
Other liabilities	(595,771)	(2,448,619)	540,949	2,210,859
Cash generated from/(used in) operations	<u>117,481,978</u>	<u>482,850,931</u>	<u>(148,115,564)</u>	<u>(605,348,310)</u>
Interest received	51,380,615	211,174,328	47,801,695	195,365,527
Interest paid	(27,668,259)	(113,716,544)	(19,715,984)	(80,579,227)
Income tax paid	17 (4,363,948)	(17,935,826)	(4,397,698)	(17,973,392)
Net cash generated from/(used in) operating activities	<u>136,830,386</u>	<u>562,372,889</u>	<u>(124,427,551)</u>	<u>(508,535,402)</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 (287,258)	(1,180,630)	(327,344)	(1,337,855)
Purchases of intangible assets	10 (789,370)	(3,244,311)	-	-
Proceeds from sale of property and equipment	-	-	160,299	655,142
Withdrawals of Negotiable Certificate of Deposits with the central bank	(2,831,762)	(11,638,542)	2,030,811	8,299,925
Balances with other banks and financial institutions	<u>(5,000,000)</u>	<u>(20,550,000)</u>	<u>(26,988,251)</u>	<u>(110,300,982)</u>
Net cash used in investing activities	<u>(8,908,390)</u>	<u>(36,613,483)</u>	<u>(29,120,356)</u>	<u>(119,014,893)</u>
Cash flows from financing activities				
Repayments of borrowings	(401,000,000)	(1,648,109,998)	(244,300,000)	(998,454,098)
Proceeds from borrowings	247,000,000	1,015,170,000	383,000,000	1,565,321,002
Proceeds from sales of investment in debt securities	995,872	4,093,036	-	-
Principal elements of lease payments	<u>(587,128)</u>	<u>(2,413,097)</u>	<u>(1,139,878)</u>	<u>(4,658,679)</u>
Net cash (used in)/generated from financing activities	<u>(153,591,256)</u>	<u>(631,260,059)</u>	<u>137,560,122</u>	<u>562,208,225</u>
Net decrease in cash and cash equivalents	(25,669,260)	(105,500,653)	(15,987,785)	(65,342,070)
Cash and cash equivalents at beginning of the year	76,915,185	316,659,817	92,902,970	378,486,700
Currency translation differences	-	(1,819,561)	-	3,515,187
Cash and cash equivalents at end of the year	<u>51,245,925</u>	<u>209,339,603</u>	<u>76,915,185</u>	<u>316,659,817</u>

The accompanying notes from pages 28 to 136 form an integral part of these consolidated and separate financial statements.

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, 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 15 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material 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).

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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 2023:

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to materially 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 2023 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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 United States dollars (US\$) because of the significant influence of the US\$ on their operations. The consolidated and separate financial statements are presented in 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

2.6 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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 allowance for expected credit losses (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

Debt instruments

Subsequent measurement of debt instruments depends on the 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL 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 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 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).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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. Moreover, the different parts of the property cannot be sold separately or leased out separately under finance leases. The Group has used 17 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. CASH ON HAND

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Current</i>								
US dollars	8,720,541	35,623,410	19,345,998	79,647,474	8,720,541	35,623,410	19,345,998	79,647,474
Khmer Riel	1,187,017	4,848,964	3,867,414	15,922,143	1,187,017	4,848,964	3,867,414	15,922,143
	<u>9,907,558</u>	<u>40,472,374</u>	<u>23,213,412</u>	<u>95,569,617</u>	<u>9,907,558</u>	<u>40,472,374</u>	<u>23,213,412</u>	<u>95,569,617</u>

5. BALANCES WITH THE CENTRAL BANK

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Current</i>								
Current accounts	23,064,122	94,216,938	21,305,269	87,713,792	23,064,122	94,216,938	21,305,269	87,713,792
Settlement accounts	3,368,289	13,759,460	1,324,867	5,454,477	3,368,289	13,759,460	1,324,867	5,454,477
Negotiable certificates of deposit (i)	5,619,418	22,955,323	2,790,183	11,487,184	5,619,418	22,955,323	2,790,183	11,487,184
	<u>32,051,829</u>	<u>130,931,721</u>	<u>25,420,319</u>	<u>104,655,453</u>	<u>32,051,829</u>	<u>130,931,721</u>	<u>25,420,319</u>	<u>104,655,453</u>

- (i) The Group and the Bank pledged NCD with the central bank as collateral for settlement clearing facility. As at 31 December 2023, the Group and the Bank had yet utilised the overdraft on settlement clearing facility.

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

6. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

(a) By residency status

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Deposits and placements with local banks	44,780,746	182,929,348	36,389,046	149,813,702	43,217,362	176,542,924	34,395,612	141,606,735
Deposits and placements with overseas banks	9,764,899	39,889,612	29,724,408	122,375,388	9,764,899	39,889,612	29,724,408	122,375,387
	<u>54,545,645</u>	<u>222,818,960</u>	<u>66,113,454</u>	<u>272,189,090</u>	<u>52,982,261</u>	<u>216,432,536</u>	<u>64,120,020</u>	<u>263,982,122</u>
Less:								
Allowance for expected credit losses	(682,131)	(2,786,505)	(893,657)	(3,679,186)	(682,131)	(2,786,505)	(893,657)	(3,679,186)
	<u>53,863,514</u>	<u>220,032,455</u>	<u>65,219,797</u>	<u>268,509,904</u>	<u>52,300,130</u>	<u>213,646,031</u>	<u>63,226,363</u>	<u>260,302,936</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

(b) By account type

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Local banks:								
Savings accounts	220,153	899,325	1,243,297	5,118,654	58,658	239,618	1,084,633	4,465,434
Current accounts	188,328	769,320	301,884	1,242,856	186,438	761,599	300,014	1,235,158
Fixed deposits	44,372,265	181,260,703	34,843,865	143,452,192	42,972,266	175,541,707	33,010,965	135,906,143
Less:								
Allowance for expected credit loss	(556,411)	(2,272,940)	(479,380)	(1,973,607)	(556,411)	(2,272,939)	(479,380)	(1,973,608)
Total balance with local banks	44,224,335	180,656,408	35,909,666	147,840,095	42,660,951	174,269,985	33,916,232	139,633,127
Overseas banks:								
Savings accounts	-	-	16,044,739	66,056,190	-	-	16,044,739	66,056,190
Current accounts	9,764,899	39,889,612	13,679,669	56,319,198	9,764,899	39,889,612	13,679,669	56,319,197
Less:								
Allowance for expected credit loss	(125,720)	(513,565)	(414,277)	(1,705,579)	(125,720)	(513,566)	(414,277)	(1,705,578)
Total balance with overseas banks	9,639,179	39,376,047	29,310,131	120,669,809	9,639,179	39,376,046	29,310,131	120,669,809
	53,863,514	220,032,455	65,219,797	268,509,904	52,300,130	213,646,031	63,226,363	260,302,936

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

(c) By maturity

	Consolidated financial statements				Separate financial statements			
	2023		2022		2022		2021	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	53,863,514	220,032,455	65,219,797	268,509,904	52,300,130	213,646,031	63,226,363	260,302,936
Non-current	-	-	-	-	-	-	-	-
	<u>53,863,514</u>	<u>220,032,455</u>	<u>65,219,797</u>	<u>268,509,904</u>	<u>52,300,130</u>	<u>213,646,031</u>	<u>63,226,363</u>	<u>260,302,936</u>

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

	2023	2022
Current accounts	Nil	Nil
Savings accounts	0.25% - 1.8%	0.2% - 0.5%
Fixed deposits	0.5% - 6%	1.5% - 5.25%

7. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Current</i>								
Reserve requirement (i)	41,588,144	169,887,568	49,331,846	203,099,210	41,588,144	169,887,568	49,331,846	203,099,210
<i>Non-current</i>								
Capital guarantee deposits (ii)	8,053,638	32,899,111	8,026,214	33,043,923	8,053,638	32,899,111	8,026,214	33,043,923
	<u>49,641,782</u>	<u>202,786,679</u>	<u>57,358,060</u>	<u>236,143,133</u>	<u>49,641,782</u>	<u>202,786,679</u>	<u>57,358,060</u>	<u>236,143,133</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

7. STATUTORY DEPOSITS WITH THE CENTRAL BANK (continued)

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 7% (2022: 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>2023</u>	<u>2022</u>
Reserve requirement	Nil	Nil
Capital guarantee	0.67%	0.08% - 1.19%

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS TO CUSTOMERS

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost</i>								
<i>Commercial loans:</i>								
Term loans	93,156,509	380,544,339	97,068,237	399,629,932	93,156,509	380,544,339	97,068,237	399,629,932
Overdraft loans	2,386,605	9,749,281	2,365,980	9,740,740	2,386,605	9,749,281	2,365,980	9,740,740
Trust receipts	11,948,439	48,809,373	19,417,471	79,941,728	11,948,439	48,809,373	19,417,471	79,941,728
Other commercial loans	14,034,959	57,332,808	19,108,325	78,668,974	14,034,959	57,332,808	19,108,325	78,668,974
	<u>121,526,512</u>	<u>496,435,801</u>	<u>137,960,013</u>	<u>567,981,374</u>	<u>121,526,512</u>	<u>496,435,801</u>	<u>137,960,013</u>	<u>567,981,374</u>
<i>Consumer Loans:</i>								
Term loans	311,900,000	1,274,111,500	329,830,524	1,357,912,267	311,900,000	1,274,111,500	329,830,524	1,357,912,267
Overdraft loans	43,107,880	176,095,690	34,850,778	143,480,653	43,107,880	176,095,690	34,850,778	143,480,653
Credit card facilities	7,026,885	28,704,826	7,142,009	29,403,651	7,026,885	28,704,826	7,142,009	29,403,651
Other commercial loans	162,787,979	664,988,894	169,103,617	696,199,591	162,787,979	664,988,894	169,103,617	696,199,591
	<u>524,822,744</u>	<u>2,143,900,910</u>	<u>540,926,928</u>	<u>2,226,996,162</u>	<u>524,822,744</u>	<u>2,143,900,910</u>	<u>540,926,928</u>	<u>2,226,996,162</u>
Total gross loans	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536
Less: Allowances for expected credit losses (Note 35.1(f)(i))	<u>(8,811,673)</u>	<u>(35,995,684)</u>	<u>(9,069,374)</u>	<u>(37,338,613)</u>	<u>(8,811,673)</u>	<u>(35,995,684)</u>	<u>(9,069,374)</u>	<u>(37,338,613)</u>
	<u>637,537,583</u>	<u>2,604,341,027</u>	<u>669,817,567</u>	<u>2,757,638,923</u>	<u>637,537,583</u>	<u>2,604,341,027</u>	<u>669,817,567</u>	<u>2,757,638,923</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS TO CUSTOMERS (continued)

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

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	(5,803,896)	(23,708,915)	(7,806,418)	(32,139,023)	(5,803,896)	(23,708,915)	(7,806,418)	(32,139,023)
Lifetime ECL - not credit impaired (Stage 2)	(344,408)	(1,406,907)	(438,535)	(1,805,449)	(344,408)	(1,406,907)	(438,535)	(1,805,449)
Lifetime ECL - credit impaired (Stage 3)	(2,663,369)	(10,879,862)	(824,421)	(3,394,141)	(2,663,369)	(10,879,862)	(824,421)	(3,394,141)
	<u>(8,811,673)</u>	<u>(35,995,684)</u>	<u>(9,069,374)</u>	<u>(37,338,613)</u>	<u>(8,811,673)</u>	<u>(35,995,684)</u>	<u>(9,069,374)</u>	<u>(37,338,613)</u>

(b) Analysis by industry

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Financial institutions	27,503,690	112,352,574	41,623,188	171,362,665	27,503,690	112,352,574	41,623,188	171,362,665
Construction	60,051,425	245,310,071	8,724,226	35,917,638	60,051,425	245,310,071	8,724,226	35,917,638
Agriculture	8,165,940	33,357,865	12,351,022	50,849,158	8,165,940	33,357,865	12,351,022	50,849,158
Household	17,238,043	70,417,406	327,591,707	1,348,695,058	17,238,043	70,417,406	327,591,707	1,348,695,058
Manufacturing	20,812,083	85,017,359	10,106,051	41,606,612	20,812,083	85,017,359	10,106,051	41,606,612
Real estate	368,246,558	1,504,287,189	141,572,516	582,854,048	368,246,558	1,504,287,189	141,572,516	582,854,048
Retail trade	24,376,319	99,577,263	22,162,950	91,244,865	24,376,319	99,577,263	22,162,950	91,244,865
Wholesale trade	76,525,838	312,608,048	7,725,580	31,806,213	76,525,838	312,608,048	7,725,580	31,806,213
Others	43,429,360	177,408,936	107,029,701	440,641,279	43,429,360	177,408,936	107,029,701	440,641,279
	<u>646,349,256</u>	<u>2,640,336,711</u>	<u>678,886,941</u>	<u>2,794,977,536</u>	<u>646,349,256</u>	<u>2,640,336,711</u>	<u>678,886,941</u>	<u>2,794,977,536</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS TO CUSTOMERS (continued)

(c) Analysis by loan classification

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>								
Gross amount	631,056,998	2,577,867,837	669,165,260	2,754,953,375	631,056,998	2,577,867,837	669,165,260	2,754,953,375
Exposure at default	631,056,998	2,577,867,837	669,165,260	2,754,953,375	631,056,998	2,577,867,837	669,165,260	2,754,953,375
Allowances for expected credit losses	(5,803,896)	(23,708,915)	(7,806,418)	(32,139,023)	(5,803,896)	(23,708,915)	(7,806,418)	(32,139,023)
<i>Under-performing</i>								
Gross amount	4,234,526	17,298,039	6,111,933	25,162,828	4,234,526	17,298,039	6,111,933	25,162,828
Exposure at default	4,234,526	17,298,039	6,111,933	25,162,828	4,234,526	17,298,039	6,111,933	25,162,828
Allowances for expected credit losses	(344,408)	(1,406,907)	(438,535)	(1,805,449)	(344,408)	(1,406,907)	(438,535)	(1,805,449)
<i>Non-performing</i>								
Gross amount	11,057,732	45,170,835	3,609,748	14,861,333	11,057,732	45,170,835	3,609,748	14,861,333
Exposure at default	11,057,732	45,170,835	3,609,748	14,861,333	11,057,732	45,170,835	3,609,748	14,861,333
Allowances for expected credit losses	(2,663,369)	(10,879,862)	(824,421)	(3,394,141)	(2,663,369)	(10,879,862)	(824,421)	(3,394,141)
Total								
Gross amount	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536
Exposure at default	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536
Allowances for expected credit losses	(8,811,673)	(35,995,684)	(9,069,374)	(37,338,613)	(8,811,673)	(35,995,684)	(9,069,374)	(37,338,613)

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS TO CUSTOMERS (continued)

(d) Analysis by maturity

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	128,139,565	523,450,123	119,471,407	491,863,783	128,139,565	523,450,123	119,471,407	491,863,783
Later than 1 year and no later than 3 years	66,492,486	271,621,805	69,026,248	284,181,063	66,492,486	271,621,805	69,026,248	284,181,063
Later than 3 years and no later than 5 years	123,221,032	503,357,916	138,306,002	569,405,810	123,221,032	503,357,916	138,306,002	569,405,810
Later than 5 years	328,496,173	1,341,906,867	352,083,284	1,449,526,880	328,496,173	1,341,906,867	352,083,284	1,449,526,880
Total gross loans	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536

(e) Analysis by exposure

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Large exposure	83,814,879	342,383,781	91,604,800	377,136,962	83,814,879	342,383,781	91,604,800	377,136,962
Non-large exposure	562,534,377	2,297,952,930	587,282,141	2,417,840,574	562,534,377	2,297,952,930	587,282,141	2,417,840,574
Total gross loans	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS TO CUSTOMERS (continued)

(f) Analysis by relationship

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Related parties (Note 33(b))	121,784	497,488	124,340	511,908	121,784	497,488	124,340	511,908
Non-related parties	646,227,472	2,639,839,223	678,762,601	2,794,465,628	646,227,472	2,639,839,223	678,762,601	2,794,465,628
Total gross loans	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536

(g) Analysis by residency

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Residents	645,161,370	2,635,484,197	676,079,551	2,783,419,511	645,161,370	2,635,484,197	676,079,551	2,783,419,511
Non-residents	1,187,886	4,852,514	2,807,390	11,558,025	1,187,886	4,852,514	2,807,390	11,558,025
Total gross loans	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536

(h) Interest rate

These loans to customers earn annual interest rates as follows:

	2023	2022
Term loans	3% - 14.4%	3% - 15%
Overdraft loans	5% - 10%	5% - 9.5%
Trust receipts	6.25% - 8.75%	6.1% - 8.92%
Other commercial loans	3% - 24%	3% - 24%

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

9. INVESTMENT SECURITIES

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	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	12,272,794	3,004,356	12,368,934	3,004,356	12,272,794	3,004,356	12,368,934
Total debt investment at amortised cost	3,004,356	12,272,794	4,003,048	16,480,549	3,004,356	12,272,794	4,003,048	16,480,549
Non-current								
<i>Equity investment at FVOCI:</i>								
<i>Listed securities</i>								
Visa Inc. (*)	678,082	2,769,965	541,788	2,230,541	678,082	2,769,965	541,788	2,230,541
<i>Unlisted securities</i>								
Credit bureau (Cambodia) Co., Ltd.	150,000	612,750	150,000	617,550	150,000	612,750	150,000	617,550
Total equity investment at FVOCI	828,082	3,382,715	691,788	2,848,091	828,082	3,382,715	691,788	2,848,091
	3,832,438	15,655,509	4,694,836	19,328,640	3,832,438	15,655,509	4,694,836	19,328,640

(*) During the year, the revaluation gains from investment in equity investment amounting to US\$109,035 (2022: losses on revaluation of US\$7,273) were recognised in other comprehensive income. Dividends are received from equity investment at fair value through other comprehensive income (FVOCI) of US\$409,768 (2022: US\$119,711) and recognised as other operating income in profit or loss.

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

10. INTANGIBLE ASSETS

	Consolidated financial statements			Separate financial statements		
	Computer software US\$	Work in Progress US\$	Total US\$	Computer software US\$	Work in Progress 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

10. INTANGIBLE ASSETS (continued)

	Consolidated financial statements			Separate financial statements		
	Computer software US\$	Work in Progress US\$	Total US\$	Computer software US\$	Work in Progress US\$	Total US\$
As at 1 January 2023						
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 equivalents</i>	1,022,683	-	1,022,683	1,022,683	-	1,022,683
For the year ended 31 December 2023						
Opening net book value	248,405	-	248,405	248,405	-	248,405
Additions	189,544	599,826	789,370	189,544	599,826	789,370
Amortisation charges	(196,619)	-	(196,619)	(196,619)	-	(196,619)
Closing net book value	241,330	599,826	841,156	241,330	599,826	841,156
As at 31 December 2023						
Cost	3,757,027	599,826	4,356,853	3,757,027	599,826	4,356,853
Accumulated amortisation	(3,515,697)	-	(3,515,697)	(3,515,697)	-	(3,515,697)
Net book value	241,330	599,826	841,156	241,330	599,826	841,156
<i>In KHR'000 equivalent</i>	985,833	2,450,289	3,436,122	985,833	2,450,289	3,436,122

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. PROPERTY AND EQUIPMENT

	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	3,590,454	851,091	53,410,779
Accumulated depreciation	-	(4,971,348)	(4,697,970)	(1,764,872)	(2,710,874)	(722,139)	(14,867,203)
Net book value	<u>8,579,170</u>	<u>21,845,187</u>	<u>6,539,500</u>	<u>571,187</u>	<u>879,580</u>	<u>128,952</u>	<u>38,543,576</u>
<i>In KHR'000 equivalents</i>	<u>34,951,539</u>	<u>88,997,292</u>	<u>26,641,923</u>	<u>2,327,016</u>	<u>3,583,409</u>	<u>525,350</u>	<u>157,026,529</u>
For the year ended 31 December 2022							
Opening net book value	8,579,170	21,845,187	6,539,500	571,187	879,580	128,952	38,543,576
Additions	-	-	230,310	31,699	59,285	6,050	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)	(353,575)	(61,497)	(2,962,920)
Closing net book value	<u>9,492,915</u>	<u>19,671,004</u>	<u>5,572,112</u>	<u>374,178</u>	<u>581,658</u>	<u>73,505</u>	<u>35,765,372</u>
As at 31 December 2022							
Cost	9,492,915	25,902,790	11,116,371	2,270,466	3,621,131	673,046	53,076,719
Accumulated depreciation	-	(6,231,786)	(5,544,259)	(1,896,288)	(3,039,473)	(599,541)	(17,311,347)
Net book value	<u>9,492,915</u>	<u>19,671,004</u>	<u>5,572,112</u>	<u>374,178</u>	<u>581,658</u>	<u>73,505</u>	<u>35,765,372</u>
<i>In KHR'000 equivalent</i>	<u>39,082,331</u>	<u>80,985,523</u>	<u>22,940,385</u>	<u>1,540,491</u>	<u>2,394,687</u>	<u>302,620</u>	<u>147,246,037</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023							
Cost	9,492,915	25,902,790	11,116,371	2,270,466	3,621,131	673,046	53,076,719
Accumulated depreciation	-	(6,231,786)	(5,544,259)	(1,896,288)	(3,039,473)	(599,541)	(17,311,347)
Net book value	<u>9,492,915</u>	<u>19,671,004</u>	<u>5,572,112</u>	<u>374,178</u>	<u>581,658</u>	<u>73,505</u>	<u>35,765,372</u>
<i>In KHR'000 equivalents</i>	<u>39,082,331</u>	<u>80,985,523</u>	<u>22,940,385</u>	<u>1,540,491</u>	<u>2,394,686</u>	<u>302,620</u>	<u>147,246,036</u>
For the year ended 31 December 2023							
Opening net book value	9,492,915	19,671,004	5,572,112	374,178	581,658	73,505	35,765,372
Additions	-	-	83,009	2,991	169,758	31,500	287,258
Disposal	-	-	-	(1,341)	-	-	(1,341)
Depreciation charges	-	(1,260,439)	(1,063,630)	(212,122)	(365,662)	(53,528)	(2,955,381)
Closing net book value	<u>9,492,915</u>	<u>18,410,565</u>	<u>4,591,491</u>	<u>163,706</u>	<u>385,754</u>	<u>51,477</u>	<u>33,095,908</u>
As at 31 December 2023							
Cost	9,492,915	25,902,790	11,199,380	2,256,576	3,732,172	704,546	53,288,379
Accumulated depreciation	-	(7,492,225)	(6,607,889)	(2,092,870)	(3,346,418)	(653,069)	(20,192,471)
Net book value	<u>9,492,915</u>	<u>18,410,565</u>	<u>4,591,491</u>	<u>163,706</u>	<u>385,754</u>	<u>51,477</u>	<u>33,095,908</u>
<i>In KHR'000 equivalent</i>	<u>38,778,558</u>	<u>75,207,157</u>	<u>18,756,241</u>	<u>668,739</u>	<u>1,575,805</u>	<u>210,284</u>	<u>135,196,784</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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	3,590,454	851,091	42,957,329
Accumulated depreciation	(4,686,507)	(4,697,970)	(1,764,872)	(2,710,874)	(722,141)	(14,582,364)
Net book value	<u>20,255,748</u>	<u>6,539,500</u>	<u>571,187</u>	<u>879,580</u>	<u>128,950</u>	<u>28,374,965</u>
<i>In KHR'000 equivalents</i>	<u>81,934,501</u>	<u>26,452,278</u>	<u>2,310,451</u>	<u>3,557,901</u>	<u>521,603</u>	<u>114,776,734</u>
For the year ended 31 December 2022						
Opening net book value	20,255,748	6,539,500	571,187	879,580	128,950	28,374,965
Additions	-	230,310	31,699	59,285	6,050	327,344
Disposal	-	(137,321)	(1,675)	(3,632)	-	(142,628)
Depreciation charges	(1,212,410)	(1,060,378)	(227,033)	(353,575)	(61,497)	(2,914,893)
Closing net book value	<u>19,043,338</u>	<u>5,572,111</u>	<u>374,178</u>	<u>581,658</u>	<u>73,503</u>	<u>25,644,788</u>
As at 31 December 2022						
Cost	24,942,255	11,116,371	2,270,466	3,621,131	673,046	42,623,269
Accumulated depreciation	(5,898,917)	(5,544,260)	(1,896,288)	(3,039,473)	(599,543)	(16,978,481)
Net book value	<u>19,043,338</u>	<u>5,572,111</u>	<u>374,178</u>	<u>581,658</u>	<u>73,503</u>	<u>25,644,788</u>
<i>In KHR'000 equivalent</i>	<u>78,401,423</u>	<u>22,940,381</u>	<u>1,540,491</u>	<u>2,394,685</u>	<u>302,612</u>	<u>105,579,592</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023						
Cost	24,942,255	11,116,371	2,270,466	3,621,131	673,046	42,623,269
Accumulated depreciation	(5,898,917)	(5,544,260)	(1,896,288)	(3,039,473)	(599,543)	(16,978,481)
Net book value	19,043,338	5,572,111	374,178	581,658	73,503	25,644,788
<i>In KHR'000 equivalents</i>	78,401,423	22,940,381	1,540,491	2,394,685	302,612	105,579,592
For the year ended 31 December 2023						
Opening net book value	19,043,338	5,572,111	374,178	581,658	73,503	25,644,788
Additions	-	83,009	2,991	169,758	31,500	287,258
Disposal	-	-	(1,341)	-	-	(1,341)
Depreciation charges	(1,212,410)	(1,063,631)	(212,122)	(365,662)	(53,528)	(2,907,353)
Closing net book value	17,830,928	4,591,489	163,706	385,754	51,475	23,023,352
As at 31 December 2023						
Cost	24,942,255	11,199,380	2,273,457	3,732,172	704,546	42,851,810
Accumulated depreciation	(7,111,327)	(6,607,891)	(2,109,751)	(3,346,418)	(653,071)	(19,828,458)
Net book value	17,830,928	4,591,489	163,706	385,754	51,475	23,023,352
<i>In KHR'000 equivalent</i>	72,839,341	18,756,233	668,739	1,575,805	210,275	94,050,393

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets</i>								
<i>(Non-current)</i>								
Buildings	896,706	3,663,044	1,275,090	5,249,546	5,929,143	24,220,549	6,983,852	28,752,519
	<u>896,706</u>	<u>3,663,044</u>	<u>1,275,090</u>	<u>5,249,546</u>	<u>5,929,143</u>	<u>24,220,549</u>	<u>6,983,852</u>	<u>28,752,519</u>
<i>Lease liabilities</i>								
Current	556,729	2,274,238	556,729	2,292,053	595,320	2,431,882	595,320	2,450,932
Non-current	<u>628,590</u>	<u>2,567,790</u>	<u>1,060,480</u>	<u>4,365,996</u>	<u>7,404,093</u>	<u>30,245,720</u>	<u>8,440,375</u>	<u>34,749,024</u>
	<u>1,185,319</u>	<u>4,842,028</u>	<u>1,617,209</u>	<u>6,658,049</u>	<u>7,999,413</u>	<u>32,677,602</u>	<u>9,035,695</u>	<u>37,199,956</u>

There were no right-of-use assets' additions for the Group and the Bank during the year (2022: US\$198,890).

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Depreciation of right-of-use assets</i>								
Buildings	447,295	1,827,201	423,512	1,743,599	605,556	2,473,696	601,740	2,477,364
	447,295	1,827,201	423,512	1,743,599	605,556	2,473,696	601,740	2,477,364
Interest expenses	109,918	449,015	222,087	914,332	689,165	2,815,239	783,667	3,226,357
Expense relating to leases of low value assets (including in operating expenses)	171,144	699,123	176,089	724,958	171,144	703,402	176,089	719,676
	281,062	1,148,138	398,176	1,639,290	860,309	3,518,641	959,756	3,946,033

The total cash outflow for leases for the consolidated financial statements for the year ended 31 December 2023 was US\$480,834 for principal portion (2022: US\$601,718) and US\$109,918 for interest portion (2022: US\$222,087) and for the separate financial statements for the year ended 31 December 2023 was US\$587,128 for principal portion (2022: US\$1,139,878) and US\$689,165 for interest portion (2022: US\$783,667).

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. DEFERRED TAX ASSETS/LIABILITIES

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Non-current								
Deferred tax assets	2,969,639	12,130,975	4,373,716	18,006,589	3,222,365	13,163,361	4,695,566	19,331,645
Deferred tax liabilities	(1,321,445)	(5,398,103)	(1,660,318)	(6,835,529)	(1,321,445)	(5,398,103)	(1,660,318)	(6,835,529)
Deferred tax assets - net	<u>1,648,194</u>	<u>6,732,872</u>	<u>2,713,398</u>	<u>11,171,060</u>	<u>1,900,920</u>	<u>7,765,258</u>	<u>3,035,248</u>	<u>12,496,116</u>

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

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At 1 January	2,713,398	11,171,060	2,940,468	11,979,467	3,035,248	12,496,116	3,193,641	13,010,893
Charged to profit or loss	(1,065,204)	(4,377,988)	(227,070)	(928,035)	(1,134,328)	(4,662,088)	(158,393)	(647,352)
Currency translation differences	-	(60,200)	-	119,628	-	(68,770)	-	132,575
At 31 December	<u>1,648,194</u>	<u>6,732,872</u>	<u>2,713,398</u>	<u>11,171,060</u>	<u>1,900,920</u>	<u>7,765,258</u>	<u>3,035,248</u>	<u>12,496,116</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets:

	Consolidated financial statements						Total US\$
	Impairment loss on financial assets US\$	Lease liabilities US\$	Unamortised loan processing fees US\$	Accelerated depreciation US\$	Employee benefits obligation US\$	Unrealised exchange losses US\$	
At 1 January 2022	1,834,748	1,690,940	862,231	187,875	70,654	-	4,646,448
(Charged)/credited to profit or loss	16,115	(241,174)	(135,989)	93,344	(5,028)	-	(272,732)
At 31 December 2022	1,850,863	1,449,766	726,242	281,219	65,626	-	4,373,716
<i>In KHR'000 equivalent</i>	7,620,003	5,968,687	2,989,938	1,157,779	270,182	-	18,006,589
At 1 January 2023	1,850,863	1,449,766	726,242	281,219	65,626	-	4,373,716
(Charged)/credited to profit or loss	(1,307,868)	(137,262)	(147,891)	167,529	(19,194)	40,609	(1,404,077)
At 31 December 2023	542,995	1,312,504	578,351	448,748	46,432	40,609	2,969,639
<i>In KHR'000 equivalent</i>	2,218,134	5,361,579	2,362,564	1,833,136	189,675	165,887	12,130,975

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets (continued):

	Separate financial statements					Total US\$
	Impairment loss on financial assets US\$	Lease liabilities US\$	Unamortised loan processing fees US\$	Accelerated depreciation US\$	Employee benefits obligation US\$	
At 1 January 2022	1,834,748	1,944,113	862,231	187,875	70,654	4,899,621
(Charged)/credited to profit or loss	16,115	(172,497)	(135,989)	93,344	(5,028)	(204,055)
At 31 December 2022	1,850,863	1,771,616	726,242	281,219	65,626	4,695,566
<i>In KHR'000 equivalent</i>	7,620,003	7,293,743	2,989,938	1,157,779	270,182	19,331,645
At 1 January 2023	1,850,863	1,771,616	726,242	281,219	65,626	4,695,566
(Charged)/credited to profit or loss	(1,307,868)	(206,386)	(147,891)	167,529	(19,194)	(1,473,201)
At 31 December 2023	542,995	1,565,230	578,351	448,748	46,432	3,222,365
<i>In KHR'000 equivalent</i>	2,218,135	6,393,963	2,362,564	1,833,136	189,675	13,163,361

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax liabilities:

	Consolidated financial statements				Separate financial statements			
	Equity investment at FVOCI US\$	Right-of-use assets US\$	Unrealised exchange gains US\$	Total US\$	Equity investment at FVOCI US\$	Right-of-use assets US\$	Unrealised exchange gains US\$	Total US\$
As at 1 January 2022	103,313	1,580,220	22,447	1,705,980	103,313	1,580,220	22,447	1,705,980
Charged to profit or loss	5,045	(183,450)	132,743	(45,662)	5,045	(183,451)	132,744	(45,662)
As at 31 December 2022	108,358	1,396,770	155,190	1,660,318	108,358	1,396,769	155,191	1,660,318
<i>In KHR'000 equivalent</i>	446,110	5,750,502	638,917	6,835,529	446,110	5,750,502	638,917	6,835,529
As at 1 January 2023	108,358	1,396,770	155,191	1,660,318	108,358	1,396,769	155,191	1,660,318
Charged to profit or loss	27,258	(210,941)	(155,191)	(338,874)	27,258	(210,940)	(155,191)	(338,873)
As at 31 December 2023	135,616	1,185,829	-	1,321,445	135,616	1,185,829	-	1,321,445
<i>In KHR'000 equivalent</i>	553,992	4,844,111	-	5,398,103	553,992	4,844,111	-	5,398,103

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. OTHER ASSETS

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Prepayments and deposits	3,050,008	12,459,283	3,133,976	12,902,579	3,050,008	12,459,283	3,133,211	12,899,430
Others	546,492	2,232,420	193,336	795,965	496,686	2,028,962	140,507	578,467
	<u>3,596,500</u>	<u>14,691,703</u>	<u>3,327,312</u>	<u>13,698,544</u>	<u>3,546,694</u>	<u>14,488,245</u>	<u>3,273,718</u>	<u>13,477,897</u>

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	3,260,500	13,319,143	2,870,112	11,816,251	3,210,694	13,115,685	2,816,518	11,595,605
Non-current	336,000	1,372,560	457,200	1,882,293	336,000	1,372,560	457,200	1,882,292
	<u>3,596,500</u>	<u>14,691,703</u>	<u>3,327,312</u>	<u>13,698,544</u>	<u>3,546,694</u>	<u>14,488,245</u>	<u>3,273,718</u>	<u>13,477,897</u>

15. DEPOSITS FROM OTHER BANKS

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current accounts	1,979,097	8,084,611	1,179,595	4,856,392	1,979,097	8,084,611	1,179,595	4,856,392
Savings accounts	9,079,368	37,089,218	9,472,409	38,997,908	9,079,368	37,089,218	9,472,409	38,997,908
Fixed deposits	68,527,246	279,933,800	34,433,792	141,763,922	68,527,246	279,933,800	34,433,792	141,763,922
	<u>79,585,711</u>	<u>325,107,629</u>	<u>45,085,796</u>	<u>185,618,222</u>	<u>79,585,711</u>	<u>325,107,629</u>	<u>45,085,796</u>	<u>185,618,222</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. DEPOSITS FROM OTHER BANKS (continued)

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	79,585,711	325,107,629	45,085,796	185,618,222	79,585,711	325,107,629	45,085,796	185,618,222
Non-current	-	-	-	-	-	-	-	-
	<u>79,585,711</u>	<u>325,107,629</u>	<u>45,085,796</u>	<u>185,618,222</u>	<u>79,585,711</u>	<u>325,107,629</u>	<u>45,085,796</u>	<u>185,618,222</u>

Annual interest rates for deposits from customers are as follows:

	2023	2022
Current accounts	Nil	Nil
Savings accounts	0.2% - 0.5%	0.2% - 0.5%
Fixed deposits	1.5% - 8.2%	1.5% - 5.25%

16. DEPOSITS FROM NON-BANK CUSTOMERS

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Fixed deposits	312,622,626	1,277,063,427	234,893,905	967,058,207	312,622,626	1,277,063,427	234,893,905	967,058,207
Savings accounts	134,996,645	551,461,295	154,128,371	634,546,503	135,039,529	551,636,476	154,313,292	635,307,823
Current accounts	40,072,310	163,695,386	40,390,520	166,287,771	40,076,001	163,710,464	40,405,363	166,348,880
Margin deposits (*)	194,280	793,634	-	-	194,280	793,634	-	-
	<u>487,885,861</u>	<u>1,993,013,742</u>	<u>429,412,796</u>	<u>1,767,892,481</u>	<u>487,932,436</u>	<u>1,993,204,001</u>	<u>429,612,560</u>	<u>1,768,714,910</u>

(*) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. DEPOSITS FROM NON-BANK CUSTOMERS (continued)

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	471,813,893	1,927,359,753	415,266,593	1,709,652,563	471,860,468	1,927,550,012	415,466,357	1,710,474,992
Non-current	16,071,968	65,653,989	14,146,203	58,239,918	16,071,968	65,653,989	14,146,203	58,239,918
	<u>487,885,861</u>	<u>1,993,013,742</u>	<u>429,412,796</u>	<u>1,767,892,481</u>	<u>487,932,436</u>	<u>1,993,204,001</u>	<u>429,612,560</u>	<u>1,768,714,910</u>
	<u>2023</u>	<u>2022</u>						
Current accounts	Nil	Nil						
Savings accounts	0.2% - 0.5%	0.2% - 0.5%						
Fixed deposits	2% - 8.5%	2% - 7.5%						
Margin deposits	0%	0%						

17. CURRENT INCOME TAX LIABILITIES

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At 1 January	4,271,436	17,585,502	3,448,131	14,195,955	4,234,844	17,434,853	3,403,955	14,014,083
Current income tax expense (Note Error! Reference source not found.)	193,805	796,539	5,276,110	21,563,461	129,104	530,618	5,228,587	21,369,235
Income tax paid	(4,422,344)	(18,175,834)	(4,452,805)	(18,198,614)	(4,363,948)	(17,935,826)	(4,397,698)	(17,973,392)
Currency translation differences	-	(30,973)	-	24,700	-	(29,645)	-	24,927
At 31 December	<u>42,897</u>	<u>175,234</u>	<u>4,271,436</u>	<u>17,585,502</u>	<u>-</u>	<u>-</u>	<u>4,234,844</u>	<u>17,434,853</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

18. BORROWINGS

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Borrowings at amortised cost								
E.Sun Commercial Bank Ltd.								
(i)	62,067,340	253,545,084	117,100,043	482,100,877	62,067,340	253,545,084	117,100,043	482,100,877
Hua Nan Commercial Bank, Ltd., Yuan Shan Branch (ii)	1,003,194	4,098,047	30,004,740	123,529,515	1,003,194	4,098,047	30,004,740	123,529,515
Taiwan Cooperative Bank, Ltd., Nanjing Donglu Branch (iii)	1,433,939	5,857,641	1,719,957	7,081,063	-	-	-	-
Union Bank of Taiwan, Jenai Branch (iv)	10,004,066	40,866,610	10,001,375	41,175,661	-	-	-	-
Taishin International Bank Co., Ltd. (v)	-	-	35,416,575	145,810,039	-	-	35,416,575	145,810,039
Chang Hwa Commercial Bank, Ltd. (vi)	-	-	35,274,496	145,225,100	-	-	35,274,496	145,225,100
	<u>74,508,539</u>	<u>304,367,382</u>	<u>229,517,186</u>	<u>944,922,255</u>	<u>63,070,534</u>	<u>257,643,131</u>	<u>217,795,854</u>	<u>896,665,531</u>

- (i) The borrowings from E.Sun Commercial Bank, Ltd., immediate parent bank, are unsecured and bear an interest rate either ranging from 6.42% to 6.90% per annum or 1-month TAIEX3, plus 0.65%, whichever is higher. (2022: interest rate either ranging from 4.892% to 5.3836% per annum or 1-month LIBOR, plus 1%, whichever is higher). The borrowing terms are ranging from 12 months to 36 months.
- (ii) The borrowing from Hua Nan Commercial Bank, Ltd., Yuan Shan Branch is unsecured and bear an interest rate at a 3-month TAIEX3, plus 1% (2022: 1-month LIBOR, plus 1%), and will mature on 15 March 2024.
- (iii) The borrowing from Taiwan Cooperative Bank, Nanjing Donglu Branch is unsecured and bear either a minimum interest rate of 3.25% per annum or 6-month TAIEX3, plus 1.4% (2022: a minimum interest rate of 3.25% per annum or higher of 6-month TAIEX3, plus 1.4% and 6-month LIBOR, plus 2.1%) with the maturity date on 13 December 2028.
- (iv) The borrowings from Union Bank of Taiwan, Jenai Branch is unsecured and bear 6-month TAIEX3, plus 1.6% (2022: 6-month LIBOR, plus 2%). The borrowing will mature on 30 December 2025.

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

18. BORROWINGS (continued)

- (v) The borrowing from Taishin International Bank Co., Ltd. is unsecured and bear interest rate ranging from 5.18% to 5.28% per annum. The borrowing is fully settled during 2023.
- (vi) The borrowing from Chang Hwa Commercial Bank, Ltd is unsecured and bear interest rate at 3-month LIBOR, plus 1.2%. The borrowing is fully settled during 2023.

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Borrowings at amortised cost</i>								
<i>Current</i>								
Parent bank	50,054,060	204,470,835	105,089,692	432,654,262	50,054,060	204,470,835	105,089,692	432,654,262
Oversea banks	1,003,194	4,098,047	100,695,811	414,564,654	1,003,194	4,098,047	100,695,811	414,564,654
	51,057,254	208,568,882	205,785,503	847,218,916	51,057,254	208,568,882	205,785,503	847,218,916
<i>Non-current</i>								
Parent bank	12,013,280	49,074,249	12,010,351	49,446,615	12,013,280	49,074,249	12,010,351	49,446,615
Oversea banks	11,438,005	46,724,254	9,721,332	40,022,724	-	-	-	-
Local banks	-	-	2,000,000	8,234,000	-	-	-	-
	23,451,285	95,798,500	23,731,683	97,703,339	12,013,280	49,074,249	12,010,351	49,446,615
	74,508,539	304,367,382	229,517,186	944,922,255	63,070,534	257,643,131	217,795,854	896,665,531

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Principal	74,428,571	304,040,713	228,714,287	941,616,720	63,000,000	257,355,000	217,000,000	893,389,000
Interest payables	79,968	326,669	802,899	3,305,535	70,534	288,131	795,854	3,276,531
	74,508,539	304,367,382	229,517,186	944,922,255	63,070,534	257,643,131	217,795,854	896,665,531

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. OTHER LIABILITIES

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Others	1,758,141	7,182,005	738,812	3,041,687	1,896,122	7,745,658	820,168	3,376,629
Accounts payable	888,487	3,629,470	2,148,527	8,845,486	888,487	3,629,470	2,148,527	8,845,486
Accrued bonus	729,788	2,981,184	1,226,869	5,051,020	729,788	2,981,184	1,226,869	5,051,020
Provision off balance sheet	689,574	2,816,910	592,728	2,440,263	689,574	2,816,910	592,728	2,440,263
Other taxes payables	430,126	1,757,065	428,269	1,763,183	414,597	1,693,629	411,366	1,693,594
Accrued tax reassessment	400,000	1,634,000	300,000	1,235,100	400,000	1,634,000	300,000	1,235,100
	4,896,116	20,000,634	5,435,205	22,376,739	5,018,568	20,500,851	5,499,658	22,642,092
	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current	4,896,116	20,000,634	5,435,205	22,376,739	5,018,568	20,500,851	5,499,658	22,642,092
Non-current	-	-	-	-	-	-	-	-
	4,896,116	20,000,634	5,435,205	22,376,739	5,018,568	20,500,851	5,499,658	22,642,092

20. SUBORDINATED DEBTS

This represents the borrowings obtained from the E.Sun Commercial Bank Ltd. amounting to US\$40,000,000 (2022: US\$40,000,000) and are unsecured with seven years term. The borrowings bear an interest rate of 6.92% per annum or a 6-month TAIFX3, plus 1%, whichever is higher. (2022: 6.2% per annum and a 6-month TAIFX3, plus 1%, whichever is higher). 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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

21. SHARE CAPITAL

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At beginning 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
Currency translation differences	-	(2,560,000)	-	3,440,000	-	(2,560,000)	-	3,440,000
At end of the year	80,000,000	326,800,000	80,000,000	329,360,000	80,000,000	326,800,000	80,000,000	329,360,000
	2023				2022			
	Number of shares	%	US\$	KHR'000	Number of shares	%	US\$	KHR'000
Shareholders:								
E.Sun Commercial Bank Ltd.	80,000	100	80,000,000	326,800,000	80,000	100	80,000,000	329,360,000

22. INTEREST INCOME

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	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	49,850,967	204,887,474	47,353,283	193,532,868	49,850,967	204,887,474	47,353,283	193,532,868
Balances with other banks	1,488,158	6,116,329	1,005,934	4,111,252	1,361,864	5,597,261	890,430	3,639,187
Balances with the central bank	236,023	970,055	97,899	400,113	236,023	970,055	97,899	400,113
Investment securities	184,119	756,729	37,173	151,926	184,119	756,729	37,173	151,926
	51,759,267	212,730,587	48,494,289	198,196,159	51,632,973	212,211,519	48,378,785	197,724,094

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

23. INTEREST EXPENSE

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	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	15,230,269	62,596,406	7,446,538	30,434,000	15,230,269	62,596,406	7,446,538	30,434,001
Deposits from other banks	9,737,526	40,021,232	5,401,513	22,075,984	8,902,744	36,590,278	5,038,124	20,590,813
Borrowings	2,770,616	11,387,232	994,977	4,066,471	2,770,616	11,387,232	994,977	4,066,471
Subordinated debts	2,640,722	10,853,367	983,496	4,019,548	2,640,722	10,853,367	983,496	4,019,548
Leases	109,918	451,763	222,087	907,670	689,166	2,832,472	783,667	3,202,847
	<u>30,489,051</u>	<u>125,310,000</u>	<u>15,048,611</u>	<u>61,503,673</u>	<u>30,233,517</u>	<u>124,259,755</u>	<u>15,246,802</u>	<u>62,313,680</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

24. NET FEE AND COMMISSION INCOME

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>								
Loan syndicated fees	1,810,859	7,442,630	1,499,657	6,129,098	1,810,859	7,442,630	1,499,657	6,129,098
Settlement services income	1,100,731	4,524,004	1,390,991	5,684,980	1,100,731	4,524,004	1,390,991	5,684,980
Fees and commission from credit card	719,758	2,958,205	530,621	2,168,648	719,758	2,958,205	530,621	2,168,648
Income from ATM/credit card	422,064	1,734,683	288,230	1,177,996	422,064	1,734,683	288,230	1,177,996
Telecommunication income	127,390	523,574	178,621	730,024	127,390	523,574	178,621	730,024
Others	571,157	2,347,455	400,341	1,636,194	571,157	2,347,455	400,341	1,636,194
Total fee and commission income	4,751,959	19,530,551	4,288,461	17,526,940	4,751,959	19,530,551	4,288,461	17,526,940
<i>Fee and commission expense:</i>								
Expenses for ATM/credit card	1,160,019	4,767,678	677,278	2,768,035	1,160,019	4,767,678	677,278	2,768,035
Commission fees	150,041	616,669	67,693	276,661	150,041	616,669	67,693	276,661
Telecommunication expense	117,638	483,492	91,830	375,309	117,638	483,492	91,830	375,309
Settlement services	31,374	128,947	50,188	205,119	31,374	128,947	50,188	205,119
Fee and commission expense	1,459,072	5,996,786	886,989	3,625,124	1,459,072	5,996,786	886,989	3,625,124
Net fee and commission income	3,292,887	13,533,765	3,401,472	13,901,816	3,292,887	13,533,765	3,401,472	13,901,816

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

25. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Expected Credit Loss (ECL):</i>								
Loans to customers	4,642,669	19,081,370	1,263,210	5,162,739	4,642,669	19,081,370	1,263,210	5,162,739
Off-balance sheet financial commitments	114,681	471,339	381,961	1,561,075	114,681	471,339	381,961	1,561,075
Balance with other banks and financial institutions	(211,527)	(869,376)	247,876	1,013,069	(211,527)	(869,376)	247,876	1,013,069
	<u>4,545,823</u>	<u>18,683,333</u>	<u>1,893,047</u>	<u>7,736,883</u>	<u>4,545,823</u>	<u>18,683,333</u>	<u>1,893,047</u>	<u>7,736,883</u>

26. OTHER OPERATING INCOME

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Recoveries from loans previously written off	3,490,734	14,346,918	4,020,073	16,430,039	3,490,734	14,346,917	4,020,073	16,430,038
Rental income	172,294	708,128	309,012	1,262,932	124,294	510,848	297,012	1,213,888
Dividend income	409,768	1,684,146	119,711	489,259	409,768	1,684,146	119,711	489,259
Others	21,090	86,679	68,789	281,140	20,825	85,591	68,789	281,141
	<u>4,093,886</u>	<u>16,825,871</u>	<u>4,517,585</u>	<u>18,463,370</u>	<u>4,045,621</u>	<u>16,627,502</u>	<u>4,505,585</u>	<u>18,414,326</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

27. PERSONNEL EXPENSES

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Salaries and wages	5,589,536	22,972,993	5,606,901	22,915,404	5,589,447	22,972,627	5,606,785	22,914,930
Bonuses and incentives	1,752,408	7,202,397	2,088,002	8,533,664	1,752,408	7,202,397	2,088,002	8,533,664
Other employee benefits	247,622	1,017,726	244,014	997,286	247,622	1,017,726	244,014	997,286
	<u>7,589,566</u>	<u>31,193,116</u>	<u>7,938,917</u>	<u>32,446,354</u>	<u>7,589,477</u>	<u>31,192,750</u>	<u>7,938,801</u>	<u>32,445,880</u>

28. OTHER OPERATING EXPENSES

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Other tax expenses	2,561,227	10,526,643	1,096,602	4,481,812	2,388,437	9,816,476	1,338,188	5,469,174
Repairs and maintenance	1,124,218	4,620,536	1,236,384	5,053,101	1,124,218	4,620,536	1,236,384	5,053,101
Minimum tax expenses (note 29)	596,517	2,451,685	-	-	596,517	2,451,685	-	-
Utilities	398,605	1,638,267	420,030	1,716,663	398,605	1,638,267	420,030	1,716,663
Bank security expenses	348,058	1,430,518	346,413	1,415,790	348,058	1,430,518	346,413	1,415,790
Business and public relations	327,700	1,346,847	278,965	1,140,130	327,700	1,346,847	278,965	1,140,130
Licence fees	264,180	1,085,780	286,782	1,172,078	264,180	1,085,780	286,782	1,172,078
Stationery and printing	231,866	952,969	415,753	1,699,183	231,866	952,969	415,753	1,699,183
Short-term leases	171,144	703,402	176,089	719,676	171,144	703,402	176,089	719,676
Professional and other related costs	151,573	622,965	141,620	578,801	136,786	562,190	130,748	534,367
Court fees	149,393	614,005	34,151	139,575	149,393	614,005	34,151	139,575
Telecommunication	110,430	453,867	132,083	539,823	110,430	453,867	132,083	539,823
Promotion	88,636	364,294	28,236	115,401	88,636	364,294	28,236	115,401
Motor vehicle and running costs	47,581	195,558	57,697	235,808	47,581	195,558	57,697	235,808
Charity and donation	31,524	129,564	20,912	85,467	31,524	129,564	20,912	85,467
Others	256,580	1,054,544	241,231	985,910	251,587	1,034,023	235,202	961,270
	<u>6,859,232</u>	<u>28,191,444</u>	<u>4,912,948</u>	<u>20,079,218</u>	<u>6,666,662</u>	<u>27,399,981</u>	<u>5,137,633</u>	<u>20,997,506</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. INCOME TAX EXPENSE

(a) Income tax expense

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current income tax	193,805	796,539	5,276,110	21,563,461	129,104	530,618	5,228,587	21,369,235
Deferred tax	1,065,204	4,377,988	221,927	907,016	1,134,328	4,662,088	153,250	626,333
	1,259,009	5,174,527	5,498,037	22,470,477	1,263,432	5,192,706	5,381,837	21,995,568

(b) Reconciliation between income tax expenses and accounting profit

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Profit before income tax	6,266,461	25,755,153	22,275,433	91,039,695	6,429,861	26,426,728	21,594,968	88,258,633
Tax at application income tax rate at 20%	1,225,316	5,036,049	4,340,195	17,738,377	1,285,972	5,285,346	4,318,994	17,651,727
Tax effect of reconciling items:								
Effect of non-deductible expenses	447,622	1,839,726	277,114	1,132,565	412,226	1,694,249	264,632	1,081,551
Adjustments for current tax of prior periods	(413,929)	(1,701,248)	880,728	3,599,535	(434,766)	(1,786,889)	798,211	3,262,290
Income tax expense	1,259,009	5,174,527	5,498,037	22,470,477	1,263,432	5,192,706	5,381,837	21,995,568

Under the Cambodian tax regulations, the Group and the Bank have an obligation to pay Income Tax at 20% of taxable profit or Minimum Tax at 1% of total revenue exclusive of value added tax, whichever is higher. The Group and the Bank is subject to minimum tax at 1% and recorded as other operating expenses in note 28 for the year ended 31 December 2023 (2022: The Group and the Bank is subject to pay Income Tax at 20% of taxable profit).

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash on hand	9,907,558	40,472,374	23,213,412	95,569,617	9,907,558	40,472,374	23,213,412	95,569,617
Balances with the central bank:								
Current accounts								
(Note 5)	23,064,122	94,216,938	21,305,269	87,713,792	23,064,122	94,216,938	21,305,269	87,713,792
Settlement accounts	3,368,289	13,759,461	1,324,867	5,454,478	3,368,289	13,759,461	1,324,867	5,454,478
Balances with other banks and financial institutions:								
Current accounts	9,953,227	40,658,932	13,944,134	57,408,000	9,951,337	40,651,212	13,942,264	57,400,301
Savings accounts	220,153	899,325	17,288,037	71,174,848	58,658	239,618	17,129,373	70,521,629
Term deposits (maturity of three months or less)	4,995,961	20,408,501	-	-	4,895,961	20,000,000	-	-
	<u>51,509,310</u>	<u>210,415,531</u>	<u>77,075,719</u>	<u>317,320,735</u>	<u>51,245,925</u>	<u>209,339,603</u>	<u>76,915,185</u>	<u>316,659,817</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

31. NET DEBT RECONCILIATIONS

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash and cash equivalents	51,509,310	210,415,531	77,075,719	317,320,735	51,245,925	209,339,603	76,915,185	316,659,817
Borrowings	(74,508,539)	(304,367,382)	(229,517,186)	(944,922,255)	(63,070,534)	(257,643,131)	(217,795,854)	(896,665,531)
Subordinated debts	(40,515,156)	(165,504,412)	(40,440,889)	(166,495,140)	(40,515,156)	(165,504,412)	(40,440,889)	(166,495,140)
Lease liabilities	(1,185,319)	(4,842,028)	(1,617,209)	(6,658,049)	(7,999,413)	(32,677,602)	(9,035,695)	(37,199,956)
	<u>(64,699,704)</u>	<u>(264,298,291)</u>	<u>(194,499,565)</u>	<u>(800,754,709)</u>	<u>(60,339,178)</u>	<u>(246,485,542)</u>	<u>(190,357,253)</u>	<u>(783,700,810)</u>

	Consolidated financial statements					
	Liabilities from financing activities				Other assets	
	Subordinated debts		Leases		Cash and cash equivalents	Total
	Borrowings US\$	debt US\$	US\$	Sub-total US\$	US\$	US\$
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>
Net debt as at 1 January 2023	(229,517,186)	(40,440,889)	(1,617,209)	(271,575,284)	77,075,719	(194,499,565)
Cash flows	155,118,892	-	480,834	155,599,726	(25,566,409)	130,033,317
Other changes (i)	(110,245)	(74,267)	-	(184,512)	-	(184,512)
Other adjustments	-	-	(48,944)	(48,944)	-	(48,944)
Net debt as at 31 December 2023	<u>(74,508,539)</u>	<u>(40,515,156)</u>	<u>(1,185,319)</u>	<u>(116,209,014)</u>	<u>51,509,310</u>	<u>(64,699,704)</u>
In KHR'000 equivalents	<u>(304,367,382)</u>	<u>(165,504,412)</u>	<u>(4,842,028)</u>	<u>(474,713,822)</u>	<u>210,415,531</u>	<u>(264,298,291)</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

31. NET DEBT RECONCILIATIONS (continued)

	Separate financial statements					
	Liabilities from financing activities				Other assets	
	Borrowings	Subordinated debts	Leases	Sub-total	Cash and cash equivalents	Total
	US\$	US\$	US\$	US\$	US\$	US\$
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)
Net debt as at 1 January 2023	(217,795,854)	(40,440,889)	(9,035,695)	(267,272,438)	76,915,185	(190,357,253)
Cash flows	154,000,000	-	587,128	154,587,128	(25,669,260)	128,917,868
Other changes (i)	725,320	(74,267)	-	651,053	-	651,053
Other adjustments	-	-	449,154	449,154	-	449,154
Net debt as at 31 December 2023	(63,070,534)	(40,515,156)	(7,999,413)	(111,585,103)	51,245,925	(60,339,178)
In KHR'000 equivalents	(257,643,131)	(165,504,412)	(32,677,602)	(455,825,145)	209,339,603	(246,485,542)

- (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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Unused portion of loan, overdraft and credit card	51,020,939	208,420,535	54,780,096	225,529,655	51,020,939	208,420,535	54,780,096	225,529,655
Payment guarantee	-	-	30,000	123,510	-	-	30,000	123,510
Bid, performance and warranty bonds	1,200	4,902	-	-	1,200	4,902	-	-
Letters of credit	3,415,819	13,953,621	2,624,622	10,805,569	3,415,819	13,953,621	2,624,622	10,805,569
Other commitment and guarantee	120,000	490,200	1,037,566	4,271,659	120,000	490,200	1,037,566	4,271,659
	<u>54,557,958</u>	<u>222,869,258</u>	<u>58,472,284</u>	<u>240,730,393</u>	<u>54,557,958</u>	<u>222,869,258</u>	<u>58,472,284</u>	<u>240,730,393</u>
Less:								
Allowance for expected credit loss	(689,574)	(2,816,910)	(592,728)	(2,440,263)	(689,574)	(2,816,910)	(592,728)	(2,440,263)
	<u>53,868,384</u>	<u>220,052,348</u>	<u>57,879,556</u>	<u>238,290,130</u>	<u>53,868,384</u>	<u>220,052,348</u>	<u>57,879,556</u>	<u>238,290,130</u>

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Key management personnel	121,784	497,488	124,340	511,908	121,784	497,488	124,340	511,908

(c) Deposits with related parties

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent bank	2,433,465	9,940,705	16,044,739	66,056,190	2,433,465	9,940,705	16,044,739	66,056,190

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

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

33. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(d) Deposits from related parties

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Subsidiary	-	-	-	-	46,575	190,259	199,764	822,428
Key management personnel	350,455	1,431,609	1,200,435	4,942,191	350,455	1,431,609	1,200,435	4,942,191
	<u>350,455</u>	<u>1,431,609</u>	<u>1,200,435</u>	<u>4,942,191</u>	<u>397,030</u>	<u>1,621,868</u>	<u>1,400,199</u>	<u>5,764,619</u>

(e) Borrowings from related parties

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent bank	62,067,340	253,545,084	117,100,043	482,100,877	62,067,340	253,545,084	117,100,043	482,100,877

Details of the borrowings from immediate parent bank are set out in note 18(i).

(f) Subordinated debts from related parties

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent bank	40,515,156	165,504,412	40,440,889	166,495,140	40,515,156	165,504,412	40,440,889	166,495,140

Details of the subordinated debts from immediate parent bank are set out in note 20.

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

33. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(g) Interest income

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Key management personnel	3,550	14,591	2,785	11,382	3,550	14,591	2,785	11,382

(h) Interest expense

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Immediate parent bank	8,717,032	35,609,076	3,488,621	14,362,653	8,717,032	35,609,076	3,488,621	14,362,653
Subsidiary	-	-	-	-	788	3,239	1,811	7,402
Key management personnel	9,280	38,141	79,475	324,814	9,280	38,141	79,475	324,814
	8,726,312	35,647,217	3,568,096	14,687,467	8,727,100	35,650,456	3,569,907	14,694,869

(i) Other operating expenses

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Land leases from the subsidiary	-	-	-	-	663,300	2,709,581	516,650	2,127,048
Board of directors' fee	177,000	723,045	156,000	642,252	177,000	723,045	156,000	642,252
Purchases of maintenance services from immediate parent bank (*)	597,400	2,440,379	670,000	2,758,390	597,400	2,440,379	670,000	2,758,390
	774,400	3,163,424	826,000	3,400,642	1,437,700	5,873,005	1,342,650	5,527,690

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

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

33. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(j) Key management compensation

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Salaries and other short-term benefits	2,058,668	8,409,659	1,399,371	5,761,210	2,058,668	8,409,659	1,399,371	5,761,210

(k) Terms and conditions

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

34. AUDIT FEE INFORMATION

The following fee was paid or is payable to PricewaterhouseCoopers (Cambodia) Ltd.

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Statutory audit	63,600	261,396	35,000	143,045
Assurance engagements (*)	52,100	214,131	74,000	302,438
Tax services	-	-	-	-
Other services	-	-	-	-
	115,700	475,527	109,000	445,483

(*) This includes other assurance opinions for issuing interfirm opinions to the group auditor of the immediate parent bank.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

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

	Consolidated financial statements				Separate financial statements			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Financial assets								
<i>Financial assets at amortised cost</i>								
Cash on hand	9,907,558	40,472,374	23,213,412	95,569,617	9,907,558	40,472,374	23,213,412	95,569,617
Balances with the central bank	32,051,829	130,931,721	25,420,319	104,655,453	32,051,829	130,931,721	25,420,319	104,655,453
Balances with other banks and financial institutions	54,545,645	222,818,960	66,113,454	272,189,090	52,982,261	216,432,536	64,120,020	263,982,122
Loans to customers	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536
Investment securities	3,004,356	12,272,794	4,033,048	16,604,059	3,004,356	12,272,794	4,033,048	16,604,059
Other financial assets	2,112,710	8,630,420	1,758,558	7,239,983	2,062,904	8,426,963	1,704,964	7,019,337
<i>Financial assets at fair value through other comprehensive income</i>								
Investment securities	828,082	3,382,715	691,788	2,848,091	828,082	3,382,715	691,788	2,848,091
Total financial assets	748,799,436	3,058,845,695	800,117,520	3,294,083,829	747,186,246	3,052,255,814	798,070,492	3,285,656,215
Financial liabilities								
<i>Financial liabilities at amortised cost</i>								
Deposits from other banks	79,585,711	325,107,629	45,085,796	185,618,222	79,585,711	325,107,629	45,085,796	185,618,222
Deposits from non-bank customers	487,885,861	1,993,013,742	429,412,796	1,767,892,481	487,932,436	1,993,204,001	429,612,560	1,768,714,910
Borrowings	74,508,539	304,367,382	229,517,186	944,922,255	63,070,534	257,643,131	217,795,854	896,665,531
Lease liabilities	1,185,319	4,842,028	1,617,209	6,658,049	7,999,413	32,677,602	9,035,695	37,199,956
Other financial liabilities	3,791,294	15,487,436	5,303,045	21,832,636	3,913,745	15,987,648	4,494,035	18,501,942
Subordinated debts	40,515,156	165,504,412	40,440,889	166,495,140	40,515,156	165,504,412	40,440,889	166,495,140
Total financial liabilities	687,471,880	2,808,322,629	751,376,921	3,093,418,783	683,016,995	2,790,124,423	746,464,829	3,073,195,701

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 past due period is over 30 days 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 90 days. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of 90 days or more consecutive days. 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 90 days or longer, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2022 and 31 December 2023, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 and 31 December 2022 are as follows:

	Base	Best	Worst
	%	%	%
As at 31 December 2023			
Scenario probability weighting	80%	10%	10%
	Base	Best	Worst
	%	%	%
As at 31 December 2022			
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			
	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes in key variables	(554,749)	(2,266,150)	(824,489)	(3,394,419)
Total increase in ECL on the negative changes in key variables	1,077,329	4,400,889	906,937	3,733,861
	Separate financial statements			
	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Total decrease in ECL on the positive changes in key variables	(554,749)	(2,266,150)	(824,489)	(3,394,419)
Total increase in ECL on the negative changes in key variables	1,077,329	4,400,889	906,937	3,733,861

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 housing, non-housing, and corporate 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.

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.

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FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(c) Impairment (ECL) policies (continued)

(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. For operational simplification, the Group and the Bank assumes CCF for the off-balance sheet exposures as follows:

- 100% CCF is assumed for unused portion of overdraft loans and bank guarantees issued for financing
- 50% CCF is assumed for unused portion credit facilities

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

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			
	2023		2022		2023		2022	
	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	54,545,645	222,818,960	66,113,454	272,189,090	52,982,261	216,432,536	64,120,020	263,982,122
Loans to customers	646,349,256	2,640,336,711	678,886,941	2,794,977,536	646,349,256	2,640,336,711	678,886,941	2,794,977,536
Investment securities	3,832,438	15,655,509	4,694,836	19,328,640	3,862,438	15,655,509	4,694,836	19,328,640
Other financial assets	2,112,710	8,630,420	1,758,558	7,239,983	2,062,904	8,426,963	1,704,964	7,019,337
Credit risk exposure related to off-balance sheet items:								
Unused portion of loan, overdraft, and credit card	51,020,939	208,420,535	54,780,096	225,529,655	51,020,939	208,420,535	54,780,096	225,529,655
Payment guarantee	-	-	30,000	123,510	-	-	30,000	123,510
Bid, performance and warrantee bonds	1,200	4,902	-	-	1,200	4,902	-	-
Letters of credit	3,415,819	13,953,621	2,624,622	10,805,569	3,415,819	13,953,621	2,624,622	10,805,569
Other commitment and guarantee	120,000	490,200	1,037,566	4,271,659	120,000	490,200	1,037,566	4,271,659
Total gross credit exposure	<u>761,398,007</u>	<u>3,110,310,858</u>	<u>809,926,073</u>	<u>3,334,465,642</u>	<u>759,814,817</u>	<u>3,103,720,977</u>	<u>807,879,045</u>	<u>3,326,038,028</u>
Allowances for expected credit losses	<u>(10,213,378)</u>	<u>(41,721,649)</u>	<u>(10,585,760)</u>	<u>(43,581,574)</u>	<u>(10,213,378)</u>	<u>(41,721,649)</u>	<u>(10,585,760)</u>	<u>(43,581,574)</u>
Total net credit exposure	<u>751,184,629</u>	<u>3,068,589,209</u>	<u>799,340,313</u>	<u>3,290,884,068</u>	<u>749,601,439</u>	<u>3,061,999,328</u>	<u>797,293,285</u>	<u>3,282,456,454</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 30 days on its contractual payment past due 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 31 to 89 days past due on its contractual payments are included in special monitoring.
Default/Credit impaired	Obligors are assessed to be impaired.

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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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							
	2023				2022			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	Lifetime ECL	Lifetime ECL	Lifetime ECL		Lifetime ECL	Lifetime ECL	Lifetime ECL	
	not Credit-	not Credit-	Credit-		not Credit-	not Credit-	Credit-	
	Impaired	Impaired	Impaired		Impaired	Impaired	Impaired	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balances with other banks and financial institutions								
Investment grade	9,766,487	-	-	9,766,487	29,941,294	-	-	29,941,294
Non-investment grade	-	-	-	-	-	-	-	-
Un-graded	44,779,158	-	-	44,779,158	36,172,160	-	-	36,172,160
Gross carrying amount	54,545,645	-	-	54,545,645	66,113,454	-	-	66,113,454
<i>In KHR'000 equivalent</i>	222,818,960	-	-	222,818,960	272,189,090	-	-	272,189,090

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2023				2022			
	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\$		
Balances with other banks and financial institutions								
Investment grade	9,766,487	-	-	9,766,487	29,941,294	-	-	29,941,294
Non-investment grade	-	-	-	-	-	-	-	-
Un-graded	43,215,774	-	-	43,215,774	34,178,726	-	-	34,178,726
Gross carrying amount	52,982,261	-	-	52,982,261	64,120,020	-	-	64,120,020
<i>In KHR'000 equivalent</i>	216,432,536	-	-	216,432,536	263,982,122	-	-	263,982,122

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2023				2022			
	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\$		
Loans to customers at amortised cost								
Standard monitoring	631,056,998	-	-	631,056,998	669,165,260	-	-	669,165,260
Special monitoring	-	4,234,526	-	4,234,526	-	6,111,933	-	6,111,933
Default/Credit impaired	-	-	11,057,732	11,057,732	-	-	3,609,748	3,609,748
Gross carrying amount	631,056,998	4,234,526	11,057,732	646,349,256	669,165,260	6,111,933	3,609,748	678,886,941
Allowances for expected credit losses	(5,803,896)	(344,408)	(2,663,369)	(8,811,673)	(7,806,418)	(438,535)	(824,421)	(9,069,374)
Net carrying amount	625,253,102	3,890,118	8,394,363	637,537,583	661,358,842	5,673,398	2,785,327	669,817,567
<i>In KHR'000 equivalent</i>	2,554,158,922	15,891,132	34,290,973	2,604,341,027	2,722,814,353	23,357,380	11,467,190	2,757,638,923

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2023				2022			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit-Impaired US\$	Total US\$
Loans to customers at amortised cost								
Standard monitoring	631,056,998	-	-	631,056,998	669,165,260	-	-	669,165,260
Special monitoring	-	4,234,526	-	4,234,526	-	6,111,933	-	6,111,933
Default/Credit impaired	-	-	11,057,732	11,057,732	-	-	3,609,748	3,609,748
Gross carrying amount	631,056,998	4,234,526	11,057,732	646,349,256	669,165,260	6,111,933	3,609,748	678,886,941
Allowances for expected credit losses	(5,803,896)	(344,408)	(2,663,369)	(8,811,673)	(7,806,418)	(438,535)	(824,421)	(9,069,374)
Net carrying amount	625,253,102	3,890,118	8,394,363	637,537,583	661,358,842	5,673,398	2,785,327	669,817,567
<i>In KHR'000 equivalent</i>	2,554,158,922	15,891,132	34,290,973	2,604,341,027	2,722,814,353	23,357,380	11,467,190	2,757,638,923

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2023				2022			
	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\$		
Investment securities at amortised cost								
Standard monitoring	3,034,356	-	-	3,034,356	4,033,048	-	-	4,033,048
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	3,034,356	-	-	3,034,356	4,033,048	-	-	4,033,048
Allowances for expected credit losses	(30,000)	-	-	(30,000)	(30,000)	-	-	(30,000)
Net carrying amount	3,004,356	-	-	3,004,356	4,003,048	-	-	4,003,048
<i>In KHR'000 equivalent</i>	12,272,794	-	-	12,272,794	16,480,549	-	-	16,480,549

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2023				2022			
	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\$		
Investment securities at amortised cost								
Standard monitoring	3,034,356	-	-	3,034,356	4,033,048	-	-	4,033,048
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	3,034,356	-	-	3,034,356	4,033,048	-	-	4,033,048
Allowances for expected credit losses	(30,000)	-	-	(30,000)	(30,000)	-	-	(30,000)
Net carrying amount	3,004,356	-	-	3,004,356	4,003,048	-	-	4,003,048
<i>In KHR'000 equivalent</i>	12,272,794	-	-	12,272,794	16,480,549	-	-	16,480,549

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2023				2022			
	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	2,112,710	-	-	2,112,710	1,758,558	-	-	1,758,558
Gross exposure	2,112,710	-	-	2,112,710	1,758,558	-	-	1,758,558
<i>In KHR'000 equivalent</i>	8,630,420	-	-	8,630,420	7,239,983	-	-	7,239,983

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2023				2022			
	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	2,062,904	-	-	2,062,904	1,704,964	-	-	1,704,964
Gross exposure	2,062,904	-	-	2,062,904	1,704,964	-	-	1,704,964
<i>In KHR'000 equivalent</i>	8,426,963	-	-	8,426,963	7,019,337	-	-	7,019,337

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Consolidated financial statements							
	2023				2022			
	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\$		
Off-balance sheet items								
Standard monitoring	54,557,958	-	-	54,557,958	58,472,284	-	-	58,472,284
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross exposure	54,557,958	-	-	54,557,958	58,472,284	-	-	58,472,284
Allowances for expected credit losses	(689,574)	-	-	(689,574)	(592,728)	-	-	(592,728)
Net exposure	53,868,384	-	-	53,868,384	57,879,556	-	-	57,879,556
<i>In KHR'000 equivalent</i>	220,052,348	-	-	220,052,348	238,290,132	-	-	238,290,132

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

	Separate financial statements							
	2023				2022			
	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\$
	US\$	Impaired	US\$	US\$	US\$	Impaired	US\$	US\$
		US\$				US\$		
Off-balance sheet items								
Standard monitoring	54,557,958	-	-	54,557,958	58,472,284	-	-	58,472,284
Special monitoring	-	-	-	-	-	-	-	-
Default/Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	54,557,958	-	-	54,557,958	58,472,284	-	-	58,472,284
Allowances for expected credit losses	(689,574)	-	-	(689,574)	(592,728)	-	-	(592,728)
Net carrying amount	53,868,384	-	-	53,868,384	57,879,556	-	-	57,879,556
<i>In KHR'000 equivalent</i>	220,052,348	-	-	220,052,348	238,290,132	-	-	238,290,132

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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-	US\$	US\$	not Credit-	Credit-	US\$
	US\$	Impaired	Impaired		US\$	Impaired	Impaired	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Loss allowance as at 1 January 2023	7,806,418	438,535	824,421	9,069,374	7,806,418	438,535	824,421	9,069,374
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	392,415	(379,349)	(13,066)	-	392,415	(379,349)	(13,066)	-
Transfer to stage 2	(42,205)	42,205	-	-	(42,205)	42,205	-	-
Transfer to stage 3	(19,964)	(18,681)	38,645	-	(19,964)	(18,681)	38,645	-
New financial assets originated	2,264,710	-	-	2,264,710	2,264,710	-	-	2,264,710
Net remeasurement of loss allowance (*)	(2,193,365)	280,734	6,779,714	4,867,083	(2,193,365)	280,734	6,779,714	4,867,083
Financial assets derecognised during the year other than write-off	(2,404,113)	(19,036)	(8,614)	(2,431,763)	(2,404,113)	(19,036)	(8,614)	(2,431,763)
Write-off	-	-	(4,957,731)	(4,957,731)	-	-	(4,957,731)	(4,957,731)
Loss allowance as at 31 December 2023	5,803,896	344,408	2,663,369	8,811,673	5,803,896	344,408	2,663,369	8,811,673
<i>In KHR'000 equivalent</i>	23,708,915	1,406,907	10,879,862	35,995,684	23,708,915	1,406,907	10,879,862	35,995,684

(*) 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 2023

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-	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 2023	669,165,260	6,111,933	3,609,748	678,886,941	669,165,260	6,111,933	3,609,748	678,886,941
Changes due to financial instruments recognised as at 1 January:								
Transfer to stage 1	5,138,708	(5,080,553)	(58,155)	-	5,138,708	(5,080,553)	(58,155)	-
Transfer to stage 2	(4,421,915)	4,421,915	-	-	(4,421,915)	4,421,915	-	-
Transfer to stage 3	(7,011,264)	(323,604)	7,334,868	-	(7,011,264)	(323,604)	7,334,868	-
New financial assets originated	174,030,367	-	-	174,030,367	174,030,367	-	-	174,030,367
Financial assets derecognised during the year other than write-off	(205,844,158)	(895,165)	5,129,002	(201,610,321)	(205,844,158)	(895,165)	5,129,002	(201,610,321)
Write-off	-	-	(4,957,731)	(4,957,731)	-	-	(4,957,731)	(4,957,731)
Gross carrying amount as at 31 December 2023	631,056,998	4,234,526	11,057,732	646,349,256	631,056,998	4,234,526	11,057,732	646,349,256
<i>In KHR'000 equivalent</i>	2,577,867,837	17,298,039	45,170,835	2,640,336,711	2,577,867,837	17,298,039	45,170,835	2,640,336,711

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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	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\$	
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	<u>7,806,418</u>	<u>438,535</u>	<u>824,421</u>	<u>9,069,374</u>	<u>7,806,418</u>	<u>438,535</u>	<u>824,421</u>	<u>9,069,374</u>
<i>In KHR'000 equivalent</i>	<u>32,139,023</u>	<u>1,805,449</u>	<u>3,394,141</u>	<u>37,338,613</u>	<u>32,139,023</u>	<u>1,805,449</u>	<u>3,394,141</u>	<u>37,338,613</u>

(*) 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 2023

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

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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 2023	592,728	-	-	592,728	592,728	-	-	592,728
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	96,846	-	-	96,846	96,846	-	-	96,846
Loss allowance as at 31 December 2023	689,574	-	-	689,574	689,574	-	-	689,574
<i>In KHR'000 equivalent</i>	2,816,910	-	-	2,816,910	2,816,910	-	-	2,816,910

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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-	US\$	US\$	not Credit-	Credit-	US\$
		Impaired	Impaired			Impaired	Impaired	
		US\$	US\$			US\$	US\$	
Gross carrying amount								
Gross carrying amount as at 1 January 2023	58,472,284	-	-	58,472,284	58,472,284	-	-	58,472,284
<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	(3,914,326)	-	-	(3,914,326)	(3,914,326)	-	-	(3,914,326)
Gross carrying amount as at 31 December 2023	54,557,958	-	-	54,557,958	54,557,958	-	-	54,557,958
<i>In KHR'000 equivalent</i>	222,869,258	-	-	222,869,258	222,869,258	-	-	222,869,258

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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	
		Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	Total		Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	Total
	12-month ECL US\$	US\$	US\$	US\$	12-month ECL 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) 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					
	2023					
	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	54,545,645	27,503,690	828,082	-	-	82,877,417
Construction	-	60,051,425	-	-	-	60,051,425
Agriculture	-	8,165,940	-	-	-	8,165,940
Household	-	17,238,043	-	-	-	17,238,043
Manufacturing	-	20,812,083	-	-	-	20,812,083
Real estate	-	368,246,558	-	-	-	368,246,558
Retail trade	-	24,376,319	-	-	-	24,376,319
Wholesale trade	-	76,525,838	-	-	-	76,525,838
Others	-	43,429,360	3,034,356	2,112,710	54,557,958	103,134,384
Total credit exposure	54,545,645	646,349,256	3,862,438	2,112,710	54,557,958	761,428,007
In KHR'000 equivalent	222,818,960	2,640,336,711	15,778,059	8,630,420	222,869,258	3,110,433,408

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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					
	2023					
	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	52,982,261	27,503,690	828,082	-	-	81,314,033
Construction	-	60,051,425	-	-	-	60,051,425
Agriculture	-	8,165,940	-	-	-	8,165,940
Household	-	17,238,043	-	-	-	17,238,043
Manufacturing	-	20,812,083	-	-	-	20,812,083
Real estate	-	368,246,558	-	-	-	368,246,558
Retail trade	-	24,376,319	-	-	-	24,376,319
Wholesale trade	-	76,525,838	-	-	-	76,525,838
Others	-	43,429,360	3,034,356	2,062,904	54,557,958	103,084,578
Total credit exposure	52,982,261	646,349,256	3,862,438	2,062,904	54,557,958	759,814,817
In KHR'000 equivalent	216,432,536	2,640,336,711	15,778,059	8,426,963	222,869,258	3,103,843,527

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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					
	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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.1 Credit risk (continued)

(f) 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
<i>In KHR'000 equivalent</i>	263,982,122	2,794,977,536	19,452,150	7,019,337	240,730,393	3,326,161,538

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023								
Financial assets								
Cash on hand	8,720,541	1,187,017	-	9,907,558	8,720,541	1,187,017	-	9,907,558
Balances with the central bank	28,220,901	3,830,928	-	32,051,829	28,220,901	3,830,928	-	32,051,829
Balances with other banks and financial institutions	46,998,885	4,902,117	2,644,643	54,545,645	45,435,501	4,902,117	2,644,643	52,982,261
Loans to customers	572,361,290	73,041,205	946,761	646,349,256	572,361,290	73,041,205	946,761	646,349,256
Investment securities	3,832,438	-	-	3,832,438	3,832,438	-	-	3,832,438
Other financial assets	2,112,710	-	-	2,112,710	2,062,904	-	-	2,062,904
Total financial assets	662,246,765	82,961,267	3,591,404	748,799,436	660,633,575	82,961,267	3,591,404	747,186,246
Financial liabilities								
Deposits from other banks	33,529,507	46,056,204	-	79,585,711	33,529,507	46,056,204	-	79,585,711
Deposits from other non-bank customers	435,339,424	52,545,116	1,321	487,885,861	435,383,418	52,547,697	1,321	487,932,436
Borrowings	74,508,539	-	-	74,508,539	63,070,534	-	-	63,070,534
Lease liabilities	1,185,319	-	-	1,185,319	7,999,413	-	-	7,999,413
Other financial liabilities	3,791,294	-	-	3,791,294	3,913,745	-	-	3,913,745
Subordinated debts	40,515,156	-	-	40,515,156	40,515,156	-	-	40,515,156
Total financial liabilities	588,869,239	98,601,320	1,321	687,471,880	584,411,773	98,603,901	1,321	683,016,995
Net position	73,377,526	(15,640,053)	3,590,083	61,327,556	76,221,802	(15,642,634)	3,590,083	64,169,251
In KHR'000 equivalent	299,747,194	(63,889,617)	14,665,489	250,523,066	311,366,061	(63,900,160)	14,665,489	262,131,390
Off-balance sheet items	54,557,958	-	-	54,557,958	54,557,958	-	-	54,557,958
In KHR'000 equivalent	222,869,258	-	-	222,869,258	222,869,258	-	-	222,869,258

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

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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
2023								
US\$/KHR exchange rate - increase by 1%	155,416	638,760	-	-	155,442	638,867	-	-
US\$/KHR exchange rate - decrease by 1%	(158,567)	(651,710)	-	-	(158,594)	(651,821)	-	-
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	-	-

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 2019 to 2023.

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023							
Financial assets							
Cash on hand	-	-	-	-	-	9,907,558	9,907,558
Balances with the central bank	-	-	5,619,418	-	-	26,432,411	32,051,829
Balances with other banks and financial institutions	-	4,995,961	39,376,304	-	-	10,173,380	54,545,645
Loans to customers	10,616,974	27,080,800	86,637,603	183,593,802	338,420,077	-	646,349,256
Investment securities	-	-	-	3,034,356	-	798,082	3,832,438
Other financial assets	-	-	-	-	-	2,112,710	2,112,710
Total financial assets	10,616,974	32,076,761	131,633,325	186,628,158	338,420,077	49,424,141	748,799,436
Financial liabilities							
Deposits from other banks	17,494,836	43,963,369	6,556,546	-	512,494	11,058,466	79,585,711
Deposits from non-bank customers	48,492,986	84,770,006	114,633,383	56,105,909	11,193,229	172,690,348	487,885,861
Borrowings	286,018	31,057,254	20,000,000	23,165,267	-	-	74,508,539
Lease liabilities	45,022	76,499	272,716	611,733	179,349	-	1,185,319
Other financial liabilities	-	-	-	-	-	3,791,294	3,791,294
Subordinated debts	-	-	-	-	40,515,156	-	40,515,156
Total financial liabilities	66,032,844	159,867,128	141,462,645	80,168,927	52,400,228	187,540,108	687,471,880
Total interest repricing gap	(55,415,870)	(127,790,367)	(9,829,320)	106,459,231	286,019,849	(138,115,967)	61,327,556
In KHR'000 equivalent	(226,373,829)	(522,023,649)	(40,152,772)	434,885,959	1,168,391,083	(564,203,725)	250,523,067

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023							
Financial assets							
Cash on hand	-	-	-	-	-	9,907,558	9,907,558
Balances with the central bank	-	-	5,619,418	-	-	26,432,411	32,051,829
Balances with other banks and financial institutions	-	4,895,961	38,076,305	-	-	10,009,995	52,982,261
Loans to customers	10,616,974	27,080,800	86,637,603	183,593,802	338,420,077	-	646,349,256
Investment securities	-	-	-	3,034,356	-	798,082	3,832,438
Other financial assets	-	-	-	-	-	2,062,904	2,062,904
Total financial assets	10,616,974	31,976,761	130,333,326	186,628,158	338,420,077	49,210,950	747,186,246
Liabilities							
Deposits from other banks	17,494,836	43,963,369	6,556,546	-	512,495	11,058,465	79,585,711
Deposits from non-bank customers	48,539,561	84,770,006	114,633,383	56,105,909	11,193,229	172,690,348	487,932,436
Borrowings	-	31,057,254	20,000,000	12,013,280	-	-	63,070,534
Lease liabilities	71,934	116,375	407,011	1,051,364	6,352,729	-	7,999,413
Other financial liabilities	-	-	-	-	-	3,913,745	3,913,745
Subordinated debts	-	-	-	-	40,515,156	-	40,515,156
Total financial liabilities	66,106,331	159,907,004	141,596,940	69,170,553	58,573,609	187,662,558	683,016,995
Total interest repricing gap	(55,489,357)	(127,930,243)	(11,263,614)	117,457,605	279,846,468	(138,451,608)	64,169,251
In KHR'000 equivalent	(226,674,023)	(522,595,043)	(46,011,863)	479,814,316	1,143,172,822	(565,574,819)	262,131,390

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (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\$	Total contractual cash flow US\$
As at 31 December 2023						
Financial liabilities						
Deposits from other banks	28,776,010	44,016,007	6,761,446	-	512,494	80,065,957
Deposits from other non-bank customers	221,269,244	85,393,609	120,597,662	56,546,047	11,193,229	494,999,791
Borrowings	357,439	31,545,825	20,000,000	23,451,285	-	75,354,549
Lease liabilities	50,845	101,690	610,140	1,449,670	-	2,212,345
Other financial liabilities	3,791,294	-	-	-	-	3,791,294
Subordinated debts	238,356	461,333	2,114,444	11,233,467	42,829,512	56,877,112
Total financial liabilities by remaining contractual maturities	254,483,188	161,518,464	150,083,692	92,680,469	54,535,235	713,301,048
In KHR'000 equivalent	1,039,563,822	659,802,925	613,091,882	378,599,716	222,776,435	2,913,834,780
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	23,339,157	12,737,970	96,597,979	106,184,175	-	238,859,281

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Separate financial statements					Total contractual cash flow
	1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	US\$
As at 31 December 2023						
Financial liabilities						
Deposits from other banks	28,776,009	44,016,007	6,761,446	-	512,495	80,065,957
Deposits from other non-bank customers	221,315,819	85,393,609	120,597,662	56,546,047	11,193,229	495,046,366
Borrowings	357,439	31,545,825	20,000,000	12,013,280	-	63,916,544
Lease liabilities	92,907	178,614	726,448	2,932,853	17,381,066	21,311,888
Other financial liabilities	3,913,745	-	-	-	-	3,913,745
Subordinated debts	238,356	461,333	2,114,444	11,233,467	42,829,512	56,877,112
Total financial liabilities by remaining contractual maturities	254,694,275	161,595,388	150,200,000	82,725,647	71,916,302	721,131,612
In KHR'000 equivalent	1,040,426,112	660,117,160	613,567,000	337,934,268	293,778,094	2,945,822,634
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	23,339,157	12,737,970	96,597,979	106,184,175	-	238,859,281

Union Commercial Bank Plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (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\$	Total contractual cash flow 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk (continued)

(c) Non-derivative cash flows (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\$	Total contractual cash flow 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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 and 31 December 2022 on a recurring basis:

	Consolidated financial statements			
	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
As at 31 December 2023				
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities	678,082	-	150,000	828,082
Total financial assets	678,082	-	150,000	828,082
In KHR'000 equivalent	2,769,965	-	612,750	3,382,715
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

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

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 US\$	Level 2 US\$	Level 3 US\$	Total US\$
As at 31 December 2023				
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities	678,082	-	150,000	828,082
Total financial assets	678,082	-	150,000	828,082
In KHR'000 equivalent	2,769,965	-	612,750	3,382,715
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

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.

(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 gains on revaluation of fair value amounting to US\$109,035 (2022: losses on revaluation of US\$7,273) is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. FINANCIAL RISK MANAGEMENT (continued)

35.4 Fair value of financial assets and liabilities (continued)

(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 2023 and 31 December 2022.

(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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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			
	2023		2022		2023		2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Tier I capital								
Share capital	80,000,000	326,800,000	80,000,000	329,360,000	80,000,000	326,800,000	80,000,000	329,360,000
Non-distributable reserves	25,622,772	104,669,024	25,622,772	105,488,952	25,622,772	104,669,024	25,622,772	105,488,952
Retained earnings	26,309,236	107,975,924	25,867,129	106,037,354	24,406,924	100,224,331	24,679,302	101,207,836
Less: Intangible assets	(841,156)	(3,436,122)	(248,405)	(1,022,683)	(841,156)	(3,436,122)	(248,405)	(1,022,683)
Less: Loans to related parties	(121,784)	(497,488)	(124,340)	(511,908)	(121,784)	(497,488)	(124,340)	(511,908)
	<u>130,969,068</u>	<u>535,511,338</u>	<u>131,117,156</u>	<u>539,351,715</u>	<u>129,066,756</u>	<u>527,759,745</u>	<u>129,929,329</u>	<u>534,522,197</u>
Tier II complementary capital								
General provision	7,536,033	30,784,695	7,944,219	32,706,350	7,536,033	30,784,695	7,944,219	32,706,350
Subordinated debts approved by the Central Bank	40,000,000	163,400,000	40,000,000	164,680,000	40,000,000	163,400,000	40,000,000	164,680,000
	<u>47,536,033</u>	<u>194,184,695</u>	<u>47,944,219</u>	<u>197,386,350</u>	<u>47,536,033</u>	<u>194,184,695</u>	<u>47,944,219</u>	<u>197,386,350</u>
Total Capital Tier I + Tier II	<u>178,505,101</u>	<u>729,696,033</u>	<u>179,061,375</u>	<u>736,738,065</u>	<u>176,602,789</u>	<u>721,944,440</u>	<u>177,873,548</u>	<u>731,908,547</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

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Union Commercial Bank Plc.

FINANCIAL STATEMENTS

For the year ended 31 December 2023



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UNION COMMERCIAL BANK PLC.

聯合商業銀行

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