

# ANNUAL REPORT



KB Daehan Specialized Bank Plc.



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Part 1:  
Introduction



Part 2:  
Highlights  
of 2021



Part 3:  
Audited Financial  
Statements

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# ប័ណ្ណឥណទាន KDSB

## KDSB CREDIT CARD



# CONTENTS

<b>Part 1 : Introduction</b> .....	01
> Message from CEO .....	02
> Bank Profile .....	03
> Shareholder's Profile (KB Financial Group) .....	04-06
> Shareholder's Profile (KB Kookmin Card) .....	07
> Shareholder's Profile (Indochina Bank) .....	08
> Vision, Mission & Core Values .....	09
> Organisation Chart .....	10
> Corporate Governance .....	11
<b>Part 2 : Highlights of 2021</b> .....	12
> 2021 Financial Highlights .....	13
> Products .....	14
> CSR Activities .....	15-20
> Employee Welfare and Motivation Programs .....	21
> Hall of Management .....	22
> Response to COVID-19 .....	22
> Other Activities .....	23-24
> 2022 Plan .....	25
<b>Part 3 : Audited Financial Statements</b> .....	26
> Corporate Information .....	27-28
> Report of the Board of Directors .....	29-33
> Report of the Independent Auditors .....	34-36
> Statement of financial position .....	37
> Statement of profit or loss and other comprehensive income .....	38
> Statement of changes in equity .....	39
> Statement of cash flows .....	40
> Notes to the financial statements .....	41-125

# PART 1:

# Introduction



# MESSAGE FROM CEO

Dear Valued Customers, Shareholders and everyone who supports KB Daehan Specialized Bank,

First, I would like to express my sincere gratitude to all our customers and shareholders for their continued support and interest in KDSB.

2021 was a very challenging year. The Phnom Penh Lockdown due to the COVID-19 outbreak has impacted not only those in Phnom Penh but also the lives of everyone throughout the entire nation. But through endurance and innovation, KB Daehan Specialized Bank ("KDSB") has managed to stay on track with its performance, and now I am pleased to present the financials and achievements of KDSB in 2021.

In 2021, in line with the Cambodian Government's initiatives to overcome the COVID-19 pandemic, we did our best to implement the special support packages such as the restructuring program. Despite various uncertainties surrounding the business environment caused by such an unprecedented event, all key financial performance indicators such as the total assets, loan assets and net profit, show remarkable growth. I wish to take this opportunity to thank all the employees and management of KDSB for overcoming the difficult situation with a great result.

Even though KDSB is a latecomer in Cambodia with only our third year of full operation, KDSB became one of the leading banks in the Cambodian auto finance market which was achieved by rapid growth. KDSB marked USD 216 million in loan assets and USD 4.93 million in net profit which represents 142.6% growth from the previous year.

In 2021, KDSB launched a new card product called KDSB Lucky Card. Based on the experience from our parent company, KB Kookmin Card, a top tier card company in Korea, we successfully managed to start the engine for our special journey into the Cambodia Card Market. And as a member of KB Financial Group, the leading financial group in Korea in all areas of financial services including Banks, Insurance, Securities, and Cards, KDSB can deliver innovative card products to our customers in Cambodia.

At the same time, as part of our contribution to the local society, we carried out various campaigns with protection masks and dedicated our resources for the development of provincial areas including Kampong Thom province with the KDSB Solar Street and Water Supply and scholarship programs. We also started providing support for building Tang Krasang High School.

When we first started business in Cambodia, we aimed to support building a bright future for Cambodia. KDSB will continue to develop fast, flexible and reliable financial products and digital platforms. By using our financial products, we hope that our valued customers and Cambodian society as a whole enjoy a more convenient and happier life.

*Let's drive on "Your New Highway in Finance" with KB Daehan Specialized Bank!*

Thank you, and I wish you great health and success.



Sincerely,

**Lee Sangin**

Chief Executive Officer

# BANK PROFILE



KB Daehan Specialized Bank Plc. (“KDSB”) is a joint venture between KB Kookmin Card and Indochina Bank. KB Kookmin Card is a subsidiary of KB Financial Group, the leading financial group with the largest customer base and the most extensive branch network in South Korea, which is a member of the Dow Jones sustainability indices of NYSE.

Indochina Bank has had a great successful experience in Auto Finance in Lao PDR.

Based on its parent companies’ successful and long experience in finance and its new innovation, there is no doubt that KDSB is a trusted bank that is able to provide fast and flexible service to the Cambodian credit market and make a better financial society of Cambodia.

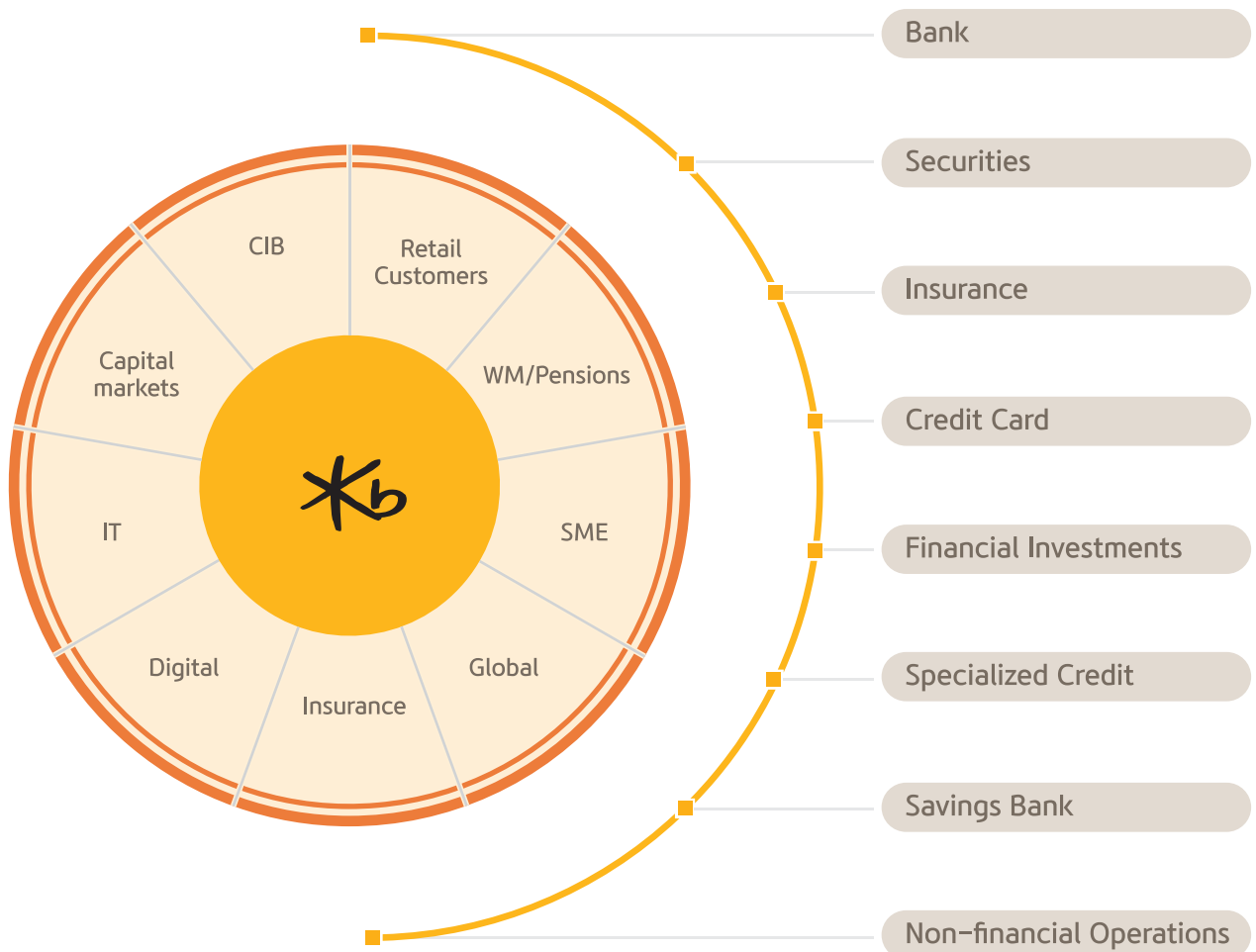
To date, KDSB has one Head Office and three Branches, Chbar Ampov Branch, Saensokh Branch and Dangkao Branch. Another new branch, located in Phnom Penh Capital City, is set to be opened soon in the second half of 2022, and KDSB is full of hope to further expand our operation nationwide in the near future.

<b>Bank Name</b>	KB Daehan Specialized Bank Plc. (“KDSB”)
<b>Registered Capital</b>	USD 43,750,000
<b>Shareholders</b>	KB Kookmin Card Co., Ltd. 95.7% Indochina Bank Ltd. 4.3%
<b>History</b>	July 2008: Founded as Tomato Specialized Bank March 2018: Changed into KB Daehan Specialized Bank Plc.
<b>Business Sector</b>	Specializing in Auto Finance, Card Business and Housing Loans
<b>No. of employees</b>	271
<b>External Auditor</b>	KPMG Cambodia Ltd.
<b>Head Office</b>	7 <sup>th</sup> , 21 <sup>st</sup> and 22 <sup>nd</sup> Floor, Building No.1, Street 360, Phum Phum 8, Sangkat Boeng Keng Kang Ti Mouy, Khan Boeng Keng Kang, Phnom Penh, Cambodia
<b>Contact Information</b>	Tel: +855 23 991 555 E-mail: info@kdsb.com.kh Website: www.kdsb.com.kh



KB Financial Group offers advanced financial services and products through 13 subsidiaries in nine business units – retail customers, wealth management/pensions, small-and medium-sized enterprises, global, insurance, digital, IT, capital markets, and corporate & investment banking (CIB).

KB Financial Group, as the holding company, holds 100 percent of the shares in each subsidiary.



- |                                 |  |
|---------------------------------|--|
| <b>Bank</b>                     | – ■ KB Kookmin Bank  |
| <b>Securities</b>               | – ■ KB Securities  |
| <b>Insurance</b>                | – ■ KB Insurance   Prudential Life Insurance   KB Life Insurance |
| <b>Credit Card</b>              | – ■ KB Kookmin Card  |
| <b>Financial Investments</b>    | – ■ KB Asset Management   KB Real Estate Trust   KB Investment   |
| <b>Specialized Credit</b>       | – ■ KB Capital   |
| <b>Savings Bank</b>             | – ■ KB Savings Bank  |
| <b>Non-financial Operations</b> | – ■ KB Data Systems   KB Credit Information                      |

# Shareholder's Profile (continued)

 KB Financial Group

## GROUP NETWORK

Domestic **1,637**

Overseas **754**



## GROUP CUSTOMERS

**36.3** million



## ESG



Dow Jones  
Sustainability Indexes

Included in for  
6 consecutive years

**KCGS A+**  
Korea Corporate  
Governance Service

## GROUP EMPLOYEES

**25,176**



## CREDIT RATINGS

Moody's **A1** / Stable

S&P **A** / Stable



Carbon Disclosure Project  
Honors in the finance sector  
for 5 consecutive years



## Overseas Network

**754**

KB Kookmin Bank	<b>587</b>	KB Kookmin Card	<b>141</b>
KB Securities	<b>8</b>	KB Asset Management	<b>3</b>
KB Insurance	<b>10</b>	KB Capital	<b>4</b>
KB Data Systems	<b>1</b>		



2017	2019	2020	2021
<p><b>Vietnam</b></p> <ul style="list-style-type: none"> <li>Acquired Maritime Securities Incorporation (MSI), a local securities firm</li> </ul>	<p><b>Vietnam</b></p> <ul style="list-style-type: none"> <li>KB Securities Vietnam raised KRW 70 billion of capital and ranked 10th largest securities company in Vietnam</li> <li>KB Kookmin Bank Established Hanoi branch</li> </ul> <p><b>India</b></p> <ul style="list-style-type: none"> <li>KB Kookmin Bank established Gurugram Branch</li> </ul>	<p><b>Cambodia</b></p> <ul style="list-style-type: none"> <li>Acquired a 70% stake in Prasac, the largest local MDI</li> </ul>	<p><b>Singapore</b></p> <ul style="list-style-type: none"> <li>KB Kookmin Bank obtained preliminary approval to open a branch in Singapore</li> </ul>
<p><b>Laos</b></p> <ul style="list-style-type: none"> <li>Established KB KOLAO Leasing, specialized in auto financing</li> </ul>		<p><b>Vietnam</b></p> <ul style="list-style-type: none"> <li>KB Securities launched KB FINA in partnership with G-Group which has vast captive bases in the financial services, media, fintech businesses in Vietnam</li> </ul>	<p><b>Indonesia</b></p> <ul style="list-style-type: none"> <li>KB Kookmin Bank secured management control with the appointment of an executive member at PT Bank KB Bukopin, followed by a capital raising</li> <li>KB Securities signed a shareholders' agreement to acquire Valbury Securities</li> </ul>
<p><b>Myanmar</b></p> <ul style="list-style-type: none"> <li>Established KB MFI Myanmar</li> </ul>		<p><b>Myanmar</b></p> <ul style="list-style-type: none"> <li>KB Kookmin Bank established the first foreign bank in Myanmar</li> </ul>	<p><b>Indonesia</b></p> <ul style="list-style-type: none"> <li>KB Kookmin Bank became the largest shareholder of PT Bank Bukopin with a 67% equity stake</li> <li>KB Kookmin Card established KB Finansia Multi Finance, with an 80% equity stake</li> <li>KB Capital launched PT Sunindo Kookmin Best Finance, a local subsidiary</li> </ul>
2018			<p><b>Indonesia</b></p> <ul style="list-style-type: none"> <li>Acquired a 22% stake in PT Bank Bukopin</li> </ul>
<p><b>Indonesia</b></p> <ul style="list-style-type: none"> <li>Acquired a 22% stake in PT Bank Bukopin</li> </ul>			<p><b>Cambodia</b></p> <ul style="list-style-type: none"> <li>KB Kookmin Bank acquired the remaining 30% stake in Prasac, securing 100% ownership</li> </ul>
<p><b>Cambodia</b></p> <ul style="list-style-type: none"> <li>Launched KB Daehan Specialized Bank as a credit finance business</li> </ul>			<p><b>Thailand</b></p> <ul style="list-style-type: none"> <li>KB Kookmin Card acquired a 50% stake in the local credit finance company, KB J Capital</li> </ul>
<p><b>Vietnam</b></p> <ul style="list-style-type: none"> <li>Launched KB Securities Vietnam, formerly known as MSI</li> </ul>			

# Shareholder's Profile



KB Kookmin Card is a **top-tier credit card** company having a customer base of over 20 million people in South Korea.

We aspire to be a **“Your Happy Life Partner”** offering better financial products for customers.

Driven by world-class talents and bold innovation, to become your trusted **happy life partner**.

Establishment Date	September, 1987
Business Sector	Credit Card and related business, Tele-Sales, Tourism, Insurance Sales, Lease, Instalment financing, and New technology financing
Employees	1,580
Cardholders	20.26 million (39.2% of South Korea population)
Merchants	2.86 million
Transaction Volume	KRW 164 trillion (USD 138 billion)
Total Assets	KRW 27.3 trillion (USD 22.93 billion)
Net Profit	KRW 421 billion (USD 353.63 million)

*Note: As of 31 December 2021, Exchange Rate: USD 1.00 = KRW 1,190.50*

## No. 1 in Debit Card Category

7 consecutive years

2021 Korean Consumer Satisfaction Index (KCIS)

Korean Standard Service Quality Index (KS-SQI)

## Grand Prize for the Best Credit Finance Category

2021 Korea Best Banker Grand Awards  
By Credit Finance Association

## Grand Prize

2021 Korea Job Awards  
By Ministry of Employment and Labour

## ESG Rating A+

2 Consecutive Years  
By KCGS

## 2021 Venture Start-up Promotion Awards

For its contribution to increasing start-up sales, infrastructure connection, and supporting investment in business growth.  
By the Minister of Small and Medium-sized Enterprises.



Indochina Bank Ltd. was incorporated in Lao People’s Democratic Republic (“Lao PDR”) on 26 May 2008 under a Foreign Investment License No.070-08/PI granted by the Ministry of Planning and Investment and under Banking Business License No.53/BOL granted by the Bank of the Lao PDR (“BOL”) on 28 November 2008. Indochina Bank officially commenced its business on the 6 February 2009 in Vientiane Capital. The bank has 3 branches and 9 service units networks covering most provinces. This bank’s experience and know-how will be spread to KDSB.



Establishment Date	28 November 2008
Business Sector	Commercial bank, Deposits, Loans, Card, and Remittance.
Employees	212
Shareholders	Mr Oh Sei Young (Korean) 78.57% LVMC Investment Ltd 11.43% Mrs Thavone Vongsombath 10.00%
Total Assets	USD 774 million
Loans to customers	USD 521 million
Balances of customer deposits	USD 691 million
Net Operating Profit	USD 1.8 million

## VISION OF THE BANK

Indochina Bank is moving forward to establish a strong foothold in the country by taking advantage of the steady economic growth of Lao People’s Democratic Republic. The vision of the bank is: “To be the No.1 private bank in Laos, in terms of business growth, customer service, products, profit as well as branding, and continually enhancing its service to meet customers’ highest level of satisfaction.”

### Main Branch

Address: 1<sup>st</sup> –3<sup>rd</sup> Floor, KOLAO Tower I, 23 Singha Road, Vientiane Capital, Lao PDR  
Tel: +856 21 455 000 / Fax: +856 21 455 111 / Website: [www.indochinabank.com](http://www.indochinabank.com)

# Vision, Mission & Core Values

KDSB's Vision is to be the specialized bank by successful experience from South Korea.

KDSB's Mission is to make people feel excited by providing fast and flexible services such as being able to drive supercars on the highway.

## Vision

**Driven by world-class talents and bold innovation, to become your trusted happy life partner**

Our goal is to become a lifelong financial group by leading innovation that shifts the financial paradigm with our best professionals.

## Mission

**Financial services delivering changes – happier life and better world**

We aim to deliver financial services that bring happiness and well-being to our customers and society.



## Core Values:



### Customer centricity

Benefits to our customers and prioritizing them in our decision making.



### Expertise

We relentlessly strive to develop industry-leading competencies.



### Innovation

We foster creative thinking and drive first-mover initiatives to reshape the future of the financial services industry.



### Trust & Integrity

As a financial services provider, we adhere to the highest standards of ethical conduct, always acting in good faith and with integrity.



### Shared growth

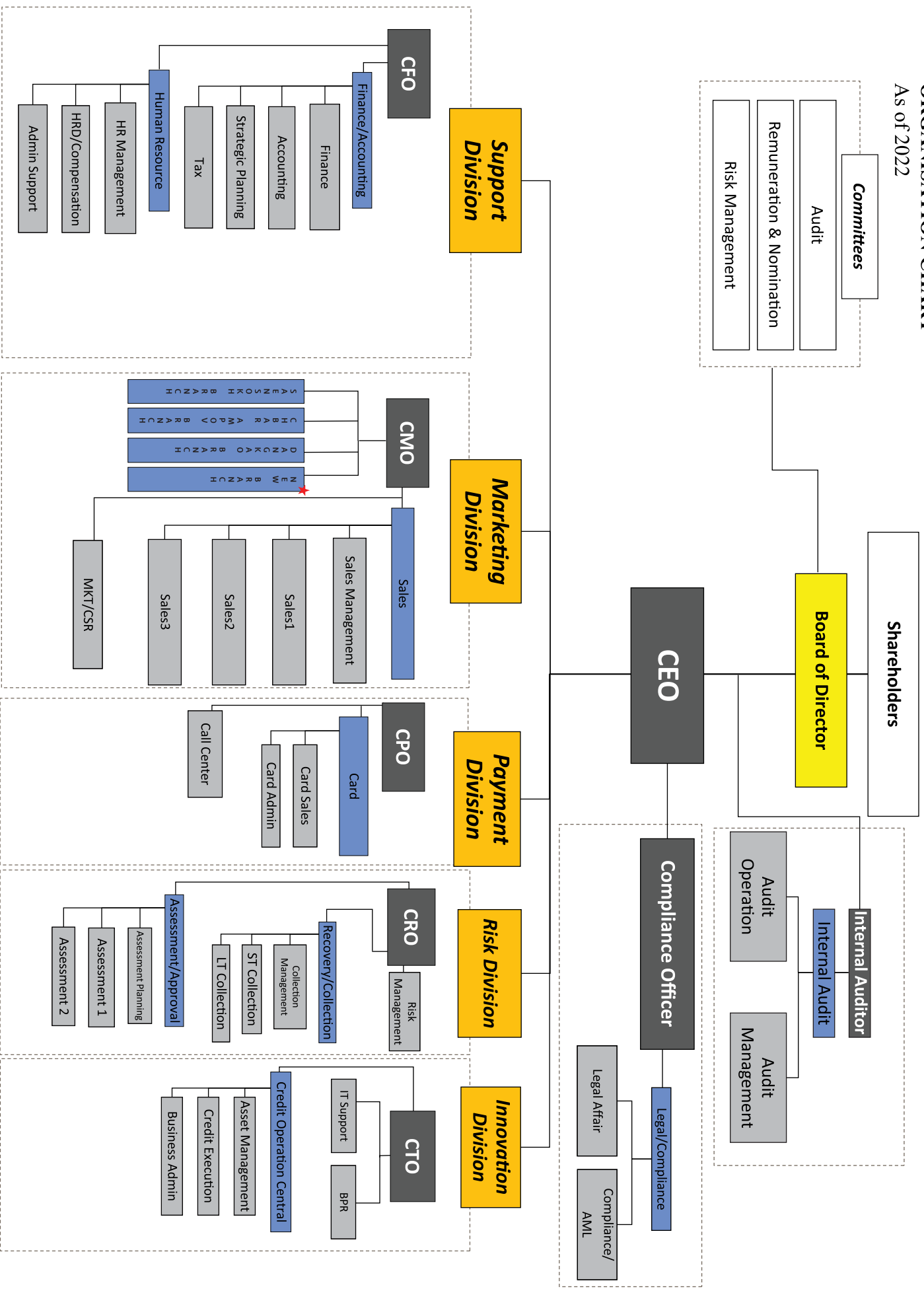
By growing together with our customers we aim to contribute to the advancement of society.

## Slogan “Your New Highway in Finance”



# ORGANISATION CHART

As of 2022



\*New Branch is expected to open in the second half of 2022

# CORPORATE GOVERNANCE

## Board Structure and Composition

The Board of Directors (BOD) of KDSB is comprised of four members, including one independent director. All were appointed at the general shareholder's meeting.

All directors are professionals in their respective fields with extensive experience in areas such as banking, business, management, and accounting. The chair was elected by the Board of Directors.

### Board of Directors

Mr Joo Sung Soo	Chairman of BOD
Mr Lee Sangin	Member (Executive Director)
Mr Bounheng Souphida	Member (Non-executive Director)
Mr Kim Kwang Hwan	Member (Independent Director)

### Committees

#### Audit Committee

The Audit Committee was established to assist the Board in the execution of its governance and oversight responsibilities.

Mr Kim Kwang Hwan	Chair of Committee (Independent Director)
Mr Yang Tae Wook	Member
Mr Um Chanthan	Member

#### Remuneration & Nomination Committee

The Committee shall establish a fair evaluation and compensation system in accordance with the performance of the management and staff and general environment of the remuneration.

Mr Kim Kwang Hwan	Chair of Committee (Independent Director)
Mr Lee Sangin	Member
Mr Yang Tae Wook	Member

#### Risk Management Committee

The Committee acts as the highest decision-making body. It establishes and approves risk management strategies and guidelines to recognise, measure, monitor, and control all the risks that arise from various transactions of banks in a timely manner.

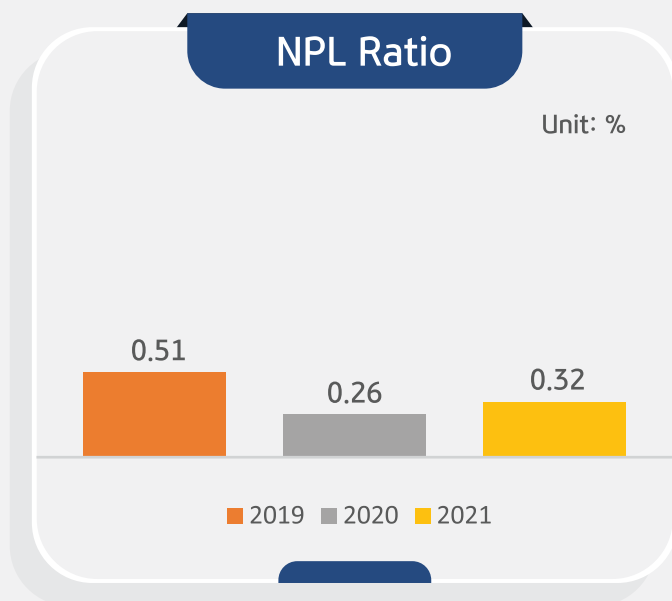
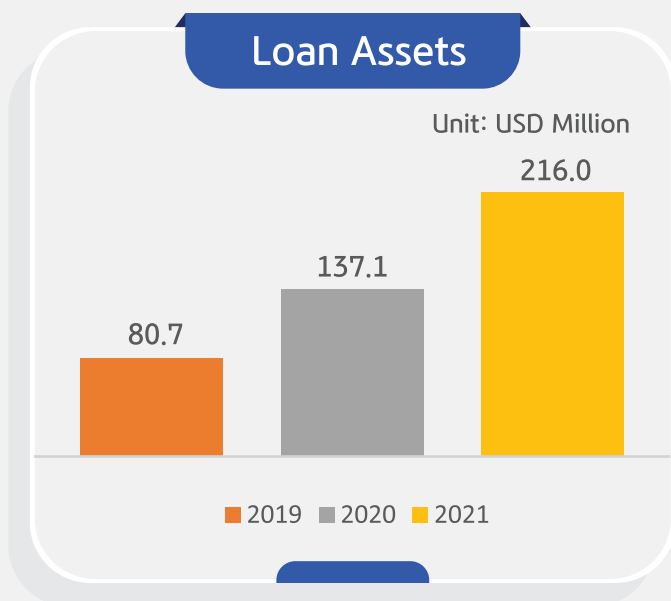
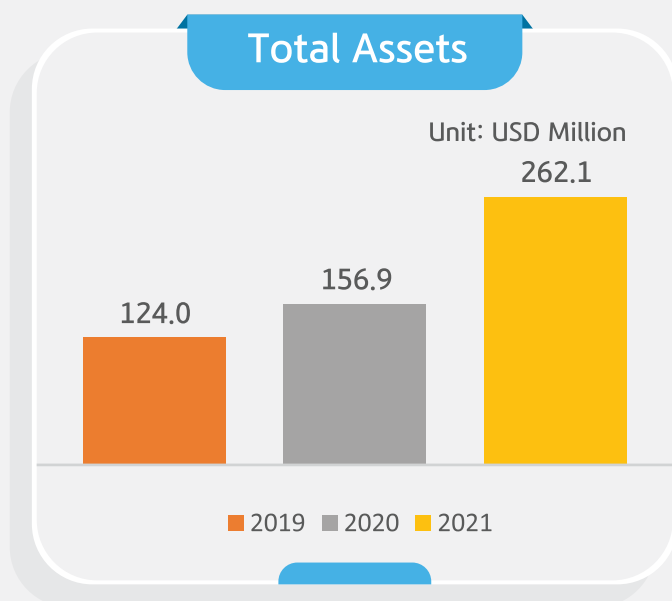
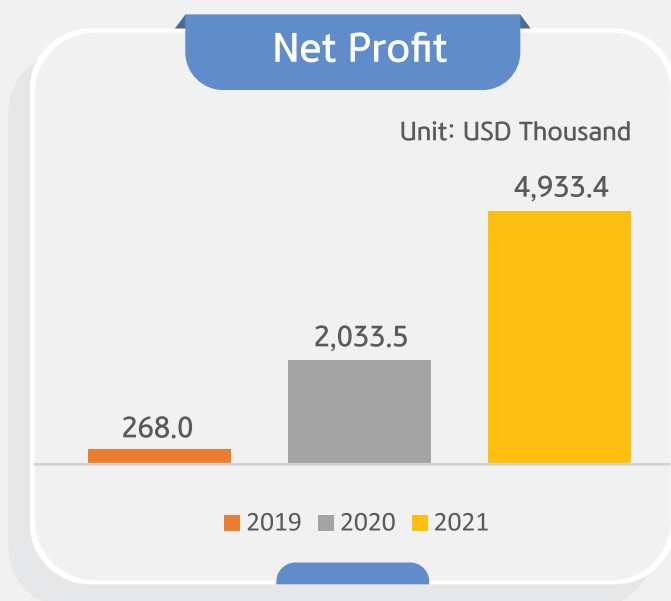
Mr Kim Kwang Hwan	Chair of Committee (Independent Director)
Mr Lee Sangin	Member
Mr Yang Tae Wook	Member

**Part 2:**  
**HIGHLIGHTS OF**  
**2021**



# 2021 Financial Highlights

In 2021, KDSB showed incredible growth of 142.6% in net profit amid the challenge of the unprecedented COVID-19 pandemic. During this prolonged crisis, based on the advanced knowledge and experience of risk management gained in South Korea, KDSB was still able to manage risk well. The growth of total assets was mainly from the increase of loan disbursement amounts which rose considerably year on year.



## Auto Finance

In cooperation with many local leading Automobile Distributor and Authorised Dealer partners in Cambodia and our exceptional experience, KDSB provides the best auto finance solution to customers and has successfully offered loans to customers to achieve their dream cars.



## General Loan

In order to provide solutions to customers' greatest desires, KDSB provides the best finance solutions with our General Loan that customers can use for buying a house, running/improving their business, or helping their family whenever customers want to take out a loan using an appropriately valuable property title as collateral.



## Card

KDSB is providing very innovative and beneficial Card Products to customers. Based on the business experience as the No. 1 Debit Card and top-tier Credit Card in South Korea, KDSB Cardholders can get more benefits with the convenience of using cards in their daily lives.



## Call Loan

Based on the Good Credit Rate of the KB Financial Group, which is the best Financial Group in South Korea, KDSB is your best and reliable partner for providing reliable credit to Cambodian Financial Institutions.



# CSR ACTIVITIES

## Sponsoring Stoung High School Friendly Tournament Season 2

KDSB focuses on training children and youth who are the future of the nation. Therefore, KDSB has sponsored the second season of the Stoung High School Friendly Tournament which is organised by the Stoung Family by providing prizes for the winners, as well as sportswear, and other equipment for all the teams.

This tournament is designed to promote health and increase cooperation and team spirit among high school students in Stoung district.



## Book Donation

Reading books not only gives us knowledge, but also helps society. Thus, to strengthen the reading habits of Cambodian children who are the bamboo shoots of the nation, in 2021, KDSB donated books/reading materials, brain games, chairs, desks, and bookshelves to two libraries at Koh Reah Leu Primary School and Koh Reah Secondary School which are located in Koh Reah Leu village, Koh Reah commune, Lvea Em district, Kandal province.



This book donation program was conducted in two phases, the first phase was the library improvement program. By seeing the lack of library materials and



to make the library more attractive and comfortable for students when they come to read books, many KDSB staff volunteered to paint beautiful paintings on the walls in the library, and designed the room with a new perspective.

In addition, another program was a drawing contest with the theme, "Thanks medical staff, I'm back to school!" which has provided an opportunity for students to express their work and talents. Through this program, many students have realised the sacrifices of all the medical staff who have also worked so hard for the nation.



## Book Donation (Continued)

A large number of books were donated by using funds of philanthropists who purchased items and donated their own money through the donation boxes at KDSB Gallery, both at our head office and all the branches. Many financial pop-up books have been sponsored with the help of KB Kookmin Card, the parent company of KDSB. These books were donated after being compiled by KB Kookmin Card staff, and other books were also donated by KDSB staff.

In the future, in order to continue supporting the education sector in Cambodia and encourage Cambodian children to be interested in and read books, KDSB will continue to donate books for more primary school libraries in rural area that lack reading books.



## Traffic Mirrors Installation

According to UNDP, traffic accidents are one of the leading causes of death and injury in Cambodia. On average, 5.4 people die every day, three-quarters of whom are motorcyclists, followed by pedestrians, family car users, and truck users. To alleviate this problem, KDSB has developed a project to install traffic mirrors on narrow roads in Phnom Penh.

This project has been consistently carried out since 2018. Thanks to the support and request of KDSB, a total of 34 traffic mirrors and two school crossing signs have been installed in Khan Chamkarmon, Khan Saen Sok, Khan Toul Kork, Khan Meanchey, Khan Por Senchey, and Khan Chbar Ampov.

Since this project has contributed to reducing traffic accidents in Phnom Penh and received the satisfaction of the people living in the above area and the people who pass through, KDSB plans to install more traffic mirrors on dangerous roads, especially narrow and curved roads where it is difficult to see other vehicles or pedestrians when travelling.



# CSR ACTIVITIES

## Recycled Product Support Program (Collaboration with Smart Craft)

KDSB always cares about society and the environment. Thus, KDSB has collaborated with Smart Craft by purchasing a wide range of recycled products from this enterprise to reduce the waste that pollutes the environment while meanwhile creating many jobs for persons with disabilities (PWD).



KDSB has been cooperating with Smart Craft for three years since 2019. To further support and promote recycled products, KDSB has agreed to continue to purchase more innovative products from Smart Craft to help the environment and society. Those products will be displayed and sold at the KDSB Gallery for customers or the public who wish to purchase the items and simultaneously want to contribute to society with KDSB.



## KDSB Gallery

KDSB Gallery is part of KDSB's bank culture, which aims to exhibit materials produced for gifting to stakeholders on various occasions. At the same time, customers or visitors who come to KDSB can also purchase those materials for souvenirs or as gifts at the original supplier price.



The funds generated as a result will be kept in KDSB's donation box to use for more KDSB CSR activities. Or if they want to contribute to society with KDSB without purchasing any items, they can also donate their own money through the KDSB donation box located at the KDSB Gallery. KDSB will use those funds to undertake various charity programs to help society, in particular for the book donation program for primary school libraries that lack books.



The KDSB Gallery is now available at head office and other branches of the bank, such as Saen Sokh, Chbar Ampov and Dangkao branches.



# CSR ACTIVITIES

## KiDSBank

**KiDSBank** is a combination of the words "KiDS" and "Bank" from KDSB (KB Daehan Specialized Bank Plc.). KiDSBank is a small library located on the 22nd floor of KDSB's head office that allows kids to have fun with brain teasers and colouring materials.



They can also enjoy reading books while drinking fresh milk that is available for free. Not only children, but also customers or the public who come to KDSB can also read and borrow books to read at home for free.

In 2019, **KiDSBank** was also used as a venue for the Khmer's Painting Promotion Program organised by KDSB. This program is designed to encourage talented Cambodian children to have the opportunity to present their artwork to the public.

KDSB believes that **KiDSBank** will be the starting point for all of your children to start their reading habits in their spare time to gain more knowledge for personal and social development.

## Provincial Project – Scholarship Program

Human resources play an essential role in the big picture of economic development, especially in developing countries in terms of development activities and knowledge for the next generation.

To achieve better standards and improve knowledge, KDSB has cooperated with Stoung Family, an association in Stoung district, Kampong Thom province, by choosing 50 teachers from

Stoung district, Kampong Thom province to continue their bachelor and master degrees.

This project, "Strengthening the Capacities of Sub-National Officials to Provide Better Services to the Public Through Full Scholarship", aims to strengthen both male and female sub-national officials' capacities through higher education, so they can provide better services to the public.



# CSR ACTIVITIES

## Provincial Project – School Infrastructure Development Program

In order to support sustainable development, KDSB and its parent company, KB Kookmin Card, has contributed to Hun Sen Rong Roeng High School which is located in Kampong Thom province by providing important school infrastructure items such as hand wash sink facilities for students to wash their hands and well pump tanks to store water for watering plants, the school farm, and school building renovations etc.

KDSB believes that these facilities will help protect students from any disease and viruses by washing their hands frequently, and also to ensure there will be no more water shortage problems at the school.



## Provincial Project – KDSB Solar Street

KDSB Solar Street is located in three villages, Chimeas, Sampan, and Sombour Cheung in Masakrang commune, Stoung district, Kampong Thom province which is helping to improve the community living standards by reducing traffic accidents, and crime at night. This street covers important areas like the school, market, and main connecting roads and which has provided a lot of benefits to the whole community.

This project successfully installed 134 solar street light poles (90 poles in Chimeas, 32 poles in Sampan, and 12 poles in Sombour Cheung village) in less than two months. The project was completed this quickly thanks to the efforts of the villagers as well as Stoung Family, who volunteered to support and assist the construction team in setting up and installing the poles to ensure a smooth construction process.

This project has been implemented under the sponsorship of KDSB and KB Kookmin Card, and supported by Stoung Family. On 12 November 2021, to celebrate the Inauguration Ceremony of KDSB Solar Street, all the families in the whole community agreed to hang the Cambodia national flag on the solar street light poles and grow flowers in front of their houses. as they were delighted with this great improvement in their community.





## Provincial Project – Water Supply System

Water shortage is one of the critical issues for many rural villages in Cambodia. According to water.org, more than 2 million people in Cambodia lack access to safe water, and 3 million lack access to improved sanitation. With approximately 77 percent of Cambodians living in rural areas, poor access to safe water and sanitation disproportionately affects its rural communities.

To support developing an integrated development strategy for ensuring sustainable water security and sanitation in rural area settlements, KDSB and its parent company, KB Kookmin Card has cooperated with Stoung Family to provide one water storage tank with two pump wells in Krasang village which is located in one of the most remote areas in Kampong Thom province. These will help villagers, especially farmers, to use the water for agriculture during the dry season.



## Provincial Project – School Building Construction

Education plays an important role as a fundamental part of a society's growth and improvement. When students are educated, they can significantly contribute to their families and society in multiple ways.

Kampong Thom province has a high population with a huge number of students, which causes school buildings to be in high demand. School buildings are a significant asset that can contribute to the quality of education by providing a comfortable learning environment and facilities for student activities and lecturing.



Thus, to promote education in Cambodia, KDSB, together with KB Kookmin Card has donated USD 100,000 to build a two-storey, 10-room school building for Tang Krasang High School in Santuk district, Kampong Thom province. KDSB hopes that this new building will help to improve the study environment in new classrooms by reducing the number of students in each class.



# EMPLOYEE WELFARE AND MOTIVATION PROGRAMS

## Online Training

Commensurate with every year, KDSB creates training programs to improve employee hard and soft skills, which can help their overall career. However, the difference in 2021 has been to practice COVID-19 safety for everyone at the bank, so KDSB has provided online training courses instead of physical training courses. As a result of this new training program, we can see that employees find it easier to manage time to join the training course than for the previous program which, in turn, has allowed them more chances to join the course.



## Quarterly Awards

In order to show our gratitude toward our employees for their hard work, KDSB, prepared the annual Quarterly Awards, which is organised at a quality venue with delicious food along with fun activities. KDSB hosts the Quarterly Awards four times a year to reward the best performing staff and to motivate our valued employees. In addition, we never forget to take care of our employees who faced the difficult situation of the COVID-19 pandemic, so we organised the Quarterly Awards in a safe way for all employees.



## Annual Awards

The KDSB 2021 Annual Awards celebrated, rewarded and congratulated the best performing staff and celebrated recognition of all employees for their hard work in 2021. The best performing staff and promoted/elevated staff were gifted with certificates, flowers and prizes for their outstanding contribution to the bank at the 2021 Annual Awards. We also celebrated the event in an outdoor space by following best practices of social distancing and other COVID-19 related recommended guidelines to create a safe environment for everyone.





## Hall of Management

The Hall of Management is located on the 21st floor of KDSB's head office, and is used for displaying souvenirs, certificates, and trophies, etc. that KDSB has received from various events and occasions.

At the same time, this place is not only a display room for visitors come to visit KDSB where they can enjoy the indoor and outdoor view of the building, but it is also a meeting room for management hence this room being named as the "Hall of Management".



## Response To Covid-19

After one year of the COVID-19 pandemic, which has claimed millions of lives and changed the ways by which each of us relates to and navigates the world, it has also negatively affected Cambodia. In February 2021, there was a large-scale outbreak of COVID-19, city-wide lockdowns occurred, and many people lost their jobs. To contribute to the prevention and spread of COVID-19 in accordance with the measures of the Ministry of Health, KDSB has created many campaigns such as: (1) Work from Home; (2) Loan Restructuring; (3) Mask Distribution; and (4) Drawing Contest During 2021 Book Donation.



### Work From Home

Work From Home ("WFH") is a flexible way of working which was designed for KDSB staff to work from their home in order to prevent COVID-19 during the high peak of crisis.



### Mask Distribution

KDSB twice produced 90,000 high-quality masks from South Korea for distribution to staff, partners, customers, and other stakeholders to help prevent the spread of COVID-19.



### Loan Restructuring

In 2021, in line with the Cambodian Government's initiatives to overcome the COVID-19 pandemic, KDSB did its best to implement special support packages such as the restructuring program to help customers affected by COVID-19.

## Drawing Contest During 2021 Book Donation

Due to COVID-19, many children suffered from emotional challenges. To alleviate this problem, KDSB has created a drawing contest for students at Koh Reah Leu primary school during the 2021 Book Donation to express their work and bring back the joy of children after the relief of COVID-19. Moreover, the topic of the drawing contest was "Thanks medical staff, I'm back to school!" which was created with an aim of encouraging students to realise and express gratitude to all medical staff who sacrificed to serve the nation during this incredibly challenging time.

# OTHER ACTIVITIES

## KDSB 3rd Anniversary

KDSB celebrated its 3rd Anniversary in September 2021. However, in order to practice COVID-19 safety, KDSB celebrated it virtually. In spite of the virtual celebration, KDSB prepared a gift set on the concept of the KDSB 3rd anniversary, special edition name cards, loyalty program's gifts for all staff, Credit Card holders rewards with 10% cashback and well-prepared snacks and drinks that were divided into three distinct sections in order to practice social distancing, and a cashback reward for employees who worked from home on their Credit Card, for ordering their favourite food, due to their absence during the actual event. Even though COVID-19 has created great impact, KDSB still managed to organise and celebrate a remarkable 3rd Anniversary for all employees.



## Gift Sharing to Partners

On the occasion of Khmer traditional festivals, such as Khmer New Year and Pchum Ben, in order to express sincere gratitude toward partners and stakeholders for their endless support and to strengthen relationships, KDSB prepared and shared thoughtful gifts to them. KDSB hopes and wishes all partners and stakeholders to continuously grow together.

## KB Synergy Day

KB Synergy Day was hosted in 2021 to officially launch the KDSB Lucky Debit Card which is incorporated with KDSB's sister company, Kookmin Bank Cambodia. Anyone who opens an account at Kookmin Bank Cambodia can be a KDSB Visa Cardholder.





## Bancassurance

In 2021, KDSB obtained approval from the National Bank of Cambodia and a license from the Insurance Regulator of Cambodia to incorporate the bancassurance which cooperates with Forte Insurance (Cambodia) Plc. in its business. Through this cooperation, KDSB customers are able to buy high quality insurance at a competitive price.



## Chbar Ampov Branch Opening



2021 was another outstanding year for KDSB. We opened a new branch in April 2021 at Khan Chbar Ampov. This new branch opening shows the remarkable growth of KDSB, which makes us want to express our gratitude toward our customers, and we thank you for your loyalty and continued support.

We expectant to expand our bank, products and services to help customers' needs in the best way we possibly can.

## Dangkao Branch Opening

Periodically, KDSB strengthens its potential and shows significant growth, and opened another new branch located in Khan Dangkao in November 2021, with regard to enhancing customers' ease and to serve the growing needs of the public. In the upcoming year, KDSB expects to expand its branches to continue grow and serve customers as best it can.





# 2022 PLAN

## Agriculture Equipment Loan

In April 2022, KDSB officially launched a new loan product called Agriculture Equipment Loan. As a result of cooperation with RMA Cambodia, a diversified company offering world-renowned brands and a global company with local engagement. KDSB will expand more new loans with this new product. KDSB will prepare the foundation to grow rapidly across the country to be more than just a number one Specialized Bank in Cambodia.



## Branch Opening

KDSB opened another two new branches in 2021 in Chbar Ampov and Dangkao. KDSB plans to open more branches to build broad sales networks and give convenient and fast services to customers. Moreover, the fourth branch is expected to be launched in the second half of 2022.

# **PART 3:**

## **Audited Financial Statements for the year ended 31 December 2021 and Report of the Independent Auditors**

# Corporate information

<b>Bank</b>	KB Daehan Specialized Bank Plc.	
<b>Registration No.</b>	00020218	
<b>Registered office</b>	7 <sup>th</sup> , 21 <sup>st</sup> and 22 <sup>nd</sup> Floor, Building No.1, Street 360 Sangkat Boeung Keng Kang Ti Muoy, Khan Boeung Keng Kang Phnom Penh, Kingdom of Cambodia.	
<b>Shareholders</b>	KB Kookmin Card Co., Ltd. Indochina Bank Ltd.	
<b>Board of Directors</b>	<b>Kang Nam Che</b>	<b>Chairman</b> (Resigned on 28 January 2022)
	<b>Joo Sung Soo</b>	<b>Chairman</b> (Appointed on 31 January 2022)
	<b>Kong Sang Yeon</b>	<b>Member and Executive Director</b> (Resigned on 28 January 2022)
	<b>Lee Sangin</b>	<b>Member and Executive Director</b> (Appointed on 13 January 2022)
	<b>Bounheng Souphida</b>	<b>Member and Non-Executive Director</b>
	<b>Kim Chul Woong</b>	<b>Member and Independent Director</b> (Resigned on 6 July 2021)
	<b>Kim Kwang Hwan</b>	<b>Member and Independent Director</b> (Appointed on 10 December 2021)



# Corporate information (continued)

<b>Management team</b>	<b>Lee Sangin</b>	<b>Chief Executive Officer</b> (Promoted from CFO on 13 January 2022)
	<b>Kong Sang Yeon</b>	<b>Chief Executive Officer</b> (Resigned on 13 January 2022)
	<b>Yang Tae Wook</b>	<b>Chief Financial Officer</b> (Promoted from CRO on 13 January 2022)
	<b>Min Kyeong Ho</b>	<b>Chief Marketing Officer</b>
	<b>Shin Jae Min</b>	<b>Chief Risk Officer</b> (Promoted from Compliance Officer on 13 January 2022)
	<b>Shin Solji</b>	<b>Chief Payment Officer</b> (Promoted from CSO on 13 January 2022)
	<b>Jeon Yong Sun</b>	<b>Chief Technology Officer / Chief Information Security Officer</b> (Appointed on 13 January 2022)
<b>Auditors</b>	<b>KPMG Cambodia Ltd</b>	

## Report of the Board of Directors

The Board of Directors (“the Directors”) hereby submit their report and the audited financial statements of KB Daehan Specialized Bank Plc. (“the Bank”) for the year ended 31 December 2021.

### The Bank

The Bank was incorporated in Cambodia on 24 June 2008 under the registration number 00020218 issued by the Ministry of Commerce. The Bank obtained its specialised banking license from the National Bank of Cambodia (“the NBC”) on 10 July 2008 to operate as a specialised bank.

On 22 March 2018, the NBC approved the Bank to change its name from Tomato Specialized Bank to KB Daehan Specialized Bank Plc..

The Bank’s registered office is located at 7<sup>th</sup>, 21<sup>st</sup> and 22<sup>nd</sup> Floor, Building No.1, Street 360, Sangkat Boeung Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia.

### Principal activities

The principal activity of the Bank is to provide the car loans and general loans to residents and small and medium enterprises operating in the Kingdom of Cambodia.

### Financial performance

The audited financial performance of the Bank for the year ended 31 December 2021 are set out in the statement of profit or loss and other comprehensive income on page 10.

### Dividend

No dividend was declared or paid, and the Directors do not recommend any dividend to be paid for the financial year.

### Share capital

There was no change in the registered and paid up share capital of the Bank during the financial year.

### Reserves and provisions

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

## KB Daehan Specialized Bank Plc.

### Written off of and allowance for financial assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of any bad loan and advances and the making of allowance for expected credit losses on financial assets, and satisfied themselves that all known bad loans and advances had been written off and that adequate loss allowance has been made for expected credit losses on financial assets.

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 expected credit losses on financial assets or the amount of the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

### Assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realised in the ordinary course of business, at their value as shown in the accounting records of 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 financial statements of the Bank is misleading in any material respect.

### Valuation methods

At the date of this report, the Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

### Contingent and other liabilities

At the date of this report, there does not exist

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, and
- (b) any contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of business.

No other contingent or other liability of 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 have a material effect on the ability of the Bank to meet its obligations as and when they fall due.



## KB Daehan Specialized Bank Plc.

### 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 financial statements of the Bank which would render any amount stated in the financial statements misleading in any material respect.

### Items of an unusual nature

The financial performance of the Bank for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature.

There has not arisen in the interval between the end of the 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 substantially affect the results of the operations of the Bank for the year in which this report is made, except for:

#### *Novel Coronavirus (“COVID-19”) and impact on ECL*

The COVID-19 pandemic has spread across globally as well as Cambodia and beyond, causing disruption to business and economic activity. The ECL was estimated based on a range of forecast economic conditions as at 31 December 2021. The Bank has made judgement on the impact of GDP and other key indicators when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which, the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of COVID-19 on the Bank, however, this estimate may move materially as events unfold.

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 Board of Directors, to affect substantially the results of the operations of the Bank for the current period which this report is made.

### Events since the reporting date

At the date of this report, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

### The Board of Directors

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

Kang Nam Che	Chairman (Resigned on 28 January 2022)
Joo Sung Soo	Chairman (Appointed on 31 January 2022)
Kong Sang Yeon	Member and Executive Director (Resigned on 28 January 2022)
Lee Sangin	Member and Executive Director (Appointed on 13 January 2022)
Bounheng Souphida	Member and Non-Executive Director
Kim Chul Woong	Member and Independent Director (Resigned on 6 July 2021)
Kim Kwang Hwan	Member and Independent Director (Appointed on 10 December 2021)



## KB Daehan Specialized Bank Plc.

### Directors' interests

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

### Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

During the financial year, none of the Directors of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

### The Board of Directors' responsibilities in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and of its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i). adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii). comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii). oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv). assess 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 the Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v). control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

## KB Daehan Specialized Bank Plc.

### Approval of the financial statements

We, do hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 97 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

*Signed on behalf of the Board of Directors in accordance with a resolution of the Board,*


Lee Sangin  
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

25 March 2022



KPMG Cambodia Ltd  
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Sangkat Tonle Bassac, Khan Chamkar Mon  
Phnom Penh, Cambodia  
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## **Report of the Independent Auditors To the shareholders of KB Daehan Specialized Bank Plc.**

### ***Opinion***

We have audited the financial statements of KB Daehan Specialized Bank Plc. (“the Bank”), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as “the financial statements”) as set out on pages 9 to 97.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

### ***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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the Report of the Board of Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.





In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd



Guek Teav  
Partner

Phnom Penh, Kingdom of Cambodia

25 March 2022

# KB Daehan Specialized Bank Plc.

## Statement of financial position as at 31 December 2021

	Note	31 December 2021		31 December 2020	
		US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>ASSETS</b>					
Cash on hand	7	277,855	1,131,981	140,261	567,356
Deposits and placements with National Bank of Cambodia	8	136,351	555,494	125,308	506,871
Deposits and placements with other banks	9	35,557,049	144,859,418	11,162,420	45,151,989
Financial assets at fair value through other comprehensive income	10	12,500	50,925	12,500	50,563
Loans and advances at amortised cost	11	211,562,138	861,904,150	134,789,671	545,224,219
Other financial assets at amortised cost	12	2,680,948	10,922,182	2,674,276	10,817,446
Statutory deposits	13	2,187,500	8,911,875	2,187,500	8,848,438
Other assets	14	4,434,524	18,066,250	1,413,326	5,716,902
Property and equipment	15	1,806,770	7,360,781	1,523,595	6,162,942
Intangible assets	16	4,792	19,523	6,347	25,674
Right-of-use assets	17	2,002,400	8,157,778	1,820,496	7,363,906
Deferred tax assets, net	22C	1,227,941	5,002,632	642,266	2,597,966
Non-current assets held for sale	18	220,000	896,280	401,944	1,625,863
<b>TOAL ASSETS</b>		<u>262,110,768</u>	<u>1,067,839,269</u>	<u>156,899,910</u>	<u>634,660,135</u>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Borrowings	19	205,301,330	836,397,618	106,864,112	432,265,333
Other liabilities	20	1,518,355	6,185,779	994,926	4,024,475
Lease liabilities	21	1,646,907	6,709,499	1,487,739	6,017,904
Current income tax liabilities	22B	1,811,887	7,381,628	763,999	3,090,376
Provision for restoration		318,419	1,297,239	212,032	857,669
Provision for off-balance sheet commitment	34A	4,351	17,726	968	3,916
<b>TOTAL LIABILITIES</b>		<u>210,601,249</u>	<u>857,989,489</u>	<u>110,323,776</u>	<u>446,259,673</u>
<b>EQUITY</b>					
Share capital	23	43,750,000	178,281,250	43,750,000	178,281,250
Regulatory reserve	24	-	-	-	-
Retained earnings		7,759,519	31,558,634	2,826,134	11,489,623
Currency translation reserves		-	9,896	-	(1,370,411)
<b>TOTAL EQUITY</b>		<u>51,509,519</u>	<u>209,849,780</u>	<u>46,576,134</u>	<u>188,400,462</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>262,110,768</u>	<u>1,067,839,269</u>	<u>156,899,910</u>	<u>634,660,135</u>

The accompanying notes form an integral part of these financial statements.



## KB Daehan Specialized Bank Plc.

### Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	2021		2020	
		US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Interest income	25	20,257,392	82,407,071	13,255,187	54,041,397
Interest expense	25	(2,879,542)	(11,713,977)	(2,913,833)	(11,879,697)
<b>Net interest income</b>		17,377,850	70,693,094	10,341,354	42,161,700
Fee and commission income	26	1,163,788	4,734,290	582,585	2,375,199
Fee and commission expense	26	(715,538)	(2,910,809)	(490,893)	(2,001,371)
<b>Net fee and commission income</b>		448,250	1,823,481	91,692	373,828
Impairment losses on financial instruments	27	(2,156,162)	(8,771,267)	(1,218,594)	(4,968,208)
Net losses on derecognition of financial assets measured at amortised cost		(1,106,486)	(4,501,185)	(849,606)	(3,463,844)
Other (losses)/gains, net		(118,484)	(481,993)	115,039	469,014
Other operating income	28	80,988	329,459	61,346	250,108
Personnel expenses	29	(4,720,692)	(19,203,775)	(3,322,725)	(13,546,750)
Depreciation and amortisation	30	(1,169,954)	(4,759,373)	(994,951)	(4,056,415)
Other operating expenses	31	(2,286,316)	(9,300,733)	(1,636,874)	(6,673,536)
<b>Profit before income tax</b>		6,348,994	25,827,708	2,586,681	10,545,897
Income tax expense	22A	(1,415,609)	(5,758,697)	(553,178)	(2,255,307)
<b>Profit for the year</b>		4,933,385	20,069,011	2,033,503	8,290,590
<b>Other comprehensive income/(loss)</b>					
Currency translation difference		-	1,380,307	-	(1,401,349)
<b>Total comprehensive income for the year</b>		4,933,385	21,449,318	2,033,503	6,889,241

The accompanying notes form an integral part of these financial statements.

## KB Daehan Specialized Bank Plc.

### Statement of changes in equity for the year ended 31 December 2021

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>At 1 January 2020</b>	43,750,000	178,281,250	-	-	792,631	3,199,033	-	30,938	44,542,631	181,511,221
<b>Comprehensive income for the year</b>										
Net profit for the year	-	-	-	-	2,033,503	8,290,590	-	-	2,033,503	8,290,590
Other comprehensive loss – currency translation difference	-	-	-	-	-	-	-	(1,401,349)	-	(1,401,349)
<b>Total comprehensive income for the year</b>	-	-	-	-	2,033,503	8,290,590	-	(1,401,349)	2,033,503	6,889,241
<b>At 31 December 2020</b>	43,750,000	178,281,250	-	-	2,826,134	11,489,623	-	(1,370,411)	46,576,134	188,400,462
<b>At 1 January 2021</b>	43,750,000	178,281,250	-	-	2,826,134	11,489,623	-	(1,370,411)	46,576,134	188,400,462
<b>Comprehensive income for the year</b>										
Net profit for the year	-	-	-	-	4,933,385	20,069,011	-	-	4,933,385	20,069,011
Other comprehensive income – currency translation difference	-	-	-	-	-	-	-	1,380,307	-	1,380,307
<b>Total comprehensive income for the year</b>	-	-	-	-	4,933,385	20,069,011	-	1,380,307	4,933,385	21,449,318
<b>At 31 December 2021</b>	43,750,000	178,281,250	-	-	7,759,519	31,558,634	-	9,896	51,509,519	209,849,780

The accompanying notes form an integral part of these financial statements.

# KB Daehan Specialized Bank Plc.

## Statement of cash flows for the year ended 31 December 2021

	Note	2021		2020	
		US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Cash flows from operating activities</b>					
Cash used in operations	32	(81,354,853)	(330,951,542)	(61,158,778)	(249,344,338)
Interest received		12,826,647	52,178,800	12,773,963	52,079,447
Interest paid	19C	(2,690,558)	(10,945,190)	(2,828,031)	(11,529,882)
Income tax paid	22B	(953,396)	(3,878,415)	(398,833)	(1,626,042)
<b>Net cash used in operating activities</b>		<u>(72,172,160)</u>	<u>(293,596,347)</u>	<u>(51,611,679)</u>	<u>(210,420,815)</u>
<b>Cash flows from investing activities</b>					
Statutory deposits		-	-	(1,250,000)	(5,096,250)
Purchases of property and equipment		(969,014)	(3,941,949)	(532,060)	(2,169,209)
Other financial assets at amortised cost		19,006	77,316	(19,284)	(78,621)
<b>Net cash used in investing activities</b>		<u>(950,008)</u>	<u>(3,864,633)</u>	<u>(1,801,344)</u>	<u>(7,344,080)</u>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	19	140,006,759	569,547,496	30,006,777	122,337,630
Repayments of borrowings	19	(41,700,000)	(169,635,600)	(300,000)	(1,223,100)
Principal elements of lease payments	21	(630,720)	(2,565,769)	(393,430)	(1,604,014)
<b>Net cash generated from financing activities</b>		<u>97,676,039</u>	<u>397,346,127</u>	<u>29,313,347</u>	<u>119,510,516</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		24,553,871	99,885,147	(24,099,676)	(98,254,379)
Cash and cash equivalents at beginning of the year		11,441,411	46,280,507	35,541,087	144,829,930
Currency translation difference		-	479,125	-	(295,044)
<b>Cash and cash equivalents at end of the year</b>	33	<u>35,995,282</u>	<u>146,644,779</u>	<u>11,441,411</u>	<u>46,280,507</u>

The accompanying notes form an integral part of these financial statements.



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements for the year ended 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. Background information

The Bank was incorporated in Cambodia on 24 June 2008 under the registration number 00020218 issued by the Ministry of Commerce (“MOC”). The Bank obtained its specialised banking license from the National Bank of Cambodia (“the NBC”) on 10 July 2008 to operate as a specialised bank with indefinite term.

On 22 March 2018 with the approval from the NBC, the Bank has changed its name from “Tomato Specialized Bank” to “KB Daehan Specialized Bank Plc.”. The Bank also obtained a new banking license with the its new name which was approved by the NBC on 22 March 2018.

The principal activity of the Bank is to provide the auto loans and general loans to residents and small and medium enterprises operating in the Kingdom of Cambodia.

The Bank’s registered office is located at 7<sup>th</sup>, 21<sup>st</sup> and 22<sup>nd</sup> Floor, Building No.1, Street 360, Sangkat Boeung Keng Kang TiMuoy, Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2021, the Bank has 271 employees (31 December 2020: 197 employees).

### 2. Basis of accounting

The financial statements of the Bank have been prepared in accordance with the Cambodian International Financial Reporting Standards (“CIFRSs”).

Details of the Bank’s accounting policies are included in Note 5.

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2022.

### 3. Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Bank transacts its business and maintains its accounting records in United States Dollars (“US\$”). Management has determined the US\$ to be the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

These financial statements are presented in US\$, which is the Bank’s functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included the following notes:

- Note 5C(i) – classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 36A(iii) – establishing the criteria for determining whether credit risk on the financial asset has increased significantly since its initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within next financial year are included in the following notes:

- Note 36A(iii) – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 36A(iii) – impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- Note 37 – determination of the fair value of financial instruments with significant unobservable inputs.

### 5. Significant accounting policies

#### A. Basis of measurement

The financial statements have been prepared under the historical cost convention except for equity instrument that measured at fair value through other comprehensive income ("FVOCI").

#### B. Foreign currency

Transactions in foreign currencies are translated into the functional currency of at the spot exchange rates at the date of the transactions.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### B. Foreign currency (continued)

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

#### C. Financial instruments

##### (i). *Financial assets*

###### **Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### C. Financial instruments (continued)

##### (i). *Financial assets (continued)*

###### **Classification (continued)**

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### ***Business model assessment***

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### C. Financial instruments (continued)

##### (i). *Financial assets (continued)*

###### **Classification (continued)**

###### ***Assessment of whether contractual cash flows are solely payments of principal and interest – SPPI***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g., non-recourse loans); and
- features that modify consideration of the time value of money (e.g., periodical reset of interest rates).

###### ***Non-recourse loans***

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### C. Financial instruments (continued)

##### (i). *Financial assets (continued)*

###### **Classification (continued)**

###### ***Non-recourse loans (continued)***

The Bank typically considers the following information when making this judgement: (continued)

- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

###### **Reclassification**

The Bank reclassifies financial assets when and only when their business model for managing those assets changes.

###### **Recognition and derecognition**

Financial assets are recognised when 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 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 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.

###### **Measurement**

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



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### C. Financial instruments (continued)

##### (i). *Financial assets (continued)*

###### **Measurement (continued)**

###### ***Debt instruments***

Subsequent measurement of debt instruments depends on the Bank's business model for managing the assets and the cash flow characteristics of the assets. Based on these factors, the Bank classifies its debt instruments as financial assets measured at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, 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 'Interest income' using the effective interest rate method.

###### ***Equity instruments***

The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss allowing the derecognition of the investment. The Bank has elected to irrevocably designate all non-trading equity investments at fair value through other comprehensive income ("FVOCI"). Any changes in fair value of such instruments will be recognised in OCI and will not be subsequently reclassified to profit or loss when they are disposed off. Dividends from such investments continue to be recognised in profit or loss as other income when 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.

###### **Impairment**

The Bank assesses on a forward-looking basis the expected credit losses ("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). The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### C. Financial instruments (continued)

##### (i). *Financial assets (continued)*

###### **Impairment (continued)**

The Bank applies a three-stage approach to measuring expected credit losses (“ECLs”) for the following categories:

- debt instruments measured at amortised cost; and
- credit commitments (undrawn loans and advances).

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

###### Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

###### Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

###### Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

###### ***Restructured financial assets***

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### C. Financial instruments (continued)

##### (i). *Financial assets (continued)*

###### **Impairment (continued)**

###### ***Restructured financial assets (continued)***

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

###### ***Presentation of allowance for ECL in the statement of financial position***

Impairment loss allowances for ECL are presented in the statement of financial position as follow:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

##### (ii). *Financial liabilities*

Financial liabilities are recognised when the Bank becomes a party to the contractual provision of the instruments. Financial liabilities of the Bank include borrowings and other 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. The financial liabilities measured at amortised cost are borrowings and other liabilities.

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



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5 Significant accounting policies (continued)

#### C. Financial instruments (continued)

##### (iii). *Interest rate benchmark reform*

If the basis of determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional charges.

##### (iv). *Credit commitments (undrawn loans and advances)*

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

For credit commitments (undrawn loans and advances), 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 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.

#### D. Offsetting financial instruments

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

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### E. Cash and cash equivalents

For the purpose of presentation of statement of cash flows, cash and cash equivalents include cash on hand, unrestricted balances with the NBC, deposits and placements with other banks, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and subject to an insignificant risk of changes in value.

Balances with banks are carried at amortised cost in the statement of financial position.

#### F. Statutory deposits

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined the defined percentage of the minimum share capital as required by NBC.

#### G. Other assets

Other assets are carried at cost less impairment if any.

#### H. 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 expenditure relating to an item of property and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Work-in-progress is not depreciated. Depreciation is calculated on a declining balance method, except for leasehold improvements which are depreciated on a straight-line method, over the respective estimated useful lives of the assets determined as follows:

Leasehold improvements	5 years
Office equipment	4 - 5 years
Furniture, fixtures and fittings	4 - 5 years
Computer equipment	2 years
Motor vehicles	5 years

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### H. Property and equipment (continued)

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

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

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

#### I. Intangible assets

Intangible assets comprise acquired computer software licences and related costs for the core banking system. They are stated at cost less accumulated amortisation and impairment loss, if any. Acquired computer software licences are capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. These costs are amortised over their estimated useful lives of 10 years using the straight-line method.

#### J. Non-current assets held for sales

Non-current assets (Foreclosed properties) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets are presented separately from the other assets in the statement of financial position.



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### K. 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.

#### L. Leases

##### The Bank as a lessee

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

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of branches and office premises the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different term and conditions. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### L. Leases (continued)

##### Lease liabilities

Lease liabilities include the net present value of the lease payments from fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are not 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, 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 Bank uses its recent borrowing rate as a starting point, making specific adjustments to the lease.

Lease payments are allocated between principal and interest expense. The interest expense is charge 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

Right-of-use asset is initially measured at cost comprising the following:

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

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 Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The estimated useful lives for the right-of-use assets were as follows:

- Buildings and branches' offices 2 – 10 years
- Logo (advertisement space) 5 years

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

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Significant accounting policies (continued)

#### L. Leases (continued)

##### Recognition exemptions

Payments associated with short-term leases of assets and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

#### M. Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

#### N. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except items recognised directly in equity or in other comprehensive income.

The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other operating expenses'.

##### (i). Current tax

Current tax comprises the expected tax payable or receivable on the taxable income for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous period. It is measured using tax rates enacted or substantively enacted at the reporting date.

##### (ii). Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Summary of significant accounting policies (continued)

#### N. Income tax (continued)

##### (ii). *Deferred tax (continued)*

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. 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; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

#### O. Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

#### P. Regulatory reserves

Regulatory reserve is set up for the variance of provision between loan impairment in accordance with CIFRS and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for bank and financial institutions. In accordance with Article 73, the entity shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and the record:

- i. In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRS; and
- ii. In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRS and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of financial position.



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Summary of significant accounting policies (continued)

#### P. Regulatory reserves (continued)

The regulatory reserve is not an item to be included in the calculated of the Bank's net worth.

The number of restructured loans has increased due to the impact from Covid-19 pandemic. On 28 December 2021, the NBC issued a new Circular, No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructure Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing the classification and provisioning arrangements complying with the current regulation, Prakas No.B7-017-344 dated 01 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, all restructured loans by 31 December 2021 shall be classified and provisioned based on the requirements under this circular. For loans that were still in the assessment period, they shall be kept at the same classification as before the restructured terms of contract.

The Banks has reviewed this new Circular and in the view that the Bank's existing assessment on credit risk is aligned with the requirement mentioned in the above circular in preparing these financial statements.

#### Q. Borrowings

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

#### R. Employee benefits

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

#### S. 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 statement 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 Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Summary of significant accounting policies (continued)

#### S. Interest income and expense (continued)

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

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

#### T. Fee and commission income

Fees and commissions are recognised as income when all conditions precedent are 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.

#### U. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### V. Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 5. Summary of significant accounting policies (continued)

#### W. Changes in significant accounting policies

Interest Rate Benchmark Reform – Phase 2 (Amendments to CIFRS 9, CIFRS 7, CIFRS 4 and CIFRS 16) (the Phase 2 amendments) became effective on 1 January 2021.

The Bank have no other transactions that are affected by newly effective requirements.

#### X. New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted any of the forthcoming new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to CIFRS 16).
- Annual Improvements to CIFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to CIFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- CIFRS 17 Insurance Contracts and amendments to CIFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and CIFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

### 6. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars (“US\$”) which is the Bank’s functional currency. The translations of US\$ amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR at the average rate for the year, which has been deemed to approximate the exchange rate at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency Translation Reserves” in other comprehensive income.

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 6. Translation of United States Dollars into Khmer Riel (continued)

The Bank uses the following exchange rates:

Financial year end		Closing rate	Average rate
31 December 2021	US\$1 =	KHR 4,074	KHR 4,068
31 December 2020	US\$1 =	<u>KHR 4,045</u>	<u>KHR 4,077</u>

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

#### 7. Cash on hand

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
US Dollars	249,180	1,015,159	123,596	499,946
Khmer Riel	<u>28,675</u>	<u>116,822</u>	<u>16,665</u>	<u>67,410</u>
	<u>277,855</u>	<u>1,131,981</u>	<u>140,261</u>	<u>567,356</u>

#### 8. Deposits and placements with National Bank of Cambodia

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Current accounts (*)	<u>136,351</u>	<u>555,494</u>	<u>125,308</u>	<u>506,871</u>

(\*) Current accounts held at the National Bank of Cambodia earns no interest.



## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 9. Deposits and placements with other banks

##### A. By residency status

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Deposits and placements with local banks	35,548,167	144,823,233	11,128,618	45,015,260
Deposits and placements with overseas banks	<u>32,909</u>	<u>134,071</u>	<u>47,224</u>	<u>191,021</u>
	35,581,076	144,957,304	11,175,842	45,206,281
Less: Impairment loss allowance	<u>(24,027)</u>	<u>(97,886)</u>	<u>(13,422)</u>	<u>(54,292)</u>
	<u>35,557,049</u>	<u>144,859,418</u>	<u>11,162,420</u>	<u>45,151,989</u>

##### B. By account types

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Deposits and placements with local banks:				
Current accounts	24,618,923	100,297,493	5,403,891	21,858,739
Savings accounts	10,929,244	44,525,740	1,715,429	6,938,910
Fixed deposits	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>16,180,000</u>
	35,548,167	144,823,233	11,119,320	44,977,649
Interest receivables	-	-	9,298	37,611
Less: Impairment loss allowance	<u>(24,027)</u>	<u>(97,886)</u>	<u>(13,422)</u>	<u>(54,292)</u>
	<u>35,524,140</u>	<u>144,725,347</u>	<u>11,115,196</u>	<u>44,960,968</u>
Deposits and placements with overseas banks:				
Current accounts	<u>32,909</u>	<u>134,071</u>	<u>47,224</u>	<u>191,021</u>
	<u>35,557,049</u>	<u>144,859,418</u>	<u>11,162,420</u>	<u>45,151,989</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 9. Deposits and placements with other banks (continued)

##### C. Impairment loss allowance

The movement of impairment loss allowance during the year was as follow:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	13,422	54,292	3,244	13,219
Charged to profit or loss	10,605	43,141	10,178	41,496
Currency translation difference	-	453	-	(423)
At 31 December	<u>24,027</u>	<u>97,886</u>	<u>13,422</u>	<u>54,292</u>

##### D. By interest rates - per annum

	2021	2020
Current accounts	Nil	Nil
Savings accounts	0% - 1.9%	0.00% - 1.50%
Fixed deposits	<u>3%</u>	<u>1.50% - 3.00%</u>

#### 10. Financial assets at fair value through other comprehensive income

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Investment in CBC	<u>12,500</u>	<u>50,925</u>	<u>12,500</u>	<u>50,563</u>

The Bank designated investment in Credit Bureau Cambodia (CBC) to be measured at fair value through other comprehensive income ("FVOCI") 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.

Dividend during the year was US\$9,711 (2020: US\$14,560). There is no gain/loss recognised in other comprehensive income because its fair value approximates the carrying amount at 31 December 2021.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 11. Loans and advances at amortised cost

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Car loans	156,913,107	639,263,998	81,248,222	328,649,058
General loans	58,955,771	240,185,811	55,861,520	225,959,848
Credit card loans	164,725	671,089	-	-
	<u>216,033,603</u>	<u>880,120,898</u>	<u>137,109,742</u>	<u>554,608,906</u>
Less: Impairment loss allowance	<u>(4,471,465)</u>	<u>(18,216,748)</u>	<u>(2,320,071)</u>	<u>(9,384,687)</u>
Loans and advances – net	<u>211,562,138</u>	<u>861,904,150</u>	<u>134,789,671</u>	<u>545,224,219</u>

#### A. Impairment loss allowance

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
12-month ECL (Stage 1)	1,549,255	6,311,665	1,372,505	5,551,783
Lifetime ECL – increase in credit risk (Stage 2)	2,115,113	8,616,970	722,248	2,921,493
Lifetime ECL – credit impaired (Stage 3)	807,097	3,288,113	225,318	911,411
	<u>4,471,465</u>	<u>18,216,748</u>	<u>2,320,071</u>	<u>9,384,687</u>

The movement of impairment loss allowance of loans and advances to customers during the year is as follow:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	2,320,071	9,384,687	1,107,218	4,511,913
Charged to profit or loss	2,151,394	8,751,871	1,212,853	4,944,802
Currency translation difference	-	80,190	-	(72,028)
At 31 December	<u>4,471,465</u>	<u>18,216,748</u>	<u>2,320,071</u>	<u>9,384,687</u>

For additional analysis of impairment loss allowance of loans and advances to customers, refer to Note 36A.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 11. Loans and advances at amortised cost (continued)

Gross amounts of loans and advances at amortised cost are analysed as follows:

#### B. By industry

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Automotive	159,374,142	649,290,255	84,105,835	340,208,103
Building and constructions	41,079,742	167,358,869	47,742,294	193,117,579
Financial institutions	14,285,841	58,200,516	3,980,817	16,102,405
Wholesale and retail	416,306	1,696,031	589,795	2,385,721
Agriculture	247,539	1,008,474	253,614	1,025,869
Manufacturing	240,878	981,337	244,750	990,014
Hotel and restaurant	78,123	318,273	91,259	369,143
Others	311,032	1,267,143	101,378	410,072
	<u>216,033,603</u>	<u>880,120,898</u>	<u>137,109,742</u>	<u>554,608,906</u>

#### C. By maturity

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Within 1 year	6,306,844	25,694,082	3,464,118	14,012,357
> 1 to 3 years	31,633,511	128,874,924	15,065,499	60,939,943
> 3 to 5 years	61,069,990	248,799,139	34,873,348	141,062,692
> 5 years	117,023,258	476,752,753	83,706,777	338,593,914
	<u>216,033,603</u>	<u>880,120,898</u>	<u>137,109,742</u>	<u>554,608,906</u>

#### D. By large exposure

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Non-Large exposure	216,033,603	880,120,898	137,109,742	554,608,906
Large exposure	-	-	-	-
	<u>216,033,603</u>	<u>880,120,898</u>	<u>137,109,742</u>	<u>554,608,906</u>



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 11. Loans and advances at amortised cost (continued)

Gross amounts of loans and advances at amortised cost are analysed as follows: (continued)

#### E. By related parties

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Non-related parties	213,079,471	868,085,765	137,109,742	554,608,906
Related parties (Note 35C)	2,954,132	12,035,133	-	-
	<u>216,033,603</u>	<u>880,120,898</u>	<u>137,109,742</u>	<u>554,608,906</u>

#### F. By residency

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Residents	216,033,603	880,120,898	137,109,742	554,608,906
Non-residents	-	-	-	-
	<u>216,033,603</u>	<u>880,120,898</u>	<u>137,109,742</u>	<u>554,608,906</u>

#### G. By interest rates – per annum

	2021	2020
General loans	6.00% - 16.80%	6.00% - 18.00%
Car loans	5.91% - 18.00%	5.91% - 18.00%
Staff loans	4.00% - 7.40%	4.91% - 8.21%
Related parties loans	<u>6.20%</u>	<u>4.91% - 8.21%</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 12. Other financial assets at amortised cost

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Current</b>				
Bonds	2,689,305	10,956,229	2,708,586	10,956,230
Less: Impairment loss allowance	<u>(8,357)</u>	<u>(34,047)</u>	<u>(34,310)</u>	<u>(138,784)</u>
	<u>2,680,948</u>	<u>10,922,182</u>	<u>2,674,276</u>	<u>10,817,446</u>

Represents the bonds issued by LOLC on 25<sup>th</sup> April 2019 with maturity date on 26<sup>th</sup> April 2022 with par value of KHR 10,800,000,000. Its coupon rate is 8% per annum. These bonds are carried at amortised cost. As at 31 December 2021, the gross amount of accrual interest receivable was KHR 156,230 thousand (31 December 2020: KHR 177,844 thousand).

The movement of impairment loss allowance on bonds during the year is as follow:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	34,310	138,784	34,106	138,982
Charged to profit or loss	(25,953)	(105,577)	204	832
Currency translation difference	-	840	-	(1,030)
At 31 December	<u>8,357</u>	<u>34,047</u>	<u>34,310</u>	<u>138,784</u>

### 13. Statutory deposits

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Non-current</b>				
Capital guarantee deposits	<u>2,187,500</u>	<u>8,911,875</u>	<u>2,187,500</u>	<u>8,848,438</u>

Under the National Bank of Cambodia's Prakas No. B7-00-05 dated 11 January 2000 on licensing of specialised banks, and Prakas No. B7-06-208 dated 13 September 2006 on the amendment to Article 9 and Article 13 of Prakas No. B7-00-05, the specialised banks are required to maintain an amount equal to 5% of its paid-up share capital in a permanent account with the National Bank of Cambodia.

This deposit is refundable should the Bank voluntarily ceases its operations in Cambodia and it is not available for use in the Bank's day-to-day operations.

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 14. Other assets

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Prepayments of employee benefit	1,934,727	7,882,078	-	-
Other prepayment	2,057,536	8,382,400	1,074,508	4,346,385
Deposits	183,353	746,981	240,339	972,171
Others	275,641	1,122,961	98,479	398,346
	<u>4,451,257</u>	<u>18,134,420</u>	<u>1,413,326</u>	<u>5,716,902</u>
Less: Impairment loss allowance	<u>(16,733)</u>	<u>(68,170)</u>	<u>-</u>	<u>-</u>
	<u>4,434,524</u>	<u>18,066,250</u>	<u>1,413,326</u>	<u>5,716,902</u>

The movement of impairment loss allowance during the year was as follow:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	-	-	-	-
Charged to profit or loss	16,733	68,070	-	-
Currency translation difference	-	100	-	-
At 31 December	<u>16,733</u>	<u>68,170</u>	<u>-</u>	<u>-</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 15. Property and equipment

2021	Leasehold improvements US\$	Office equipment US\$	Furniture, fixtures and fittings US\$	Computer equipment US\$	Motor vehicles US\$	Work-in-progress US\$	Total	
							US\$	KHR000 (Note 6)
<b>Cost</b>								
At 1 January 2021	1,352,047	75,184	106,292	344,643	253,416	408,415	2,539,997	10,274,288
Additions	9,429	1,278	5,063	70,552	36,000	846,692	969,014	3,941,949
Transfers	948,616	106,889	172,515	27,087	-	(1,255,107)	-	-
Reclassification	(249,814)	103,224	94,846	51,744	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-	79,474
At 31 December 2021	2,060,278	286,575	378,716	494,026	289,416	-	3,509,011	14,295,711
<b>Less: Accumulated depreciation</b>								
At 1 January 2021	540,041	35,518	53,223	245,120	142,500	-	1,016,402	4,111,346
Depreciation for the year	352,493	77,546	56,824	136,776	62,200	-	685,839	2,789,993
Reclassification	(198,300)	76,378	70,178	51,744	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-	33,591
At 31 December 2021	694,234	189,442	180,225	433,640	204,700	-	1,702,241	6,934,930
<b>Carrying amounts</b>								
At 31 December 2021	1,366,044	97,133	198,491	60,386	84,716	-	1,806,770	7,360,781



## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 15. Property and equipment (continued)

	Leasehold improvements US\$	Office equipment US\$	Furniture, fixtures and fittings US\$	Computer equipment US\$	Motor vehicles US\$	Work-in- progress US\$	US\$	Total KHR'000 (Note 6)
<b>2020</b>								
<b>Cost</b>								
At 1 January 2020	1,067,490	52,368	35,134	191,010	173,499	498,234	2,017,735	8,222,270
Additions	1,202	6,203	2,398	61,841	52,000	408,416	532,060	2,169,209
Transfers	289,105	16,613	68,760	91,792	27,917	(494,187)	-	-
Write-off	(5,750)	-	-	-	-	(4,048)	(9,798)	(39,946)
Currency translation difference	-	-	-	-	-	-	-	(77,245)
At 31 December 2020	1,352,047	75,184	106,292	344,643	253,416	408,415	2,539,997	10,274,288
<b>Less: Accumulated depreciation</b>								
At 1 January 2020	263,563	5,617	1,645	82,275	53,294	-	406,394	1,656,055
Depreciation for the year	282,228	29,901	51,578	162,845	89,206	-	615,758	2,510,445
Write-off	(5,750)	-	-	-	-	-	(5,750)	(23,443)
Currency translation difference	-	-	-	-	-	-	-	(31,711)
At 31 December 2020	540,041	35,518	53,223	245,120	142,500	-	1,016,402	4,111,346
<b>Carrying amounts</b>								
At 31 December 2020	812,006	39,666	53,069	99,523	110,916	408,415	1,523,595	6,162,942

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 16. Intangible assets

	Computer Software			
	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Cost</b>				
At 1 January	48,124	194,662	48,124	196,105
Currency translation difference	-	1,395	-	(1,443)
At 31 December	48,124	196,057	48,124	194,662
<b>Less: Accumulated amortisation</b>				
At 1 January	41,777	168,988	37,786	153,978
Amortisation for the year	1,555	6,326	3,991	16,271
Currency translation difference	-	1,220	-	(1,261)
At 31 December	43,332	176,534	41,777	168,988
<b>Carrying amounts</b>				
At 31 December	4,792	19,523	6,347	25,674

### 17. Right-of-use assets

The Bank leases various buildings for branch operation, and logo (advertisement space). Rental contracts are typically made for fixed periods of 2 years to 10 years.

The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

2021	Buildings	Logo	Total	
	US\$	US\$	US\$	KHR'000 (Note 6)
<b>Cost</b>				
At 1 January 2021	2,488,854	57,462	2,546,316	10,299,848
Additions	669,578	-	669,578	2,723,843
Write-off	(8,518)	-	(8,518)	(34,651)
Currency translation difference	-	-	-	77,810
At 31 December 2021	3,149,914	57,462	3,207,376	13,066,850
<b>Less: Accumulated amortisation</b>				
At 1 January 2021	697,080	28,740	725,820	2,935,942
Depreciation for the year	471,064	11,496	482,560	1,963,054
Write-off	(3,404)	-	(3,404)	(13,847)
Currency translation difference	-	-	-	23,923
At 31 December 2021	1,164,740	40,236	1,204,976	4,909,072
<b>Carrying amounts</b>				
At 31 December 2021	1,985,174	17,226	2,002,400	8,157,778

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 17. Right-of-use assets (continued)

2020	Buildings	Logo	US\$	Total
	US\$	US\$		KHR'000 (Note 6)
<b>Cost</b>				
At 1 January 2020	1,777,837	57,462	1,835,299	7,478,843
Additions	711,017	-	711,017	2,898,816
Currency translation difference	-	-	-	(77,811)
At 31 December 2020	<u>2,488,854</u>	<u>57,462</u>	<u>2,546,316</u>	<u>10,299,848</u>
<b>Less: Accumulated amortisation</b>				
At 1 January 2020	333,374	17,244	350,618	1,428,768
Depreciation for the year	363,706	11,496	375,202	1,529,699
Currency translation difference	-	-	-	(22,525)
At 31 December 2020	<u>697,080</u>	<u>28,740</u>	<u>725,820</u>	<u>2,935,942</u>
<b>Carrying amounts</b>				
At 31 December 2020	<u>1,791,774</u>	<u>28,722</u>	<u>1,820,496</u>	<u>7,363,906</u>

Information about lease liabilities is disclosed within this note and Note 21.

### 18. Non-current assets held for sale

Repossessed properties are classified as non-current asset held for sale. These are repossessed from collaterals of impaired loans and advances and to be disposed of within one year.

The repossessed properties were measured at the lower of its carrying amount and fair value less costs to sell at the time of the initial recognition.

The movement of the non-current assets held for sale during the year is as follow:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	401,944	1,625,863	636,253	2,592,731
Settlements	(79,400)	(322,999)	(11,602)	(47,301)
Write-off	(102,544)	(417,149)	(222,707)	(907,976)
Currency translation difference	-	10,565	-	(11,591)
At 31 December	<u>220,000</u>	<u>896,280</u>	<u>401,944</u>	<u>1,625,863</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 19. Borrowings

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Current</b>				
The Korea Development Bank	25,059,768	102,093,495	25,050,026	101,327,355
Sumitomo Mitsui Banking Corporation	20,057,818	81,715,551	14,456	58,475
Kookmin Bank Hongkong Branch (Note 35C)	20,179,818	82,212,579	14,101,496	57,040,551
Industrial Bank of Korea	10,003,926	40,755,993	4,445	17,980
Kookmin Bank Cambodia Plc (Note 35C)	-	-	2,700,966	10,925,407
<b>Total current borrowings</b>	<b>75,301,330</b>	<b>306,777,618</b>	<b>41,871,389</b>	<b>169,369,768</b>
<b>Non-current</b>				
The Korea Development Bank	60,000,000	244,440,000	25,000,000	101,125,000
Kookmin Bank Hongkong Branch (Note 35C)	40,000,000	162,960,000	20,000,000	80,900,000
Sumitomo Mitsui Banking Corporation	30,000,000	122,220,000	10,000,000	40,450,000
Industrial Bank of Korea	-	-	9,992,723	40,420,565
<b>Total non-current borrowings</b>	<b>130,000,000</b>	<b>529,620,000</b>	<b>64,992,723</b>	<b>262,895,565</b>
<b>Total borrowings</b>	<b>205,301,330</b>	<b>836,397,618</b>	<b>106,864,112</b>	<b>432,265,333</b>

The borrowings are guaranteed by the Shareholder's comfort letter. The principal is payable at maturity date.

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Principal amount	204,999,482	835,167,890	106,692,723	431,572,065
Interest payables	301,848	1,229,728	171,389	693,268
	<b>205,301,330</b>	<b>836,397,618</b>	<b>106,864,112</b>	<b>432,265,333</b>



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 19. Borrowings (continued)

#### A. By maturity

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Within 1 year	75,301,330	306,777,618	41,871,389	169,369,768
> 1 to 2 years	130,000,000	529,620,000	64,992,723	262,895,565
	<u>205,301,330</u>	<u>836,397,618</u>	<u>106,864,112</u>	<u>432,265,333</u>

#### B. By interest rate (per annum)

	2021	2020
Variable rate	3 months Libor + 0.94% to 1.75%	3 months Libor + 1.1% to 1.75%
Fixed rate	4.00%	2.78% to 4.00%

#### C. Changes in liabilities arising from financing activities – borrowings

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Principal amount</b>				
At 1 January	106,692,723	431,572,065	76,985,946	313,717,730
Additions	140,006,759	569,547,496	30,006,777	122,337,630
Repayments	(41,700,000)	(169,635,600)	(300,000)	(1,223,100)
Currency translation difference	-	3,683,929	-	(3,260,195)
At 31 December	<u>204,999,482</u>	<u>835,167,890</u>	<u>106,692,723</u>	<u>431,572,065</u>
<b>Interest payables</b>				
At 1 January	171,389	693,268	137,955	562,167
Charge during the year	2,821,017	11,475,897	2,861,465	11,666,193
Interest payments	(2,690,558)	(10,945,190)	(2,828,031)	(11,529,882)
Currency translation difference	-	5,753	-	(5,210)
At 31 December	<u>301,848</u>	<u>1,229,728</u>	<u>171,389</u>	<u>693,268</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 20. Other liabilities

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Current</b>				
Advances from customers	410,459	1,672,210	209,632	847,961
Payable to a related party (Note 35C)	476,101	1,939,636	299,601	1,211,886
Accrued bonus	177,628	723,657	88,198	356,761
Other tax payable	86,714	353,273	79,077	319,866
Other payables	367,453	1,497,003	318,418	1,288,001
	<u>1,518,355</u>	<u>6,185,779</u>	<u>994,926</u>	<u>4,024,475</u>

#### 21. Lease liabilities

The Bank leases the office spaces and logo (advertisement space). Information about leases for which the Bank is a lessee is presented below:

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Maturity analysis – contractual undiscounted cash flows</b>				
Less than one year	460,115	1,874,509	398,616	1,612,402
One to five years	712,257	2,901,735	750,479	3,035,688
More than five years	646,527	2,633,951	513,708	2,077,949
Total undiscounted lease payments	<u>1,818,899</u>	<u>7,410,195</u>	<u>1,662,803</u>	<u>6,726,039</u>
<b>Present value of lease payments</b>				
Current	419,336	1,708,375	352,504	1,425,879
Non-current	1,227,571	5,001,124	1,135,235	4,592,025
	<u>1,646,907</u>	<u>6,709,499</u>	<u>1,487,739</u>	<u>6,017,904</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 21. Lease liabilities (continued)

Amounts recognised in the statement of profit or loss were as follow:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Interest expense (Note 25)	<u>58,525</u>	<u>238,080</u>	<u>52,368</u>	<u>213,504</u>
Expense relating to short-term leases	<u>173,628</u>	<u>706,319</u>	<u>199,628</u>	<u>813,883</u>

Amounts recognised in the statement of cash flows:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<i>Cash flows from financing activity</i>				
Cash payments for the principal element of lease liabilities	<u>630,720</u>	<u>2,565,769</u>	<u>393,430</u>	<u>1,604,014</u>
<i>Cash flows from operating activity</i>				
Cash payments for the interest portion of lease liabilities	<u>58,525</u>	<u>238,080</u>	<u>52,368</u>	<u>213,504</u>

#### 22. Income tax

##### A. Income tax expense

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Current income tax expense:</b>				
Current tax	2,012,210	8,185,670	892,016	3,636,749
(Over)/Under provision in prior year	<u>(10,926)</u>	<u>(44,447)</u>	<u>10,135</u>	<u>41,321</u>
	2,001,284	8,141,223	902,151	3,678,070
<b>Deferred tax expense:</b>				
Temporary differences	<u>(585,675)</u>	<u>(2,382,526)</u>	<u>(348,973)</u>	<u>(1,422,763)</u>
	<u>1,415,609</u>	<u>5,758,697</u>	<u>553,178</u>	<u>2,255,307</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 22. Income tax (continued)

##### A. Income tax expense (continued)

In accordance with Law on Taxation, the Bank has an obligation to pay corporate income tax of either tax on profit at the rate of 20% on the taxable profit or minimum tax at 1% of turnover, whichever is higher.

The reconciliation of income tax computed at the statutory tax rate of 20% to taxation as disclosed in the profit or loss was as follows:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Profit before income tax	6,348,994	25,827,708	2,586,681	10,545,897
Income tax using statutory rate at 20% (Over)/Under provision in prior year	1,269,799 (10,926)	5,165,542 (44,447)	517,336 10,135	2,109,179 41,321
Non-deductible expenses	156,736	637,602	25,707	104,807
Income tax expense	1,415,609	5,758,697	553,178	2,255,307
		22.30%		21.38%



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 22. Income tax (continued)

#### B. Current income tax liabilities

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	763,999	3,090,376	260,681	1,062,275
Current income tax expense	2,012,210	8,185,670	892,016	3,636,749
(Over)/Under provision in prior year	(10,926)	(44,447)	10,135	41,321
Income tax paid	(953,396)	(3,878,415)	(398,833)	(1,626,042)
Currency translation difference	-	28,444	-	(23,927)
At 31 December	<u>1,811,887</u>	<u>7,381,628</u>	<u>763,999</u>	<u>3,090,376</u>

#### C. Deferred tax assets, net

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Deferred tax assets	1,299,040	5,292,289	708,817	2,867,165
Deferred tax liabilities	(71,099)	(289,657)	(66,551)	(269,199)
Deferred tax assets - net	<u>1,227,941</u>	<u>5,002,632</u>	<u>642,266</u>	<u>2,597,966</u>

The movement of net deferred tax assets was as follows:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	642,266	2,597,966	293,293	1,195,169
Charge to profit or loss	585,675	2,382,526	348,973	1,422,763
Currency translation difference	-	22,140	-	(19,966)
At 31 December	<u>1,227,941</u>	<u>5,002,632</u>	<u>642,266</u>	<u>2,597,966</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 22. Income tax (continued)

#### C. Deferred tax assets, net (continued)

Deferred tax assets/(liabilities) were attributable to the following:

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Allowance for impairment losses	862,147	3,512,387	435,015	1,759,636
Unamortised processing fee	301,635	1,228,861	192,705	779,492
Leases	(71,099)	(289,657)	(66,551)	(269,199)
Accelerated depreciation and amortisation	<u>135,258</u>	<u>551,041</u>	<u>81,097</u>	<u>328,037</u>
Net deferred tax assets	<u>1,227,941</u>	<u>5,002,632</u>	<u>642,266</u>	<u>2,597,966</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 23. Share capital

	31 December 2021	31 December 2020
	US\$	US\$
	KHR'000	KHR'000
	(Note 6)	(Note 6)
	<u>178,281,250</u>	<u>43,750,000</u>
	<u>43,750,000</u>	<u>178,281,250</u>

Registered, issued and fully paid 43,750,000 ordinary shares of US\$1 each  
(31 December 2020: 43,750,000 shares of US\$1 each)

The Bank's shareholders and their respective interest are as follows:

	31 December 2021		31 December 2020	
	% of Ownership	Number of shares	% of Ownership	Number of shares
KB Kookmin Card Co., Ltd.	95.7%	41,875,000	95.7%	41,875,000
Indochina Bank Ltd.	4.3%	1,875,000	4.3%	1,875,000
	<u>100%</u>	<u>43,750,000</u>	<u>100%</u>	<u>43,750,000</u>
Equivalent in KHR'000 (Note 6)		<u>178,281,250</u>		<u>178,281,250</u>

There were no changes in the share capital and the shareholding structure of the Bank during the period under audit.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 24. Regulatory reserves

Regulatory reserves represented the variance between the impairment loss on financial instruments in accordance with CIFRSs and the regulatory provision in accordance with the National Bank of Cambodia.

### 25. Net interest income

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Interest income from financial assets measured at amortised cost:				
- Loans and advances	19,807,545	80,577,094	12,918,547	52,668,916
- Balances with the National bank of Cambodia	1,641	6,676	6,954	28,351
- Balances with other banks	107,701	438,127	49,892	203,410
- Investment in debt securities	215,705	877,488	210,449	858,001
- Loan processing fees	124,800	507,686	69,345	282,719
Total interest income	<u>20,257,392</u>	<u>82,407,071</u>	<u>13,255,187</u>	<u>54,041,397</u>
Interest expense to financial liabilities measured at amortised cost:				
- Borrowings	2,821,017	11,475,897	2,861,465	11,666,193
- Lease liabilities	58,525	238,080	52,368	213,504
Total interest expense	<u>2,879,542</u>	<u>11,713,977</u>	<u>2,913,833</u>	<u>11,879,697</u>
<b>Net interest income</b>	<u>17,377,850</u>	<u>70,693,094</u>	<u>10,341,354</u>	<u>42,161,700</u>



## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 26. Net fee and commission income

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Fee and commission income:				
Penalty fees on late payments of loans and advances	715,773	2,911,765	377,272	1,538,138
Referral fee	413,646	1,682,712	198,557	809,517
Others	34,369	139,813	6,756	27,544
Total fee and commission income	<u>1,163,788</u>	<u>4,734,290</u>	<u>582,585</u>	<u>2,375,199</u>
Fee and commission expense	<u>715,538</u>	<u>2,910,809</u>	<u>490,893</u>	<u>2,001,371</u>
<b>Net fee and commission income</b>	<u>448,250</u>	<u>1,823,481</u>	<u>91,692</u>	<u>373,828</u>

#### 27. Impairment losses on financial instruments

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Deposits and placements with other banks (Note 9)	10,605	43,141	10,178	41,496
Loans and advances (Note 11)	2,151,394	8,751,871	1,212,853	4,944,802
Other financial assets at amortised cost (Note 12)	(25,953)	(105,577)	(204)	(832)
Credit commitment (Note 34A)	3,383	13,762	(4,233)	(17,258)
Others (Note 14)	16,733	68,070	-	-
	<u>2,156,162</u>	<u>8,771,267</u>	<u>1,218,594</u>	<u>4,968,208</u>

For additional analysis of impairment loss on financial instruments, refer to Note 36A.

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 28. Other operating income

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Dividend income	9,711	39,504	14,560	59,361
Other income	71,277	289,955	46,786	190,747
	<u>80,988</u>	<u>329,459</u>	<u>61,346</u>	<u>250,108</u>

#### 29. Personnel expenses

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Salaries	2,521,396	10,257,039	1,832,969	7,473,015
Bonuses	1,119,759	4,555,180	765,478	3,120,854
Others	907,099	3,690,078	609,359	2,484,356
Seniority payment	172,438	701,478	114,919	468,525
	<u>4,720,692</u>	<u>19,203,775</u>	<u>3,322,725</u>	<u>13,546,750</u>

#### 30. Depreciation and amortisation

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Property and equipment	685,839	2,789,993	615,758	2,510,445
Right-of-use assets	482,560	1,963,054	375,202	1,529,699
Intangible assets	1,555	6,326	3,991	16,271
	<u>1,169,954</u>	<u>4,759,373</u>	<u>994,951</u>	<u>4,056,415</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 31. Other operating expenses

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Royalty fee and IT				
software direct cost	730,491	2,971,637	384,260	1,566,628
Legal and professional fees	536,377	2,181,982	329,656	1,344,008
Advertising expense	129,333	526,127	166,662	679,481
Other tax expense	104,642	425,684	84,981	346,468
Foreclosed property written-off	102,544	417,149	222,707	907,976
Office supplies	90,468	368,024	115,817	472,186
Utilities	85,644	348,400	62,830	256,158
License fees	68,118	277,104	44,525	181,528
Communication and public relation	42,790	174,070	30,476	124,251
Rental expense	42,757	173,935	28,997	118,221
Membership fee	38,835	157,981	26,354	107,445
Entertainment	37,563	152,806	30,264	123,386
Security	24,175	98,344	9,202	37,517
Travelling	17,567	71,463	11,958	48,753
Others	235,012	956,027	88,185	359,530
	<u>2,286,316</u>	<u>9,300,733</u>	<u>1,636,874</u>	<u>6,673,536</u>

#### 32. Cash used in operations

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Profit for the year	4,933,385	20,069,011	2,033,503	8,290,590
<i>Adjustments for:</i>				
Income tax expense	1,415,609	5,758,697	553,178	2,255,307
Depreciation and amortisation	1,169,954	4,759,373	994,951	4,056,415
Impairment losses on financial instruments	2,156,162	8,771,267	1,218,594	4,968,208
Write-off of property and equipment	-	-	4,048	16,504
Net interest income	(17,377,850)	(70,693,094)	(10,341,354)	(42,161,700)
<i>Changes in:</i>				
Loans and advances	(71,492,841)	(290,832,877)	(55,931,162)	(228,031,347)
Other assets	(3,037,931)	(12,358,303)	(195,978)	(799,002)
Non-current assets held for sale	181,944	740,148	234,309	955,278
Other liabilities	590,328	2,401,454	203,376	829,164
Provision for restoration	106,387	432,782	67,757	276,245
Cash used in operations	<u>(81,354,853)</u>	<u>(330,951,542)</u>	<u>(61,158,778)</u>	<u>(249,344,338)</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 33. Cash and cash equivalents

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Cash on hand (Note 7)	277,855	1,131,981	140,261	567,356
Deposits and placements with National Bank of Cambodia:				
Current accounts (Note 8)	136,351	555,494	125,308	506,871
Deposits and placements with other banks: (Note 9)				
Current accounts	24,651,832	100,431,564	5,451,115	22,049,760
Savings accounts	10,929,244	44,525,740	1,715,429	6,938,910
Term deposits (maturity of three months or less)	-	-	4,009,298	16,217,610
	<u>35,995,282</u>	<u>146,644,779</u>	<u>11,441,411</u>	<u>46,280,507</u>

#### 34. Commitments and contingencies

##### A. Credit commitments

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

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Unused portion of approved credit facilities	376,871	1,535,372	127,331	515,054
Less: Impairment loss allowance	<u>(4,351)</u>	<u>(17,726)</u>	<u>(968)</u>	<u>(3,916)</u>
	<u>372,520</u>	<u>1,517,646</u>	<u>126,363</u>	<u>511,138</u>

Movements of impairment loss allowance for unused portion of approved credit facilities were as follows:

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
At 1 January	968	3,916	5,201	21,194
Recognised in profit or loss	3,383	13,762	(4,233)	(17,258)
Currency translation difference	-	48	-	(20)
At 31 December	<u>4,351</u>	<u>17,726</u>	<u>968</u>	<u>3,916</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 34. Commitments and contingencies (continued)

#### B. Taxation contingencies

The tax returns of the Bank are subject to periodic examination by the tax authorities. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements of the Bank could be changed at a later date, upon final determination by the tax authorities.

On 24 March 2021, the General Department of Taxation (“GDT”) has issued a Notice of Tax Reassessment (“NTR”) for comprehensive tax audit for the periods from 1 January 2018 to 31 December 2019. As of the reporting date, the tax reassessment is still in progress.

### 35. Related party transactions and balances

#### A. Related parties and relationship

Related parties of, and their relationship with the Bank are as follows:

Related party	Relationship
KB Kookmin Card Co., Ltd.	Parent Company
Kookmin Bank Cambodia Plc.	Sister Company
Kookmin Bank Hongkong Branch	Sister Company
PRASAC Microfinance Institution Plc.	Sister Company
Key management personnel	The key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank include all Directors of the Bank.

#### B. Transactions with related parties

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
KB Kookmin Card Co., Ltd.				
Guarantee fee expenses	569,508	2,316,759	429,808	1,752,327
IT and royalty fee expense	730,491	2,971,637	384,260	1,566,628



## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 35. Related party transactions and balances (continued)

##### B. Transactions with related parties (continued)

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Kookmin Bank Cambodia Plc				
Interest expense – overdraft	-	-	207	844
Interest expense – borrowing	<u>35,726</u>	<u>145,333</u>	<u>72,656</u>	<u>296,219</u>
Kookmin Bank – Hong Kong Branch				
Interest expense - Borrowing	<u>701,708</u>	<u>2,854,548</u>	<u>411,060</u>	<u>1,675,892</u>
PRASAC Microfinance Institution Plc.				
Interest income	<u>169,648</u>	<u>690,128</u>	<u>-</u>	<u>-</u>

##### C. Balance with related parties

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
KB Kookmin Card Co.,Ltd. (Note 20)	<u>476,101</u>	<u>1,939,636</u>	<u>299,601</u>	<u>1,211,886</u>
Kookmin Bank Cambodia	<u>-</u>	<u>-</u>	<u>2,700,966</u>	<u>10,925,407</u>
Kookmin Bank-Hong Kong Branch – Borrowings (Note 19)	<u>60,179,818</u>	<u>245,172,579</u>	<u>34,101,496</u>	<u>137,940,551</u>
PRASAC Microfinance Institution Plc.				
Savings account	<u>4,001,000</u>	<u>16,300,075</u>	<u>-</u>	<u>-</u>
Loans and advances (Note 11E)	<u>2,954,132</u>	<u>12,035,133</u>	<u>-</u>	<u>-</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 35. Related party transactions and balances (continued)

#### D. Key management personnel compensation

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Salaries and short-term benefits	<u>746,626</u>	<u>3,037,275</u>	<u>682,678</u>	<u>2,783,278</u>

### 36. Financial risk management

The Bank has exposure to the following risks from financial instruments:

- credit risk;
- market risk;
- liquidity risk; and
- Operational risk

Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Bank do not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage their risk exposure.

The financial assets and liabilities held by the Bank were as follows:

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Financial assets</b>				
<i>Financial assets at amortised costs</i>				
Cash on hand	277,855	1,131,981	140,261	567,356
Deposits and placements with National Bank of Cambodia	136,351	555,494	125,308	506,871
Deposits and placements with other banks	35,557,049	144,859,418	11,162,420	45,151,989
Other financial assets at amortised cost	2,680,948	10,922,182	2,674,276	10,817,446
Loans and advances at amortised cost	211,562,138	861,904,150	134,789,671	545,224,219
Other financial assets	458,994	1,869,942	340,919	1,379,017
	<u>250,673,335</u>	<u>1,021,243,167</u>	<u>149,232,855</u>	<u>603,646,898</u>
<i>Financial assets at fair value through other comprehensive income</i>				
	<u>12,500</u>	<u>50,925</u>	<u>12,500</u>	<u>50,563</u>
<b>Total financial assets</b>	<u>250,685,835</u>	<u>1,021,294,092</u>	<u>149,245,355</u>	<u>603,697,461</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

The financial assets and liabilities held by the Bank were as follows: (continued)

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Financial liabilities</b>				
<i>Liabilities at amortised cost</i>				
Borrowings	205,301,330	836,397,618	106,864,112	432,265,333
Lease liabilities	1,646,907	6,709,499	1,487,739	6,017,904
Other financial liabilities	1,018,594	4,149,752	698,765	2,826,504
<b>Total financial liabilities</b>	<u>207,966,831</u>	<u>847,256,869</u>	<u>109,050,616</u>	<u>441,109,741</u>
Credit commitments	<u>372,520</u>	<u>1,517,646</u>	<u>126,363</u>	<u>511,138</u>

#### A. Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises from deposits and placements with NBC and other bank, loans and advances, other financial assets at amortised cost, and credit commitments. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk. Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

##### (i). Credit risk measurement

Credit risk is managed on a group basis.

Deposits and placements with NBC and other banks of the Bank 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 expected credit loss ("ECL"). Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows three-stage approach.

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

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (ii). *Risk limit control and mitigation policies*

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types as security for loans and advances are:

- mortgages over residential properties (land, building, vehicles);
- charges over business assets such as land and buildings.

##### (iii). *Impairment (expected credit loss) policies*

The measurement of expected credit loss allowance under the CIFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

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

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.

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

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iii). *Impairment (expected credit loss) policies (continued)*

##### **Significant increase in credit risk (“SICR”)**

The Bank considers a financial instrument to have experienced a significant increase in credit risk when it has been past due 30 days for long term facilities or more than or equal to 15 days past due for short term facilities on its contractual payment. In addition to the past due status, the Bank also considers loans that classified as “special mention” under regulatory provision guideline from NBC as SICR.

##### **Definition of default and credit-impaired**

The Bank defines 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 90 days for long term facilities or more than or equal to 60 days past due for short term facilities. For the purpose of ascertaining the period in arrears:
  - Repayment on each of the instalment amount must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
  - 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.
  - Where repayments are scheduled on interval of 90 days for long term facilities or more than or equal to 60 days past due for short term facilities, 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.
- 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 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 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.



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iii). *Impairment (expected credit loss) policies (continued)*

###### Measuring ECL

The Expected Credit Loss (“ECL”) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (“PD”), Loss Given Default (“LGD”), and Exposure at Default (“EAD”).

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

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for collective segment. The three components are multiplied together to calculate an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Probability of Default (“PD”), Loss Given Default (“LGD”), and Exposure at Default (“EAD”) are defined as follows:

###### *Probability of Default (“PD”)*

The PD represents the likelihood of 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.

###### *Loss Given Default (“LGD”)*

LGD represents 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.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iii). Impairment (expected credit loss) policies (continued)

###### Measuring ECL (continued)

###### *Loss Given Default (“LGD”) (continued)*

Because there is no sufficient historical data for LGD study and no market observable data in Cambodia, the Bank proxies Basel II’s (published by Basel Committee on Banking Supervision) LGD under the foundation internal ratings-based approach for non-recognised collateral. Due to low historical default, the Bank assesses that it is appropriate to assign 35%, 40% and 45% LGD to secured with movable properties, secured with immovable properties and unsecured facilities, respectively.

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

###### *Exposure at Default (“EAD”)*

EAD is the total amount that the Bank is 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.

###### **Forward-looking information incorporated into the ECL models**

The estimation of ECL incorporates forward-looking information. The Bank has 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 external research houses. The statistical regression analysis shows relationships of these economic variables on historical default rate.

These economic variables and their associated impact on the PD vary by financial instrument. Expert judgement has also been applied in this process. The historical and forecasts of these economic variables are sourced from 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 (PD).

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iii). *Impairment (expected credit loss) policies (continued)*

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

In addition, the Bank considers other possible scenarios along with scenario weightings. 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 complete distribution, the total of the weighting applied should be 100%. Previously, the Bank determined the weighting of each macro-economic variable, including GDP, Domestic Credit to Private Sector (“DCPS”) and Short-term interest rates as 80%, 10% and 10%, respectively. However, after re-performing the analysis in the correlation of PD and macro-economic variables above, the result of analysis clearly indicated that DCPS and short-term interest rate does not have strong correlation with the NPL ratio of Cambodia and only GDP growth rate showed the reasonably strong correlation with the NPL ratio. Therefore, the Bank decides to use GDP is the single independent macro-economic variable for the forward-looking PD estimation.

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 Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Bank is to periodically perform statistical analysis and monitor on its portfolio’s circumstances.

###### **Grouping of exposure for ECL measured on collective basis**

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

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

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iii). Impairment (expected credit loss) policies (continued)

##### Grouping of exposure for ECL measured on collective basis (continued)

##### Macroeconomic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 are set out below. The scenario “base”, “best”, and “worst” were used for all portfolios.

	31 December 2021		31 December 2020	
	2022	2023	2021	2022
GDP	5.50%	5.50%	5.90%	5.50%
DCPS	N/A	N/A	N/A	N/A
IR	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The weightings assigned to each economic scenario as at 31 December 2021, and 31 December 2020 were as follows:

	31 December 2021	31 December 2020
	All portfolios weightings	All portfolios weightings
GDP	100%	100%
DCPS	N/A	N/A
IR	<u>N/A</u>	<u>N/A</u>
	<u>100%</u>	<u>100%</u>

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This reviewed and monitored for appropriateness periodically.

##### Sensitivity analysis

The most significant assumptions affecting the ECL allowance is GDP, given the significant impact on obligors’ ability to meet contractual repayments, business performance, and collateral valuation.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iii). Impairment (expected credit loss) policies (continued)

###### Grouping of exposure for ECL measured on collective basis (continued)

###### Sensitivity analysis (continued)

Set out below are the changes to the ECL as at 31 December 2021 and 31 December 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	31 December 2021	31 December 2020
	ECL US\$	ECL US\$
<b>GDP</b>		
Annual growth rate increase by 1%	4,516,180	2,343,272
No change	4,471,465	2,320,071
Annual growth rate decrease by 1%	<u>4,426,750</u>	<u>2,296,870</u>

#### 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.

#### Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assess whether or not the new terms are substantially different to the original terms. 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.



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iii). Impairment (expected credit loss) policies (continued)

###### Novel Coronavirus (“COVID-19”) and impact on ECL

The COVID-19 pandemic has spread across globally as well as Cambodia and beyond, causing disruption to business and economic activity. The ECL was estimated based on a range of forecast economic conditions as at 31 December 2021. The Bank has made judgement on the impact of GDP and other key indicators when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which, the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of COVID-19 on the Bank, however, this estimate may move materially as events unfold.

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 Board of Directors, to affect substantially the results of the operations of the Bank for the current period which this report is made.

##### (iv). Collateral held

Maximum exposures to credit risk before collateral held or other credit enhancements of the Bank were as follows:

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
Deposits and placements with other banks	35,581,076	144,957,304	11,175,842	45,206,281
Other financial assets at amortised cost	2,689,305	10,956,229	2,708,586	10,956,230
Loans and advances	216,033,603	880,120,898	137,109,742	554,608,906
Other financial assets	458,994	1,869,942	340,919	1,379,017
<i>Credit risk exposure related to off-balance sheet items:</i>				
Credit commitments	376,871	1,535,372	127,331	515,054
Total gross credit exposure	255,139,849	1,039,439,745	151,462,420	612,665,488
Impairment loss allowance (ECL)	(4,524,933)	(18,434,577)	(2,368,771)	(9,577,763)
Total net credit exposure	250,614,916	1,021,005,168	149,093,649	603,087,725

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (iv). Collateral held (continued)

The above table represents a worst case scenario of credit risk exposure to the Bank, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As shown above, 86% for the Bank (2020: 92%) of total maximum exposure is derived from loans and advances. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Bank's loans and advances due to the following:

- Almost all loans and advances are collateralised and loan to collateral value range from 50% to 80%.
- The Bank has a proper credit evaluation process in place for granting of loans and advances to customers.
- The Deposits and placements with other banks were held with local banks and oversea banks and management has done proper risk assessment and believe there will be no material loss from these local banks.

##### (v). Credit quality of financial assets

The Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment. The Bank monitors obligors in this category by delinquency status. Obligors that are less than 30 days past due on its contractual payments are in standard monitoring.
Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments. The Bank monitors obligors in this category by delinquency status. Obligors that are more than 30 days past due on its contractual payments are included in special monitoring.
Default/Credit impaired	Obligors are assessed to be impaired.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (v). *Credit quality of financial assets (continued)*

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

<b>Credit Quality</b>	<b>Description</b>
Sovereign	Refer to financial asset issued by the National Bank of Cambodia or guarantee by the National Bank of Cambodia.
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 expose to default risk.
No rating	Refers to financial asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 36. Financial risk management (continued)

##### A. Credit risk (continued)

##### (v). Credit quality of financial assets (continued)

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

	31 December 2021			31 December 2020			
	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\$	Total US\$
<b>Deposits and placements with other banks</b>							
Investment grade	6,174,967	-	-	2,292,423	-	-	2,292,423
No rating	29,406,109	-	-	8,883,419	-	-	8,883,419
Gross carrying amounts	35,581,076	-	-	11,175,842	-	-	11,175,842
Impairment loss allowance (ECL)	(24,027)	-	-	(13,422)	-	-	(13,422)
Net carrying amounts	35,557,049	-	-	11,162,420	-	-	11,162,420
In KHR'000 equivalent (Note 6)	144,859,418	-	-	45,151,989	-	-	45,151,989

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

#### (V). Credit quality of financial assets (continued)

The following table shows an analysis of the credit exposure by credit quality and stages, together with the ECL allowance provision: (continued)

	31 December 2021				31 December 2020			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
	<b>Loans and advances at amortised cost</b>							
Standard monitoring	188,677,007	-	-	188,677,007	132,973,506	-	-	132,973,506
Special monitoring	-	25,121,227	-	25,121,227	-	3,524,584	-	3,524,584
Default	-	-	2,235,369	2,235,369	-	-	611,652	611,652
Gross carrying amounts	188,677,007	25,121,227	2,235,369	216,033,603	132,973,506	3,524,584	611,652	137,109,742
Impairment loss allowance (ECL)	(1,549,255)	(2,115,113)	(807,097)	(4,471,465)	(1,372,505)	(722,248)	(225,318)	(2,320,071)
Net carrying amounts	187,127,752	23,006,114	1,428,272	211,562,138	131,601,001	2,802,336	386,334	134,789,671
In KHR1000 equivalent (Note 6)	762,358,462	93,726,908	5,818,780	861,904,150	532,326,049	11,335,449	1,562,721	545,224,219



## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 36. Financial risk management (continued)

##### A. Credit risk (continued)

##### (v). Credit quality of financial assets (continued)

The following table shows an analysis of the credit exposure by credit quality and stages, together with the ECL allowance provision: (continued)

	31 December 2021			31 December 2020		
	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\$
<b>Other financial assets at amortised cost</b>						
Non-investment grade	2,689,305	-	-	2,708,586	-	-
Gross carrying amounts	2,689,305	-	-	2,708,586	-	-
Impairment loss allowance (ECL)	(8,357)	-	-	(34,310)	-	-
Net carrying amounts	2,680,948	-	-	2,674,276	-	-
In KHR'000 equivalent (Note 6)	10,922,182	-	-	10,817,446	-	-
			Total US\$			Total US\$
			2,689,305			2,708,586
			(8,357)			(34,310)
			2,680,948			2,674,276
			10,922,182			10,817,446

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

#### (V). Credit quality of financial assets (continued)

The following table shows an analysis of the credit exposure by credit quality and stages, together with the ECL allowance provision: (continued)

	31 December 2021				31 December 2020			
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
<b>Credit commitments</b>								
Standard monitoring	376,871	-	-	376,871	127,331	-	-	127,331
Gross exposure	376,871	-	-	376,871	127,331	-	-	127,331
Impairment loss allowance (ECL)	(4,351)	-	-	(4,351)	(968)	-	-	(968)
Net exposure	372,520	-	-	372,520	126,363	-	-	126,363
In KHR1000 equivalent (Note 6)	1,517,646	-	-	1,517,646	511,138	-	-	511,138

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 36. Financial risk management (continued)

##### A. Credit risk (continued)

##### (v). Credit quality of financial assets (continued)

The following table shows an analysis of the credit exposure by credit quality and stages, together with the ECL allowance provision: (continued)

	31 December 2021			31 December 2020			Total US\$	Total US\$
	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\$		
<b>Other assets</b>								
Standard monitoring	2,057,536	-	-	-	-	-	2,057,536	-
Gross exposure	2,057,536	-	-	-	-	-	2,057,536	-
Impairment loss allowance (ECL)	(16,733)	-	-	(16,733)	-	-	(16,733)	-
Net exposure	2,040,803	-	-	2,040,803	-	-	2,040,803	-
In KHR'000 equivalent (Note 6)	8,314,231	-	-	8,314,231	-	-	8,314,231	-

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (vi). Repossessed properties

During the year, the Bank did not obtain assets by taking possession of collateral held as security (2020: None).

Repossessed property is classified in statement of financial position as non-current assets held for sale.

##### (vii). Impairment loss allowance

The following tables show reconciliation from the opening to closing balance of the loss allowance by class of financial instrument.

#### Expected credit losses

	2021			Total US\$
	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	
<b>Loans and advances at amortised cost</b>				
At 1 January 2021	1,372,505	722,248	225,318	2,320,071
Changes due to financial instruments recognised as at 1 January:				
Transfer to Stage 1	8,261	(8,261)	-	-
Transfer to Stage 2	(278,123)	278,123	-	-
Transfer to Stage 3	(26,339)	(236,917)	263,256	-
Net remeasurement of loss allowance (*)	(195,363)	1,254,974	575,532	1,635,143
New financial assets originated or purchased	1,035,046	239,296	73,161	1,347,503
Financial assets derecognised during the period other than write off	(366,732)	(134,350)	(81,764)	(582,846)
Write-offs	-	-	(248,406)	(248,406)
At 31 December 2021	<u>1,549,255</u>	<u>2,115,113</u>	<u>807,097</u>	<u>4,471,465</u>
In KHR'000 equivalent (Note 6)	<u>6,311,665</u>	<u>8,616,970</u>	<u>3,288,113</u>	<u>18,216,748</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (vii). Impairment loss allowance (continued)

##### Expected credit losses (continued)

	2020			Total US\$
	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	
<b>Loans and advances at amortised cost</b>				
At 1 January 2020	865,069	109,562	132,587	1,107,218
Changes due to financial instruments recognised as at 1 January:				
Transfer to Stage 1	23,022	(23,022)	-	-
Transfer to Stage 2	(36,947)	36,947	-	-
Transfer to Stage 3	(22,620)	-	22,620	-
Net remeasurement of loss allowance (*)	(77,577)	521,446	386,506	830,375
New financial assets originated or purchased	912,449	103,357	59,380	1,075,186
Financial assets derecognised during the period other than write off	(290,776)	(24,962)	(85,327)	(401,065)
Write-offs	(115)	(1,080)	(290,448)	(291,643)
At 31 December 2020	<u>1,372,505</u>	<u>722,248</u>	<u>225,318</u>	<u>2,320,071</u>
In KHR'000 equivalent (Note 6)	<u>5,551,783</u>	<u>2,921,493</u>	<u>911,411</u>	<u>9,384,687</u>

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



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (vii). Impairment loss allowance (continued)

##### Expected credit losses (continued)

	2021			Total US\$
	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	
<b>Credit commitments</b>				
At 1 January 2021	968	-	-	968
Changes due to exposure as at 1 January:				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New exposure	27,118	-	-	27,118
Exposure derecognised or expired	(23,735)	-	-	(23,735)
At 31 December 2021	<u>4,351</u>	<u>-</u>	<u>-</u>	<u>4,351</u>
In KHR'000 equivalent (Note 6)	<u>17,726</u>	<u>-</u>	<u>-</u>	<u>17,726</u>
	2020			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	US\$
<b>Credit commitments</b>				
At 1 January 2020	5,201	-	-	5,201
Changes due to exposure as at 1 January:				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New exposure	968	-	-	968
Exposure derecognised or expired	(5,201)	-	-	(5,201)
At 31 December 2020	<u>968</u>	<u>-</u>	<u>-</u>	<u>968</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (vii). Impairment loss allowance (continued)

##### Expected credit losses (continued)

	2021		2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Deposits and placements with other banks</b>				
At 1 January 2021	13,422	54,292	3,244	13,122
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	10,605	43,141	10,178	41,496
Currency translation difference	-	453	-	(326)
At 31 December 2021	<u>24,027</u>	<u>97,886</u>	<u>13,422</u>	<u>54,292</u>
<b>Other financial assets at amortised cost</b>				
At 1 January 2021	34,310	138,784	34,106	138,982
Net remeasurement of loss allowance	(25,953)	(105,577)	-	-
New financial assets originated or purchased	-	-	204	832
Currency translation difference	-	840	-	(1,030)
At 31 December 2021	<u>8,357</u>	<u>34,047</u>	<u>34,310</u>	<u>138,784</u>
<b>Other assets</b>				
At 1 January 2021	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	16,733	68,070	-	-
Currency translation difference	-	100	-	-
At 31 December 2021	<u>16,733</u>	<u>68,170</u>	<u>-</u>	<u>-</u>

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### A. Credit risk (continued)

##### (viii). Concentration of financial assets with credit risk exposure

##### Geographical sector

The following table provides a breakdown of the Bank's main credit exposure at their carrying amount, as categorised by geographical region. The Bank allocated exposure to regions based on the country of domicile of the counterparties.

	Cambodia US\$	Singapore US\$	Total US\$
<b>At 31 December 2021</b>			
Deposits and placements with other banks	35,524,140	32,909	35,557,049
Loans and advances	211,562,138	-	211,562,138
Other financial assets at amortised cost	2,680,948	-	2,680,948
Other financial assets	458,994	-	458,994
Credit commitments	372,520	-	372,520
Total credit exposure	<u>250,598,740</u>	<u>32,909</u>	<u>250,631,649</u>
KHR'000 equivalent (Note 6)	<u>1,020,939,267</u>	<u>134,071</u>	<u>1,021,073,338</u>
<b>At 31 December 2020</b>			
Deposits and placements with other banks	11,115,196	47,224	11,162,420
Loans and advances	134,789,671	-	134,789,671
Other financial assets at amortised cost	2,674,276	-	2,674,276
Other financial assets	340,919	-	340,919
Credit commitments	126,363	-	126,363
Total credit exposure	<u>149,046,425</u>	<u>47,224</u>	<u>149,093,649</u>
KHR'000 equivalent (Note 6)	<u>602,892,789</u>	<u>191,021</u>	<u>603,083,810</u>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 36. Financial risk management (continued)

##### A. Credit risk (continued)

##### (viii). Concentration of financial assets with credit risk exposure (continued)

###### Industry sector

The following table provides a breakdown of the Bank's main credit exposure at their carrying amounts, as categorised by industry sector.

###### At 31 December 2021

	Financial institutions US\$	Building and construction US\$	Hotel and restaurant US\$	Wholesale and retail US\$	Automotive US\$	Agriculture US\$	Manufacturing US\$	Others US\$	Total US\$
Deposits and placements with other banks	35,557,049	-	-	-	-	-	-	-	35,557,049
Loans and advances at amortised cost	14,160,660	39,299,974	77,593	324,222	156,955,667	203,848	234,865	305,309	211,562,138
Other financial assets at amortised cost	2,680,948	-	-	-	-	-	-	-	2,680,948
Other financial assets	-	-	-	-	-	-	-	458,994	458,994
Credit commitments	-	-	-	-	-	-	-	372,520	372,520
<b>Total credit exposure</b>	<b>52,398,657</b>	<b>39,299,974</b>	<b>77,593</b>	<b>324,222</b>	<b>156,955,667</b>	<b>203,848</b>	<b>234,865</b>	<b>1,136,823</b>	<b>250,631,649</b>
KHR'000 equivalent (Note 6)	213,472,129	160,108,094	316,114	1,320,880	639,437,387	830,477	956,840	4,631,417	1,021,073,338

###### At 31 December 2020

	Financial institutions US\$	Building and construction US\$	Hotel and restaurant US\$	Wholesale and retail US\$	Automotive US\$	Agriculture US\$	Manufacturing US\$	Others US\$	Total US\$
Deposits and placements with other banks	11,162,420	-	-	-	-	-	-	-	11,162,420
Loans and advances	3,940,561	46,816,062	90,443	508,210	82,871,692	219,919	242,576	100,208	134,789,671
Other financial assets at amortised cost	2,674,276	-	-	-	-	-	-	-	2,674,276
Other financial assets	-	-	-	-	-	-	-	340,919	340,919
Credit commitments	-	-	-	-	-	-	-	126,363	126,363
<b>Total credit exposure</b>	<b>17,777,257</b>	<b>46,816,062</b>	<b>90,443</b>	<b>508,210</b>	<b>82,871,692</b>	<b>219,919</b>	<b>242,576</b>	<b>567,490</b>	<b>149,093,649</b>
KHR'000 equivalent (Note 6)	71,909,005	189,370,971	365,842	2,055,709	335,215,994	889,572	981,220	2,295,497	603,083,810

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk

The Bank takes exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

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

##### (i). *Foreign exchange risk*

The Bank operate in Cambodia and transacts in two currencies, and is exposed to currency risks, primarily with respect to Khmer Riel.

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

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

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

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



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk (continued)

##### (i) Foreign exchange risk (continued)

	US\$ equivalents		
	US\$	Riel	Total
<b>At 31 December 2021</b>			
<b>Financial assets</b>			
Cash on hand	249,180	28,675	277,855
Deposits and placements with National Bank of Cambodia	98,878	37,473	136,351
Deposits and placements with other banks	34,401,679	1,155,370	35,557,049
Financial assets at fair value through other comprehensive income	12,500	-	12,500
Loans and advances at amortised cost	190,172,663	21,389,475	211,562,138
Other financial assets at amortised cost	-	2,680,948	2,680,948
Other financial assets	435,676	23,318	458,994
<b>Total financial assets</b>	<b>225,370,576</b>	<b>25,315,259</b>	<b>250,685,835</b>
<b>Financial liabilities</b>			
Borrowings	205,301,330	-	205,301,330
Lease liabilities	1,646,907	-	1,646,907
Other financial liabilities	1,018,725	(131)	1,018,594
<b>Total financial liabilities</b>	<b>207,966,962</b>	<b>(131)</b>	<b>207,966,831</b>
<b>Net position</b>	<b>17,403,614</b>	<b>25,315,390</b>	<b>42,719,004</b>
KHR'000 equivalent (Note 6)	70,902,324	103,134,899	174,037,223
<b>Off-balance sheet</b>			
Credit commitments	372,520	-	372,520
KHR'000 equivalent (Note 6)	1,517,646	-	1,517,646

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk (continued)

##### (i). Foreign exchange risk (continued)

	US\$ equivalents		
	US\$	Riel	Total
<b>At 31 December 2020</b>			
<b>Financial assets</b>			
Cash on hand	123,596	16,665	140,261
Deposits and placements with National Bank of Cambodia	97,238	28,070	125,308
Deposits and placements with other banks	9,965,694	1,196,726	11,162,420
Financial assets at fair value through other comprehensive income	12,500	-	12,500
Loans and advances at amortised cost	118,336,575	16,453,096	134,789,671
Other financial assets at amortised cost	-	2,674,276	2,674,276
Other financial assets	329,012	11,907	340,919
<b>Total financial assets</b>	<b>128,864,615</b>	<b>20,380,740</b>	<b>149,245,355</b>
<b>Financial liabilities</b>			
Borrowings	106,864,112	-	106,864,112
Lease liabilities	1,487,739	-	1,487,739
Other financial liabilities	698,765	-	698,765
<b>Total financial liabilities</b>	<b>109,050,616</b>	<b>-</b>	<b>109,050,616</b>
<b>Net position</b>	<b>19,813,999</b>	<b>20,380,740</b>	<b>40,194,739</b>
KHR'000 equivalent (Note 6)	80,147,626	82,440,094	162,587,720
<b>Off-balance sheet</b>			
Credit commitments	90,194	36,169	126,363
KHR'000 equivalent (Note 6)	364,835	146,303	511,138

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk (continued)

##### (i). Foreign exchange risk (continued)

###### Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in USD/Riel exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments.

	Impact on Profit or loss		Impact on other component of equity	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>2021</b>				
USD/KHR exchange rate - increase by 5%	1,205,501	4,903,978	N/A	N/A
USD/KHR exchange rate - decrease by 5%	<u>(1,332,396)</u>	<u>(5,420,187)</u>	<u>N/A</u>	<u>N/A</u>
<b>2020</b>				
USD/KHR exchange rate - increase by 5%	970,511	3,956,773	N/A	N/A
USD/KHR exchange rate - decrease by 5%	<u>(1,072,671)</u>	<u>(4,373,280)</u>	<u>N/A</u>	<u>N/A</u>

##### (ii). Securities price risk

Securities price risk is the risk that changes in the market prices of securities will result in fluctuations in revenues or in the values of financial assets. The maximum amount of securities price risk exposure is the carrying amount of investments as stated in the statement of financial position.

##### (iii). Interest rate risk

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. At this stage, the management of the Bank do not have a policy to set limits on the level of mismatch of interest rate repricing.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk (continued)

##### (iii). Interest rate risk (continued)

The table below summarises the exposures of the Bank to interest rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2021 and 31 December 2020, financial assets and liabilities classified by type of interest rate are as follows:

<b>31 December 2021</b>	Floating interest rates US\$	Fixed interest rates US\$	Non-interest bearing US\$	Total US\$
<b>Financial assets</b>				
Cash on hand	-	-	277,855	277,855
Deposits and placements with National Bank of Cambodia	-	-	136,351	136,351
Deposits and placements with other banks	-	10,929,193	24,627,856	35,557,049
Financial assets at fair value through other comprehensive income	-	-	12,500	12,500
Loans and advances at amortised cost	-	211,562,138	-	211,562,138
Other financial assets at amortised cost	-	2,680,948	-	2,680,948
Other financial assets	-	-	458,994	458,994
	<u>-</u>	<u>225,172,279</u>	<u>25,513,556</u>	<u>250,685,835</u>
<b>Financial liabilities</b>				
Borrowings	140,262,729	65,038,601	-	205,301,330
Lease liabilities	-	1,646,907	-	1,646,907
Other financial liabilities	-	-	1,018,594	1,018,594
	<u>140,262,729</u>	<u>66,685,508</u>	<u>1,018,594</u>	<u>207,966,831</u>
<b>Total interest rate re-pricing gap</b>	<u>(140,262,729)</u>	<u>158,486,771</u>	<u>24,494,962</u>	<u>42,719,004</u>
KHR'000 equivalent	<u>(571,430,358)</u>	<u>645,675,105</u>	<u>99,792,476</u>	<u>174,037,223</u>
<b>Off-balance sheet</b>				
Credit commitments	-	-	372,520	372,520
KHR'000 equivalent (Note 6)	-	-	1,517,646	1,517,646

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk (continued)

##### (iii). Interest rate risk (continued)

As at 31 December 2021 and 31 December 2020, financial assets and liabilities classified by type of interest rate are as follows: (continued)

<b>31 December 2020</b>	Floating interest rates US\$	Fixed interest rates US\$	Non-interest bearing US\$	Total US\$
<b>Financial assets</b>				
Cash on hand	-	-	140,261	140,261
Deposits and placements with National Bank of Cambodia	-	-	125,308	125,308
Deposits and placements with other banks	-	4,009,298	7,153,122	11,162,420
Financial assets at fair value through other comprehensive income	-	-	12,500	12,500
Loans and advances at amortised cost	-	134,789,671	-	134,789,671
Other financial assets at amortised cost	-	2,674,276	-	2,674,276
Other financial assets	-	-	340,919	340,919
	<u>-</u>	<u>141,473,245</u>	<u>7,772,110</u>	<u>149,245,355</u>
<b>Financial liabilities</b>				
Borrowings	46,809,642	60,054,470	-	106,864,112
Lease liabilities	-	1,487,739	-	1,487,739
Other financial liabilities	-	-	698,765	698,765
	<u>46,809,642</u>	<u>61,542,209</u>	<u>698,765</u>	<u>109,050,616</u>
<b>Total interest rate re-pricing gap</b>	<u>(46,809,642)</u>	<u>79,931,036</u>	<u>7,073,345</u>	<u>40,194,739</u>
KHR'000 equivalent	<u>(189,345,002)</u>	<u>323,321,042</u>	<u>28,611,680</u>	<u>162,587,720</u>
<b>Off-balance sheet</b>				
Credit commitments	-	-	126,363	126,363
KHR'000 equivalent (Note 6)	-	-	511,138	511,138



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk (continued)

##### (iii). Interest rate risk (continued)

As at 31 December 2021 and 31 December 2020, financial assets and liabilities classified by type of interest rate are as follows: (continued)

31 December 2021	Up to 1 month US\$	1 to 3 months US\$	4 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	277,855	277,855
Deposits and placements with National Bank of Cambodia	-	-	-	-	-	136,351	136,351
Deposits and placements with other banks	10,929,193	-	-	-	-	24,627,856	35,557,049
Financial assets at fair value through other comprehensive income	-	-	-	-	-	12,500	12,500
Loans and advances at amortised cost	134,552	4,262,475	1,832,715	91,200,475	114,131,921	-	211,562,138
Other financial assets at amortised cost	-	-	2,680,948	-	-	-	2,680,948
Other financial assets	-	-	-	-	-	458,994	458,994
	11,063,745	4,262,475	4,513,663	91,200,475	114,131,921	25,513,556	250,685,835
<b>Financial liabilities</b>							
Borrowings	10,219,456	10,081,874	55,000,000	130,000,000	-	-	205,301,330
Lease liabilities	-	-	-	-	-	1,646,907	1,646,907
Other financial liabilities	-	-	-	-	-	1,018,594	1,018,594
	10,219,456	10,081,874	55,000,000	130,000,000	-	2,665,501	207,966,831
<b>Total interest rate re-pricing gap</b>	<b>844,289</b>	<b>(5,819,399)</b>	<b>(50,486,337)</b>	<b>(38,799,525)</b>	<b>114,131,921</b>	<b>22,848,055</b>	<b>42,719,004</b>
<b>KHR'000 equivalent (Note 6)</b>	<b>3,439,633</b>	<b>(23,708,232)</b>	<b>(205,681,337)</b>	<b>(158,069,265)</b>	<b>464,973,446</b>	<b>93,082,976</b>	<b>174,037,221</b>

## KB Daehan Specialized Bank Plc.

### Notes to the financial statements (continued) for the year ended 31 December 2021

#### 36. Financial risk management (continued)

##### B. Market risk (continued)

##### (iii). Interest rate risk (continued)

As at 31 December 2021 and 31 December 2020, financial assets and liabilities classified by type of interest rate are as follows: (continued)

31 December 2020	Up to 1 month US\$	1 to 3 months US\$	4 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	140,261	140,261
Deposits and placements with National Bank of Cambodia	-	-	-	-	-	125,308	125,308
Deposits and placements with other banks	-	-	-	-	-	11,162,420	11,162,420
Financial assets at fair value through other comprehensive income	-	-	-	-	-	12,500	12,500
Loans and advances at amortised cost	49,207	2,145,394	1,316,036	50,187,916	81,091,118	-	134,789,671
Other financial assets at amortised cost	-	-	-	2,674,276	-	-	2,674,276
Other financial assets	-	-	-	-	-	340,919	340,919
	49,207	2,145,394	1,316,036	52,862,192	81,091,118	11,781,408	149,245,355
<b>Financial liabilities</b>							
Borrowings	-	-	41,864,112	65,000,000	-	-	106,864,112
Lease liabilities	-	-	-	-	-	1,487,739	1,487,739
Other financial liabilities	-	-	-	-	-	698,765	698,765
	-	-	41,864,112	65,000,000	-	2,186,504	109,050,616
<b>Total interest rate re-pricing gap</b>	49,207	2,145,394	(40,548,076)	(12,137,808)	81,091,118	9,594,904	40,194,739
<b>KHR'000 equivalent (Note 6)</b>	199,042	8,678,119	(164,016,967)	(49,097,433)	328,013,572	38,811,387	162,587,720

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### B. Market risk (continued)

##### (iii). Interest rate risk (continued)

##### Sensitivity

Profit or loss is sensitive to higher/lower interest income from financial instruments as a result of changes in interest rates.

	Impact on Profit or loss		Impact on other component of equity	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>2021</b>				
Interest rate increase by 100 basis point	(1,402,627)	(5,714,302)	N/A	N/A
Interest rate decrease by 100 basis point	<u>1,402,627</u>	<u>5,714,302</u>	<u>N/A</u>	<u>N/A</u>
<b>2020</b>				
Interest rate increase by 100 basis point	(468,096)	(1,893,448)	N/A	N/A
Interest rate decrease by 100 basis point	<u>468,096</u>	<u>1,893,448</u>	<u>N/A</u>	<u>N/A</u>

#### C. Liquidity risk

Liquidity risk is the risk that the Bank are 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.

##### (i). Liquidity risk management process

Management monitors balance sheet liquidity and manage the concentration and profile of debt maturities. Monitoring and reporting, taking the form of daily cash position and projection for the next day, week and month respectively, are key periods for liquidity management. In addition, management monitors the movement of main depositors and projection of their withdrawals.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### C. Liquidity risk (continued)

##### (ii). *Funding approach*

The Bank's main sources of liquidity arise from shareholder's share capital and borrowings. The sources of liquidity are regularly reviewed by management through review of maturity of term deposits and the key depositors.

##### (iii). *Non-derivative cash flows*

The table below presents the cash flows of the financial instruments by the Bank by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### C. Liquidity risk (continued)

#### (iii). Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	4 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total contractual cash flows US\$	Carrying amounts US\$
<b>31 December 2021</b>							
<b>Financial assets</b>							
Cash on hand	277,855	-	-	-	-	277,855	277,855
Deposits and placements with National Bank of Cambodia	136,351	-	-	-	-	136,351	136,351
Deposits and placements with other banks	35,557,049	-	-	-	-	35,557,049	35,557,049
Loans and advances at amortised cost	6,560,156	13,622,655	41,870,079	111,087,131	133,651,065	306,791,086	211,562,138
Other financial assets at amortised cost	-	-	2,680,948	-	-	2,680,948	2,680,948
Financial assets at fair value through other comprehensive income	12,500	-	-	-	-	12,500	12,500
Other financial assets	85,088	-	373,906	-	-	458,994	458,994
Total financial assets by remaining contractual maturities	42,628,999	13,622,655	44,924,933	111,087,131	133,651,065	345,914,783	250,685,835
<b>Financial liabilities</b>							
Borrowings	10,283,162	20,498,718	46,879,931	131,102,795	-	208,764,606	205,301,330
Lease liabilities	1,677	3,354	393,585	697,080	-	1,095,696	1,646,907
Other financial liabilities	169,576	295,474	553,544	-	-	1,018,594	1,018,594
Total financial liabilities by remaining contractual maturities	10,454,415	20,797,546	47,827,060	131,799,875	-	210,878,896	207,966,831
<b>Net liquidity surplus/(gap)</b>	<b>32,174,584</b>	<b>(7,174,891)</b>	<b>(2,902,127)</b>	<b>(20,712,744)</b>	<b>133,651,065</b>	<b>135,035,887</b>	<b>42,719,004</b>
KHR'000 equivalent	131,079,256	(29,230,506)	(11,823,266)	(84,383,717)	544,494,439	550,136,206	174,037,222
<b>Off-balance sheet</b>							
Credit commitments	372,520	-	-	-	-	372,520	372,520
<b>Net liquidity - gap</b>	<b>372,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372,520</b>	<b>372,520</b>
KHR'000 equivalent (Note 6)	1,517,646	-	-	-	-	1,517,646	1,517,646



# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### C. Liquidity risk (continued)

##### (iii). Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	4 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total contractual cash flows US\$	Carrying amounts US\$
<b>31 December 2020</b>							
<b>Financial assets</b>							
Cash on hand	140,261	-	-	-	-	140,261	140,261
Deposits and placements with National Bank of Cambodia	125,308	-	-	-	-	125,308	125,308
Deposits and placements with other banks	8,162,420	3,000,000	-	-	-	11,162,420	11,162,420
Loans and advances at amortised cost	3,704,988	7,823,050	25,148,897	63,747,593	103,665,110	204,089,638	134,789,671
Other financial assets at amortised costs	-	-	-	2,674,276	-	2,674,276	2,674,276
Financial assets at fair value through other comprehensive income	12,500	-	-	-	-	12,500	12,500
Other financial assets	40,516	-	300,403	-	-	340,919	340,919
Total financial assets by remaining contractual maturities	12,185,993	10,823,050	25,449,300	66,421,869	103,665,110	218,545,322	149,245,355
<b>Financial liabilities</b>							
Borrowings	214,281	428,562	68,204,624	40,340,403	-	109,187,870	106,864,112
Lease liabilities	1,677	3,354	393,585	750,479	513,708	1,662,803	1,487,739
Other financial liabilities	469,981	53,236	175,548	-	-	698,765	698,765
Total financial liabilities by remaining contractual maturities	685,939	485,152	68,773,757	41,090,882	513,708	111,549,438	109,050,616
<b>Net liquidity surplus/(gap)</b>	11,500,054	10,337,898	(43,324,457)	25,330,987	103,151,402	106,995,884	40,194,739
KHR'000 equivalent	46,517,719	41,816,797	(175,247,429)	102,463,843	417,247,421	432,798,352	162,587,719
<b>Off-balance sheet</b>							
Credit commitments	126,363	-	-	-	-	126,363	126,363
<b>Net liquidity- gap</b>	126,363	-	-	-	-	126,363	126,363
KHR'000 equivalent (Note 6)	511,138	-	-	-	-	511,138	511,138

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### D. Operational risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank's policy requires compliance with all applicable legal and regulatory requirements.

Risk and Compliance Department is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

#### E. Capital management

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options.

The Bank's strategy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholder return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### E. Capital management (continued)

The Bank's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

##### Capital risk management

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

The Bank has complied with all externally imposed capital requirements throughout the year.

#### F. Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has several exposure to IBORs on its financial assets instruments that will be reformed as part of this market-wide initiative. However, although sterling LIBOR and US dollar LIBOR were planned to be discontinued by the end of 2021, consultations and possible regulatory changes are in progress. This may mean that some LIBOR continue to be published beyond that date. The Bank is in the process of amending or preparing to amend contractual terms in response to IBOR reform, and there is still uncertainty over the timing and the methods of transition in some jurisdictions that the Bank operates in.

The main risks to which the Bank is exposed as a result of IBORs reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with the lenders, updating of contractual terms, updating of systems that use IBORs curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

For existing contracts that are indexed to an IBORs and mature after the expected cessation of the IBORs rate, the Bank's finance department has renegotiated with the lenders to amend the contractual terms of affected contracts and the determination of alternative rates.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 36. Financial risk management (continued)

#### F. Interest rate benchmark reform (continued)

The alternative reference rate for US Dollar LIBOR is the Secured Overnight Financing Rate (SOFR). Changes to the contractual terms of financial assets of the Bank indexed to US Dollar LIBOR to incorporate new benchmark rates are not yet completed in the financial statement for the year ended 31 December 2021.

The following table contains details of non-derivative financial instruments held by the Bank at 31 December 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	31 December 2021		31 December 2020	
	US\$	KHR'000 (Note 6)	US\$	KHR'000 (Note 6)
<b>Financial liabilities that reference USD LIBOR</b>				
Borrowings	<u>46,700,000</u>	<u>188,901,500</u>	<u>140,000,000</u>	<u>570,360,000</u>

### 37. Fair value of financial assets and liabilities

Fair value of financial assets and liabilities might be measured following three fair value hierarchy levels as at the reporting date.

Level 1: The fair value of the financial instruments that are not traded in active markets is based on quoted market prices at the end of reporting period.

Level 2: The fair value of the financial instruments traded in active markets is determined using valuation techniques using observable market data.

Level 3: If one or more of the significant inputs is not based on the observable market data, the instrument is included in level 3 in which unobservable inputs will be used.

Assets and liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets. Assets and liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets and liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets and liabilities are classified as Level 2.

# KB Daehan Specialized Bank Plc.

## Notes to the financial statements (continued) for the year ended 31 December 2021

### 37. Fair value of financial assets and liabilities (continued)

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

#### (i). *Financial instruments measured at fair value*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Bank uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Resulting from making fair value assessments and use of assumptions, the fair values of these investments are not materially different from their carrying amounts because the investment in CBC as at 31 December 2021 is immaterial to the financial statements.

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

#### (ii). *Financial instruments not measured at fair value*

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

##### **Deposits and placements with National Bank of Cambodia and other banks**

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

##### **Loans and advances**

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

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

##### **Borrowings**

Borrowings are not quoted in active market and their fair value approximates their carrying amount.

##### **Other financial assets and liabilities**

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