

HATTHA BANK PLC. AND ITS SUBSIDIARY
(Registration No. 00005355)

**REPORT OF THE BOARD OF DIRECTORS AND
AUDITED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022

HATTHA BANK PLC. AND ITS SUBSIDIARY

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

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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BoD") is pleased to present its report together with the audited consolidated financial statements of HATTHA Bank Plc. (the "Bank") and its subsidiary (together referred to as the "Group") and the separate financial statements of the Bank (collectively referred to as the "financial statements") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of the banking business and the provision of related financial services in the Kingdom of Cambodia. There were no significant changes to these principal activities during the year.

FINANCIAL RESULTS

The financial results of the Group and the Bank for the year ended 31 December 2022 were as follows:

The Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	92,172,891	376,710,604	57,172,688	232,578,496
Income tax expense	(18,329,240)	(74,911,604)	(12,166,107)	(49,491,723)
Profit for the year	73,843,651	301,799,000	45,006,581	183,086,773
The Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	92,337,066	377,381,587	56,733,612	230,792,333
Income tax expense	(18,467,913)	(75,478,360)	(12,180,322)	(49,549,550)
Profit for the year	73,869,153	301,903,227	44,553,290	181,242,783

DIVIDENDS

No dividend was declared or paid during the year (2021: nil).

SHARE CAPITAL

On 13 April 2021, the NBC approved the Bank's request for increasing share capital by US\$25 million from US\$115 million to US\$140 million. The amendment of the Memorandum and Articles of Association was endorsed by the Ministry of Commerce ("MOC") on 9 June 2021.

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RESERVES AND PROVISIONS

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

WRITTEN OFF OF AND ALLOWANCE FOR FINANCIAL ASSETS

Before the financial statements were prepared, the BoD took reasonable steps to ascertain that actions had been taken in relation to the writing off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets had been written off and adequate allowance for expected credit losses on financial assets have been made.

At the date of this report, the BoD is not aware of any circumstances which would render the amount written off, or the amount of allowance for expected credit losses on financial assets in the financial statements of the Group and the Bank, inadequate to any material extent.

ASSETS

Before the financial statements of the Group and the Bank were prepared, the BoD took reasonable steps to ensure that any assets, other than financial assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and the Bank had been written down to amounts which they might be expected to realise.

At the date of this report, the BoD is not aware of any circumstances, which would render the values attributable to the assets in the financial statements of the Group and the Bank misleading.

VALUATION METHODS

At the date of this report, the BoD 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 Group and 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 Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Group and the Bank that has arisen since the end of the financial year other than in the ordinary course of its business operations.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the BoD is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank, which would render any amount stated in the financial statements misleading.

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ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the year were not, in the opinion of the BoD, materially affected by any item, transaction or event of a material and unusual nature except for the outbreak of the Novel Coronavirus Covid-19 ("Covid-19").

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 BoD, to affect substantially the results of the operations of the Group and the Bank for the current financial year in which this report is made.

CORONAVIRUS AND IMPACT ON EXPECTED CREDIT LOSS

The expected credit loss ("ECL") was estimated based on a range of forecast economic conditions as at reporting date. The Coronavirus (Covid-19) outbreak has spread across globally, causing disruption to business and economic activity. The impact on GDP and other key indicators has been considered 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 Group and the Bank, however, this estimate may move materially as events unfold.

THE BOARD OF DIRECTORS

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

- Mr. Dan Harsono, Chairperson, Senior Advisor of Krungsri, Retired on 1 Jan 2023
- Mr. Phongnant Thanattrai, Chairperson, Head of Retail and Consumer Banking of Krungsri, Effective on 1 Jan 2023
- Mr. Chandrashekar Subramanian Krishoolndmangalam, Director, Chief Risk Officer of Krungsri
- Mr. Pairote Cheunkrut, Director, Chief Strategy Officer of Krungsri
- Ms. Duangdao Wongpanitkrit, Director, Chief Financial Officer of Krungsri
- Mr. Hout Ieng Tong, Director, President and Chief Executive Officer of HATTHA Bank Plc.
- Mr. Wanchairabin Jitwattanatham, Director, Executive Vice President of Regional Business Division of Krungsri
- Mr. Dy Davuth, Independent Director, Vice President of Build Bright University
- Mr. Lonh Hay, Independent Director
- Mr. Pak Sereivathana, Independent Director

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement existed to which the Group and the Bank are parties with the objective of enabling Directors of the Group and the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Group and 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 BoD as disclosed in the financial statements) by reason of a contract made by the Group and the Bank or a related corporation with a firm of which the Director is a member, or with a bank in which the Director has a substantial financial interest other than as disclosed in the financial statements.



RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The BoD is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2022, and their financial performance and their cash flows for the year then ended. In preparing these financial statements, the BoD is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the requirements of Cambodian International Financial Reporting Standards ("CIFRSs"), or, if there have been any departures in the interests of fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group and the Bank will continue operations in the foreseeable future; and
- effectively control and direct the Group and the Bank and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The BoD confirms that the Group and the Bank have complied with the above requirements in preparing the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial positions of the Group and the Bank as at 31 December 2022, and their financial performance and their cash flows for the year then ended in accordance with CIFRSs, and at the date of this statement, there are reasonable grounds to believe that the Group and the Bank will be able to pay their debts as and when they fall due.

On behalf of the Board of Directors



Mr. Hout Ieng Tong
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
29 March 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of HATTHA Bank Plc.

Opinion

We have audited the consolidated financial statements of HATTHA Bank Plc. (the "Bank") and its subsidiary (together referred to as the "Group") and the separate financial statements of the Bank (collectively referred to as the "financial statements"), which comprise the consolidated and separate statements of financial position of the Group and the Bank as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 150.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2022, and their financial performance and their 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Group and the Bank for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements in accordance with CIFRSs on 28 February 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment loss allowance on loans to customers</p> <p>Refer to Note 3.6 for the Group's and the Bank's accounting policy on impairment of loans to customers, Note 4 on critical accounting judgements and key sources of estimation uncertainty and Note 39.1.1 for the Group's and the Bank's credit risk management disclosures.</p> <p>The impairment allowance for expected credit loss ("ECL") on loans to customers and provisions for loan commitments are considered to be matters of most significance as they require the application of judgment, estimation, and the use of subjective assumptions by management of the Bank.</p> <p>The Group and the Bank adopted CIFRS 9 – "Financial Instruments" in 2019. CIFRS 9 introduces an ECL impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This complex accounting standard requires considerable judgement and interpretation in its implementation.</p> <p>The significant judgements in applying the accounting requirements for measuring the ECL include the following:</p> <ul style="list-style-type: none"> • Building the appropriate collective assessment models used to calculate the ECL. The models are inherently complex, and judgement is applied in determining the appropriate construct of the models; • Timely identification of loans to customers and financing that have experienced a significant increase in credit risk; • Assumptions used in the ECL models, such as expected future cash flows, forward-looking macroeconomic factors, and data sets; and 	<p>Based on our risk assessment, we established an audit approach including controls and substantive testing as the basis for our opinion. Accordingly, we have performed the following procedures amongst others.</p> <ul style="list-style-type: none"> • We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of the key controls over the allowance for impairment losses. These controls, among others, included: <ul style="list-style-type: none"> - Loan applications and credit reviews - Identification of significant increase in credit risk - Subsequent annual review of the credit worthiness of the borrowers - Accuracy of data inputs • We assessed whether the methodology and assumptions, including the triggers of significant increase in credit risk, used in expected credit loss model are consistent with the requirements of CIFRSs, calculation and post model adjustment of the ECL. • We tested a sample of loan reviews for the appropriateness of the loan grading and staging, and challenged management's evaluations and conclusions on the credit worthiness and classifications of the selected loans. • We evaluated the process used by management to develop forward-looking information. For a sample of significant forward-looking information variables, we compared them to independently derived forecasts and publicly available information. • We tested the accuracy of key inputs into the ECL model by comparing them against source systems and documents. • We re-computed the ECL to test the mathematical accuracy of the ECL model. • We assessed the adequacy of disclosures to ensure compliance with CIFRS 9.

Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> Determination of management overlay as additional ECL for restructured loans and vulnerable sectors or customers. 	<ul style="list-style-type: none"> We involved our internal specialists in the performance of the above procedures, when necessary, where their specific expertise was required. In respect of post model adjustment, based on current economic conditions, restructured loans and vulnerable situation, our audit procedures included the evaluation of the design and implementation of internal control in this process. We assessed the completeness and appropriateness of the assumptions, input data and performed the calculation of the post model adjustment with support from our internal specialist.

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

Management is responsible for the other information. The other information comprises the Report of the Board of Directors set out on pages 1 to 4, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Group's and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional skepticism 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 Group's and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Deloitte (Cambodia) Co., Ltd.



Ung Kimsopheaktra
Partner

Phnom Penh, Kingdom of Cambodia
29 March 2023

HATTHA BANK PLC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		31 December 2022		31 December 2021	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand		65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	5	255,763,733	1,052,979,289	222,244,286	905,423,221
Balances with other banks	6	39,322,849	161,892,169	36,409,433	148,332,030
Loans to customers	7	1,902,504,695	7,832,611,829	1,655,739,462	6,745,482,568
Investment securities	8	15,702,917	64,648,909	20,000	81,480
Derivatives held for risk management					
	18	21,932,357	90,295,514	21,421	87,269
Property and equipment	9	46,858,967	192,918,367	37,663,286	153,440,227
Right-of-use assets	10	11,098,847	45,693,953	10,951,197	44,615,177
Intangible assets	11	4,360,407	17,951,796	4,498,567	18,327,162
Deferred tax assets	12(a)	2,758,323	11,356,016	8,339,480	33,975,042
Other assets	13	23,377,483	96,245,097	26,153,107	106,547,757
TOTAL ASSETS		2,388,786,695	9,834,634,823	2,055,646,217	8,374,702,687
LIABILITIES					
Deposits from customers and financial institutions	14	1,192,731,586	4,910,475,940	1,039,798,652	4,236,139,708
Debt securities issued	15	43,726,699	180,022,820	-	-
Borrowings	16	609,270,408	2,508,366,270	588,064,151	2,395,773,351
Subordinated debts	17	74,012,302	304,708,647	44,106,167	179,688,524
Derivatives held for risk management					
	18	1,730,083	7,122,752	2,510,693	10,228,563
Current income tax liabilities	12(b)	13,762,201	56,658,982	12,908,783	52,590,382
Lease liabilities	19	12,286,830	50,584,879	12,089,132	49,251,124
Provisions	20	4,068	16,748	11,596	47,242
Other liabilities	22	19,746,858	81,297,813	23,103,208	94,122,469
TOTAL LIABILITIES		1,967,271,035	8,099,254,851	1,722,592,382	7,017,841,363
EQUITY					
Share capital	23	140,000,000	576,380,000	140,000,000	570,360,000
Share premium		19,082,502	78,562,661	19,082,502	77,742,113
Reserves	24	44,817,549	194,829,040	14,830,872	64,888,870
Non-distributable reserve	25	70,000,000	288,190,000	50,000,000	203,700,000
Retained earnings		147,615,609	597,418,271	109,140,461	440,170,341
TOTAL EQUITY		421,515,660	1,735,379,972	333,053,835	1,356,861,324
TOTAL LIABILITIES AND EQUITY		2,388,786,695	9,834,634,823	2,055,646,217	8,374,702,687

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

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

	Note	Year ended 31 December 2022		Year ended 31 December 2021	
		US\$	KHR'000	US\$	KHR'000
Interest income	26	273,339,787	1,117,139,709	216,772,100	881,828,903
Interest expense	26	(110,662,184)	(452,276,346)	(88,674,394)	(360,727,435)
Net interest income		162,677,603	664,863,363	128,097,706	521,101,468
Fee and commission income	27	9,849,027	40,252,973	7,716,353	31,390,124
Fee and commission expense	27	(1,713,251)	(7,002,057)	(1,028,991)	(4,185,935)
Net fee and commission income		8,135,776	33,250,916	6,687,362	27,204,189
Net losses from other financial instruments at FVTPL	28	(1,025,146)	(4,189,772)	(526,143)	(2,140,350)
Other income	29	224,945	919,350	262,186	1,066,573
Net impairment losses on financial instruments	30	(4,716,353)	(19,275,735)	(4,766,060)	(19,388,332)
Personnel expenses	31	(53,464,374)	(218,508,897)	(47,882,519)	(194,786,087)
Depreciation and amortisation	32	(6,498,178)	(26,558,053)	(5,902,578)	(24,011,687)
Other expenses	33	(13,161,382)	(53,790,568)	(18,797,266)	(76,467,278)
Profit before income tax		92,172,891	376,710,604	57,172,688	232,578,496
Income tax expense	12(c)	(18,329,240)	(74,911,604)	(12,166,107)	(49,491,723)
Profit for the year		73,843,651	301,799,000	45,006,581	183,086,773
Other comprehensive income/(loss)					
Cash flow hedge reserve		18,272,718	74,680,598	4,264,647	17,348,584
Income tax relating to components of other comprehensive income		(3,654,544)	(14,936,121)	(852,929)	(3,469,715)
Currency translation differences		-	10,753,736	-	4,488,367
		14,618,174	70,498,213	3,411,718	18,367,236
Total comprehensive income for the year		88,461,825	372,297,213	48,418,299	201,454,009
Profit attributable to shareholder		73,843,651	301,799,000	45,006,581	183,086,773
Total comprehensive income attributable to shareholder		88,461,825	372,297,213	48,418,299	201,454,009

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

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

	Attributable to the shareholder					Total US\$
	Share capital US\$	Share premium US\$	Reserves US\$	Non-distributable reserve US\$	Retained earnings US\$	
Year ended 31 December 2021						
At 1 January 2021	115,000,000	19,082,502	(1,968,634)	30,000,000	97,521,668	259,635,536
Issuance of share capital	25,000,000	-	-	-	-	25,000,000
Profit for the year	-	-	-	-	45,006,581	45,006,581
Other comprehensive loss	-	-	3,411,718	-	-	3,411,718
Total comprehensive income for the year	-	-	3,411,718	-	45,006,581	48,418,299
Transfers	-	-	13,387,788	20,000,000	(33,387,788)	-
At 31 December 2021	140,000,000	19,082,502	14,830,872	50,000,000	109,140,461	333,053,835
In KHR'000 equivalents	570,360,000	77,742,113	64,888,870	203,700,000	440,170,341	1,356,861,324
Year ended 31 December 2022						
At 1 January 2022	140,000,000	19,082,502	14,830,872	50,000,000	109,140,461	333,053,835
Issuance of share capital	-	-	-	-	-	-
Profit for the year	-	-	-	-	73,843,651	73,843,651
Other comprehensive income	-	-	14,618,174	-	-	14,618,174
Total comprehensive income for the year	-	-	14,618,174	-	73,843,651	88,461,825
Transfers	-	-	15,368,503	20,000,000	(35,368,503)	-
At 31 December 2022	140,000,000	19,082,502	44,817,549	70,000,000	147,615,609	421,515,660
In KHR'000 equivalents	576,380,000	78,562,661	194,829,040	288,190,000	597,418,271	1,735,379,972

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

HATTHA BANK PLC. AND ITS SUBSIDIARY
**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

		Year ended 31 December 2022		Year ended 31 December 2021	
	Note	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		92,172,891	376,710,604	57,172,688	232,578,496
<i>Adjustments for:</i>					
Net interest income	26	(162,677,603)	(664,863,363)	(128,097,706)	(521,101,468)
Net losses from other financial instruments at FVTPL	28	1,025,146	4,189,772	526,143	2,140,350
Dividends on equity securities at FVOCI		(15,502)	(63,356)	(15,577)	(63,366)
Net impairment losses on financial instruments	30	4,716,353	19,275,735	4,766,060	19,388,332
Depreciation and amortisation	32	6,498,178	26,558,053	5,902,578	24,011,687
Provision for employee benefits		1,917,650	7,837,436	1,815,546	7,385,641
Gains on disposals of property and equipment		(96,985)	(396,378)	(260)	(1,058)
Effect of currency translation of monetary items		1,385,848	5,663,961	(4,461,439)	(18,149,134)
Written-off of property and equipment and intangible asset		-	-	94,701	385,244
		(55,074,024)	(225,087,536)	(62,297,266)	(253,425,276)
<i>Changes in:</i>					
Balances with the NBC		(26,308,072)	(107,521,090)	(4,336,988)	(17,642,867)
Balances with other banks		(307,662)	(1,257,415)	(304,513)	(1,238,759)
Loans to customers		(250,848,888)	(1,025,219,405)	(371,196,243)	(1,510,026,317)
Other assets		2,431,237	9,936,466	(4,285,259)	(17,432,434)
Deposits from customers and financial institutions		143,027,256	584,552,395	233,905,161	951,526,195
Other liabilities		(3,356,349)	(13,717,398)	13,188,318	53,650,078
Cash used in operations		(190,436,502)	(778,313,983)	(195,326,790)	(794,589,380)
Interest received		267,604,357	1,093,699,007	213,397,584	868,101,372
Interest paid		(97,850,036)	(399,913,097)	(87,343,647)	(355,313,956)
Income tax paid	12(b)	(15,549,209)	(63,549,617)	(8,951,148)	(36,413,270)
Net cash used in operating activities		(36,231,390)	(148,077,690)	(78,224,001)	(318,215,234)
Cash flows from investing activities					
Purchases of property and equipment	9	(11,577,527)	(47,317,353)	(4,946,287)	(20,121,496)
Purchases of intangible assets	11	(708,619)	(2,896,126)	(1,381,020)	(5,617,989)
Purchases of investment securities		(15,000,000)	(61,305,000)	-	-
Placement of capital guarantee		-	-	(2,500,000)	(10,170,000)
Prepayment of building construction		-	-	(7,061,522)	(28,726,271)
Proceeds from disposals of property and equipment		100,748	411,757	1,736	7,062
Dividend received		15,502	63,356	15,577	63,366
Net cash used in investing activities		(27,169,896)	(111,043,366)	(15,871,516)	(64,565,328)

HATTHA BANK PLC. AND ITS SUBSIDIARY

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

Note	Year ended 31 December 2022		Year ended 30 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash flows from financing activities				
Proceeds from borrowings	349,116,943	1,426,840,946	336,316,042	1,368,133,659
Proceeds from debt securities issuance	39,397,240	161,016,520	-	-
Proceeds from subordinated debts	30,000,000	122,610,000	35,000,000	142,380,000
Repayments of borrowings	(327,702,125)	(1,339,318,585)	(175,805,653)	(715,177,396)
Repayments of subordinated debts	(2,000,000)	(8,174,000)	(2,000,000)	(8,136,000)
Repayments of debt securities issuance	-	-	(29,666,255)	(120,682,325)
Principal elements of lease payments	(4,080,216)	(16,675,843)	(3,915,300)	(15,927,440)
Issuance of share capital	-	-	25,000,000	101,700,000
Net cash from financing activities	84,731,842	346,299,038	184,928,834	752,290,498
Net increase in cash and cash equivalents	21,330,556	87,177,982	90,833,317	369,509,936
Cash and cash equivalents at the beginning of the year	177,193,721	721,887,219	86,360,404	349,327,834
Currency translation differences	-	8,259,247	-	3,049,449
Cash and cash equivalents at the end of year	198,524,277	817,324,448	177,193,721	721,887,219

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

HATTHA BANK PLC.**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

		31 December 2022		31 December 2021	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand		65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	5	255,763,733	1,052,979,289	222,244,286	905,423,221
Balances with other banks	6	39,271,552	161,680,980	36,358,121	148,122,985
Loans to customers	7	1,902,504,695	7,832,611,829	1,655,739,462	6,745,482,568
Investment securities	8	15,702,917	64,648,909	20,000	81,480
Investment in subsidiary		3,508,844	14,445,911	490	1,996
Derivatives held for risk management	18	21,932,357	90,295,514	21,421	87,269
Property and equipment	9	17,429,529	71,757,371	8,233,488	33,543,230
Right-of-use assets	10	20,924,572	86,146,463	21,038,360	85,710,279
Intangible assets	11	4,360,407	17,951,796	4,498,567	18,327,162
Deferred tax assets	12(a)	2,468,967	10,164,737	8,249,769	33,609,559
Other assets	13	23,876,250	98,298,521	26,651,875	108,579,738
TOTAL ASSETS		2,372,849,940	9,769,023,204	2,036,661,817	8,297,360,241
LIABILITIES					
Deposits from customers and financial institutions	14	1,193,357,329	4,913,052,123	1,040,432,277	4,238,721,096
Debt securities issued	15	43,726,699	180,022,820	-	-
Borrowings	16	579,769,689	2,386,911,810	558,563,432	2,275,587,422
Subordinated debts	17	74,012,302	304,708,647	44,106,167	179,688,524
Derivatives held for risk management	18	1,730,083	7,122,752	2,510,693	10,228,563
Current income tax liabilities	12(b)	13,710,127	56,444,593	12,856,311	52,376,611
Lease liabilities	19	23,061,149	94,942,750	22,725,395	92,583,259
Provisions	20	4,068	16,748	11,596	47,242
Financial guarantee liabilities issued	21	2,892,433	11,908,147	-	-
Other liabilities	22	19,737,315	81,258,527	23,094,527	94,087,103
TOTAL LIABILITIES		1,952,001,194	8,036,388,917	1,704,300,398	6,943,319,820
EQUITY					
Share capital	23	140,000,000	576,380,000	140,000,000	570,360,000
Share premium		19,082,502	78,562,661	19,082,502	77,742,113
Reserves	24	44,817,549	194,798,269	14,830,872	64,887,106
Non-distributable reserve	25	70,000,000	288,190,000	50,000,000	203,700,000
Retained earnings		146,948,695	594,703,357	108,448,045	437,351,202
TOTAL EQUITY		420,848,746	1,732,634,287	332,361,419	1,354,040,421
TOTAL LIABILITIES AND EQUITY		2,372,849,940	9,769,023,204	2,036,661,817	8,297,360,241

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

HATTHA BANK PLC.

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

	Note	Year ended 31 December 2022		Year ended 31 December 2021	
		US\$	KHR'000	US\$	KHR'000
Interest income	26	273,339,787	1,117,139,709	216,772,100	881,828,903
Interest expense	26	(110,907,844)	(453,280,358)	(88,905,833)	(361,668,929)
Net interest income		162,431,943	663,859,351	127,866,267	520,159,974
Fee and commission income	27	10,464,948	42,770,242	7,716,353	31,390,124
Fee and commission expense	27	(1,713,251)	(7,002,057)	(1,028,991)	(4,185,935)
Net fee and commission income		8,751,697	35,768,185	6,687,362	27,204,189
Net losses from other financial instruments at FVTPL	28	(1,025,146)	(4,189,772)	(526,143)	(2,140,350)
Other income	29	269,416	1,101,103	302,720	1,231,465
Net impairment losses on financial instruments	30	(4,716,353)	(19,275,735)	(4,766,060)	(19,388,332)
Personnel expenses	31	(53,458,872)	(218,486,410)	(47,877,616)	(194,766,142)
Depreciation and amortisation	32	(6,759,256)	(27,625,079)	(6,163,657)	(25,073,757)
Other expenses	33	(13,156,363)	(53,770,056)	(18,789,261)	(76,434,714)
Profit before income tax		92,337,066	377,381,587	56,733,612	230,792,333
Income tax expense	12(c)	(18,467,913)	(75,478,360)	(12,180,322)	(49,549,550)
Profit for the year		73,869,153	301,903,227	44,553,290	181,242,783
Other comprehensive income/(loss)					
Cash flow hedge reserve		18,272,718	74,680,598	4,264,647	17,348,584
Income tax relating to components of other comprehensive income		(3,654,544)	(14,936,121)	(852,929)	(3,469,715)
Currency translation differences		-	10,722,965	-	4,486,603
		14,618,174	70,467,442	3,411,718	18,365,472
Total comprehensive income for the year		88,487,327	372,370,669	47,965,008	199,608,255
Profit attributable to shareholder		73,869,153	301,903,227	44,553,290	181,242,783
Total comprehensive income attributable to shareholder		88,487,327	372,370,669	47,965,008	199,608,255

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

HATTHA BANK PLC.

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

	Attributable to shareholder				
	Share capital	Share premium	Reserves	Non-distributable reserve	Retained earnings
	US\$	US\$	US\$	US\$	US\$
Year ended 31 December 2021					
At 1 January 2021	115,000,000	19,082,502	(1,968,634)	30,000,000	97,282,543
Issuance of share capital	25,000,000	-	-	-	-
Profit for the year	-	-	-	-	44,553,290
Other comprehensive loss	-	-	3,411,718	-	-
Total comprehensive income for the year	-	-	3,411,718	-	44,553,290
Transfers	-	-	13,387,788	20,000,000	(33,387,788)
At 31 December 2021	140,000,000	19,082,502	14,830,872	50,000,000	108,448,045
In KHR'000 equivalents	570,360,000	77,742,113	64,887,106	203,700,000	437,351,202
Year ended 31 December 2022					
At 1 January 2022	140,000,000	19,082,502	14,830,872	50,000,000	108,448,045
Issuance of share capital	-	-	-	-	-
Profit for the year	-	-	-	-	73,869,153
Other comprehensive income	-	-	14,618,174	-	-
Total comprehensive income for the year	-	-	14,618,174	-	73,869,153
Transfers	-	-	15,368,503	20,000,000	(35,368,503)
At 31 December 2022	140,000,000	19,082,502	44,817,549	70,000,000	146,948,695
In KHR'000 equivalents	576,380,000	78,562,661	194,798,269	288,190,000	594,703,357

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

HATTHA BANK PLC.
**SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Note	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities				
Profit before income tax	92,337,066	377,381,587	56,733,612	230,792,333
<i>Adjustments for:</i>				
Net interest income	26 (162,431,943)	(663,859,351)	(127,866,267)	(520,159,974)
Net losses from other financial instruments at FVTPL	28 1,025,146	4,189,772	526,143	2,140,350
Dividends on equity securities at FVOCI	(15,502)	(63,356)	(15,577)	(63,366)
Net impairment losses on financial instruments	30 4,716,353	19,275,735	4,766,060	19,388,332
Depreciation and amortisation	32 6,759,256	27,625,079	6,163,657	25,073,757
Provision for employee benefits	1,917,650	7,837,436	1,815,546	7,385,641
Other guarantee fee income	(615,921)	(2,517,269)	-	-
(Gains)/Losses on disposals of property and equipment	(96,985)	(396,378)	(260)	(1,058)
Written-off of property and equipment and intangible asset	-	-	94,701	385,244
Effect of currency translation of monetary items	1,385,848	5,663,961	(4,461,439)	(18,149,134)
	(55,019,032)	(224,862,784)	(62,243,824)	(253,207,875)
<i>Changes in:</i>				
Balances with the NBC	(26,308,072)	(107,521,090)	(4,336,988)	(17,642,867)
Balances with other banks	(307,662)	(1,257,415)	(304,513)	(1,238,759)
Loans to customers	(250,848,888)	(1,025,219,405)	(371,196,243)	(1,510,026,317)
Other assets	2,431,237	9,936,466	(4,286,836)	(17,438,849)
Deposits from customers and financial institutions	143,019,374	584,520,182	233,948,213	951,701,330
Other liabilities	(3,357,212)	(13,720,925)	13,189,819	53,656,184
Cash used in operations	(190,390,255)	(778,124,971)	(195,230,372)	(794,197,153)
Interest received	267,563,918	1,093,533,733	213,361,420	867,954,257
Interest paid	(97,252,855)	(397,472,418)	(86,746,466)	(352,884,624)
Income tax paid	12(b) (15,487,839)	(63,298,798)	(8,922,342)	(36,296,087)
Net cash used in operating activities	(35,567,031)	(145,362,454)	(77,537,760)	(315,423,607)
Cash flows from investing activities				
Purchases of property and equipment	9 (11,577,527)	(47,317,353)	(4,946,287)	(20,121,496)
Purchases of intangible assets	11 (708,619)	(2,896,126)	(1,381,020)	(5,617,989)
Purchases of investment securities	(15,000,000)	(61,305,000)	-	-
Placement of capital guarantee	-	-	(2,500,000)	(10,170,000)
Prepayment of building construction	-	-	(7,061,522)	(28,726,271)
Proceeds from disposals of property and equipment	100,748	411,757	1,736	7,062
Dividend received	15,502	63,356	15,577	63,366
Net cash used in investing activities	(27,169,896)	(111,043,366)	(15,871,516)	(64,565,328)

HATTHA BANK PLC.
**SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Year ended 31 December 2022		Year ended 31 December 2021	
		US\$	KHR'000	US\$	KHR'000
Cash flows from financing activities					
Proceeds from borrowings		349,116,943	1,426,840,946	336,316,042	1,368,133,659
Proceeds from debt securities issuance		39,397,240	161,016,520	-	-
Proceeds from subordinated debts		30,000,000	122,610,000	35,000,000	142,380,000
Repayments of borrowings		(327,702,125)	(1,339,318,585)	(175,805,653)	(715,177,396)
Repayments of subordinated debts		(2,000,000)	(8,174,000)	(2,000,000)	(8,136,000)
Repayments of debt securities issuance		-	-	(29,666,255)	(120,682,325)
Principal elements of lease payments		(4,744,560)	(19,391,017)	(4,579,644)	(18,629,992)
Issuance of share capital		-	-	25,000,000	101,700,000
Net cash from financing activities		84,067,498	343,583,864	184,264,490	749,587,946
Net increase in cash and cash equivalents		21,330,571	87,178,044	90,855,214	369,599,011
Cash and cash equivalents at the beginning of the year		177,142,409	721,678,174	86,287,195	349,031,704
Currency translation differences		-	8,257,041	-	3,047,459
Cash and cash equivalents at the end of year	34	198,472,980	817,113,259	177,142,409	721,678,174

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. REPORTING ENTITY

HATTHA Bank Plc. (the "Bank") transforming from Hattha Kaksekar Limited (HKL) micro-finance deposit taking institution, obtained license to carry out banking operations from the National Bank of Cambodia ("NBC") on 5 August 2020 and endorsed this change in the amended Memorandum and Associations dated 26 August 2020 with the certificate of incorporation No. 00005355 dated 3 April 2001 issued by the Ministry of Commerce.

The Bank is wholly owned by Bank of Ayudhya PCL. ("Krungsri"), a bank incorporated in Thailand, its ultimate parent company is MUFG, a company incorporated in Japan.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There were no significant changes to these principal activities during the year.

The Bank operates in 177 offices (including the Head Office) located in Phnom Penh and all provinces of the country with the primary source of income being interest income earned on providing loans to customers.

The Bank's registered office is located at No. 606, Street 271, Sansam Kosal 3 Village, Sangkat Boeng Tumpun 1, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

HATTHA SERVICES Co., Ltd., the Bank's subsidiary, was incorporated on 8 October 2019 by the Bank and Saray Holding Limited, a private limited company incorporated in Cambodia. The principal activity of the subsidiary is buying, selling, renting and operating of self-owned or leased real estate.

The financial statements of the Group and the Bank were authorised for issue by the Board of Directors on 29 March 2023.

2. BASIS OF ACCOUNTING

2.1 Basis of preparation

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

The financial statements have been prepared on a historical cost basis, except as explained in the accounting policies below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF ACCOUNTING (continued)

2.2 Functional and presentation currency

The Group and the Bank transact its business and maintains its accounting records in three currencies, Khmer Riel ("KHR"), United States Dollars ("US\$") and Thai Baht ("THB"). Management has determined the US\$ to be the functional and presentation currency of the Group and the Bank as it reflects the economic substance of the underlying events and circumstances of the Group and the Bank.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation are recognised in profit or loss.

2.3 Presentation in Khmer Riel

The translation of the US\$ amounts into KHR is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year, as announced by the National Bank of Cambodia.

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognised in other comprehensive income ("OCI").

The financial statements presented in KHR are based on the following applicable exchange rates per US\$1:

	<i>Closing rate</i>	<i>Average rate</i>
31 December 2022	4,117	4,087
31 December 2021	4,074	4,068

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

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF ACCOUNTING (continued)

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary made up to the end of each financial year.

A subsidiary is a company in which the Group has power to exercise control over the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiary acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiary that do not result in the group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF ACCOUNTING (continued)

2.4 Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable CIFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under CIFRS 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Bank's separate financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

The Bank owns 49% of the share capital of HATTHA SERVICES Co., Ltd., and other 51% is owned by Saray Holding Limited. Even though the Bank owns 49% of the shareholding in HATTHA SERVICES Co., Ltd., the BoD believes that they have full control over this subsidiary because all operating and financial decisions are governed and directed by the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Interest

Effective interest rate (EIR)

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate or EIR" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments, the Group and the Bank estimate future cash flows considering all contractual terms of the financial instrument, but not the expected credit losses (ECL).

The calculation of the EIR includes all fees paid or received between parties to the contract that are an integral part of the EIR, and transactions costs. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Interest (continued)

Amortised cost and gross carrying amount (continued)

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The EIR of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the EIR is applied to the gross carrying amount of the asset before adjusting for any expected credit loss allowance or to the amortised cost of the liability. The EIR is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in profit or loss includes interest on financial assets measured at amortised cost.

Interest expense presented in profit or loss includes financial liabilities measured at amortised cost.

3.2 Fee and commission

Fee and commission income and expense include fees other than those that are an integral to the EIR on a financial asset or financial liability (see Note 3.1).

Fee and commission income, including referral fees, remittance fees, service charges and fees on deposit accounts, other fees and commissions on loans and other fee income are recognised when the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's and the Bank's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Group and the Bank first apply CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then apply CIFRS 15 to the residual.

Fee and commission expense relates mainly to transaction and service fees, and are accounted when the services are received.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Net gains/losses from other financial instruments at fair value through profit or loss (FVTPL)

Net gains/losses from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, and foreign exchange differences.

3.4 Employee benefits

Retention Bonus

The Group and the Bank provide its employees upon completion of probationary period with retention bonus, being a defined contribution plan. The Group and the Bank contribute fund to each individual employee on a monthly basis at a percentage of the employees' monthly salaries based on their years of service, as follows:

Number of working year	Monthly rate
Up to 5 years	6%
More than 5 years to 10 years	8%
More than 10 years	10%

The retention bonus is maintained in savings accounts under the name of each employee with the Bank, and the withdrawal can only be made upon resignation, death or retirement. Upon resignation or retirement, an employee who has worked for the Bank for three years or more is entitled to the retention bonus accumulated and interest earned in their savings accounts.

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.5 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The Group and the Bank have 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 expenses".

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Income tax (continued)

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

Deferred tax assets are recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax 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 Group and the Bank expect, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

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

3.6 Financial assets and financial liabilities

Recognition and initial measurement

The Group and the Bank initially recognise balances with the NBC, balances with other banks, loans to customers, investment securities, deposits from customers and financial institutions, debt securities issued, derivatives held for risk management, borrowings, and subordinated debts on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Bank change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Classification and subsequent measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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 on the principal amount outstanding (SPPI).

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group and 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 Group and the Bank assess 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 Group's and 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 of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Classification and subsequent measurement (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest:

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 that are SPPI, the Group and the Bank consider 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.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group and the Bank changes its business model for managing financial assets.

Financial liabilities

The Group and the Bank classify its financial liabilities as measured at amortised cost, except for derivatives held for risk management that are not hedge accounting which are measured at FVTPL.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with CIFRS 9; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of CIFRS 15.

Modification and derecognition

Financial assets

The Group and the Bank derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in profit or loss.

If the terms of a financial asset are modified, then the Group and the Bank evaluate whether the cash flows of the modified asset are substantially different.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Modification and derecognition (continued)

Financial assets (continued)

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group and the Bank plan to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset; then the Group and the Bank first recalculate the gross carrying amount of the financial asset using the original EIR of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities

The Group and the Bank derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group and the Bank derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original EIR and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the EIR on the instrument.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Modification and derecognition (continued)

Interest rate benchmark reform

If the basis for 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 Group and the Bank update 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 Group and the Bank first update 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 Group and the Bank apply the policies on accounting for modifications set out above to the additional changes.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group and the Bank currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions.

Fair value measurement

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group and the Bank measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group and the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Fair value measurement (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group and the Bank determine that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair value of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: *Financial Instruments Disclosures* which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Group's and the Bank's financial instruments such as cash and short-term funds, balances with the NBC, deposits and placements with banks and other financial institutions, deposits from customers and other financial institutions, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's and the Bank's market assumptions. The fair value hierarchy is as follows:

Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Fair value hierarchy (continued)

Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group and the Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- loan commitments: generally, as a provision.

For more details of impairment, refer to Note 38.1.4.

Write-off

Loans are written off in full when there is no reasonable expectation of recovering a financial asset in its entirety thereof. This is generally the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in the 'Net impairment gains/(losses) on financial instruments' in profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances held with the NBC and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group and the Bank in the management of their short-term commitments.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Derivatives held for risk management

Derivative held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are measured at fair value in the statement of financial position.

The Group and the Bank designate certain derivative held for risk management as hedging instruments in qualifying hedging relationships.

Policy applicable generally to hedging relationships

On initial designation of the hedge, the Group and the Bank formally document the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group and the Bank make an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the Group and the Bank make an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group and the Bank normally designate a portion of the cash flows of a financial instrument for cash flows or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counter party ("CCP") by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group and the Bank immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group and the Bank reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Derivatives held for risk management (continued)

Cash flow hedges (continued)

Regarding the specific policies for hedges affected by the IBOR reform in the Phase 1 amendments, the notional amounts of hedging instruments documented in the hedging relationships which might impacted by the benchmark interest rate reform are presented in note 18A.

Specific policies for hedges affected by IBOR reform

i. Interest Rate Benchmark Reform (Amendments to CIFRS 9, CIAS 39 and CIFRS 7) issued in September 2019 (the Phase 1 amendments)

If a hedging relationship is directly affected by IBOR reform, then the Group and the Bank apply certain exceptions (referred to as 'the Phase 1 amendments') to the general hedge accounting policy. The Group and the Bank consider that a hedging relationship is directly affected by IBOR reform if it is subject to the following uncertainty arising from the reform:

- an interest rate benchmark subject to the reform is designated as the hedged risk, regardless of whether the rate is contractually specified; and/or
- the timing or amounts of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument are uncertain.

When the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued, the Group and the Bank cease to apply the respective Phase 1 amendments.

However, when determining whether a previously designated forecast transaction is no longer expected to occur, the Group and the Bank continue to assume that the hedged interest rate benchmark cash flows will not be altered as a result of IBOR reform in accordance with the Phase 1 exemption.

The Group and the Bank have concluded that as at 31 December 2022 there is no uncertainty in relation to IBOR reform in respect of its hedging relationships.

ii. Interest Rate Benchmark Reform (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) issued in August 2020 (the Phase 2 amendments)

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group and the Bank amends the hedge documentation of that hedging relationship to reflect the changes required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- updating the description of the hedging instrument; or
- updating the description of how the Group and the Bank will assess hedge effectiveness.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Derivatives held for risk management (continued)

Cash flow hedges (continued)

The Group and the Bank amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The phase 2 amendments are not applicable as the Group and the Bank have not received formal interest rate reset from the relevant counter parties yet. Hence, the formal hedge documentation has not been updated by the end of the reporting period.

3.9 Loans to customers

Loans to customers captioned in the statement of financial position represent loans measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest rate method.

3.10 Investment securities

Investment securities caption in the statement of financial position represent equity investment securities designated as at FVOCI and debt securities measured at amortised cost.

3.11 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the Bank. Ongoing repairs and maintenance are expensed as incurred.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Property and equipment (continued)

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

	Useful lives
Leasehold improvement	3 – 10 years
Motor vehicles	3 – 5 years
Computer equipment	3 – 5 years
Equipment	3 – 5 years
Furniture and fixtures	3 – 5 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Fully depreciated items of property and equipment are retained in the statement of financial position until disposed of or written off.

3.12 Intangible assets

Intangible assets consist of software and licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on software and licenses is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use.

The estimated useful life of software for the current and comparative periods is as follows:

Software and License	3 – 7 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Work in progress, if any, is not amortised until such time as the relevant intangible assets are completed and put into operational use.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Leases

The Group and the Bank assess whether a contract is or contains a lease, at inception of a contract.

Leases as lessee

The Group and the Bank recognise right-of-use assets and corresponding lease liabilities with respect to all lease agreements in which it is the lessee, except for leases of low value assets. For these leases, the Group and the Bank recognise the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate which is the rate of interest that the Group and the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

The Group and the Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liabilities are presented as a separate line in the statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group and the Bank remeasure the lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever

- the lease term has changed in which case the lease liabilities are remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liabilities are remeasured by discounting the revised lease payments using a revised discount rate.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Leases (continued)

Leases as lessee (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and initial direct costs if any. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are presented as a separate line in the statement of financial position.

3.14 Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset (or its cash-generating) unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit and loss.

An impairment loss is reversed only 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, if no impairment loss had been recognised.

3.15 Deposits, debt securities issued, borrowings and subordinated debts

Deposits from customers and financial institutions, debt securities issued, borrowings and subordinated debts are the Group's and the Bank's sources of debt funding.

Deposits from customers and financial institutions, debt securities issued, borrowings and subordinated debts are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

Subordinated debts are long-term debts that are junior in terms of principal repayment to other Group's and the Bank's debts. The subordinated debts which are approved by the NBC are included as a Tier II line item in the calculation of the Group's and the Bank's net worth in accordance with the guidelines of the NBC.

3.16 Provisions

Provisions are recognised if, as a result of a past event, the Group and the Bank have a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.17 Contingent liabilities

Contingent liability shall be not recognised initially but it may be disclosed for its significant information, except for possibility of an outflow of resources embodying economic in the future. Contingent liabilities may change from initially expected. Therefore, they are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Contingent assets

Contingent asset shall be not recognised initially but it may be disclosed for its significant information normally when unplanned or other unexpected events give rise to the possibility of an inflow of economic benefits to the Group and the Bank. Contingent assets are assessed continuously to ensure that contingent assets are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements.

3.19 Reserves

Legal reserves

Before acquisition by Bank of Ayudhya PCL. ("Krungsri"), a new Bank's shareholder, the Bank's Articles of Incorporation required a transfer from retained earnings at the rate of 5% of its prior year net profit to these legal reserves. The transfer to this reserve fund shall cease when the fund is equal to 10% of the Bank's registered capital. According to the new Memorandum and Articles of Association approved by the MoC on 12 September 2016, legal reserves are no longer required after the Bank becomes solely-owned by Krungsri.

Regulatory provisions and regulatory reserves

On 1 December 2017, NBC issued a Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions.

Facilities under this Prakas is defined as all loans and other financial products, whether reported on balance sheet or off-balance sheet, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

According to the Prakas, the Group and the Bank are required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRSs. Excess amount of provision calculated in accordance with regulatory provision compared to the provision calculated under CIFRSs has to be transferred from retained earnings to the regulatory reserve of the equity.

Reversal of regulatory reserves

When the impairment loss allowance calculated in accordance with regulatory provision is subsequently less than that calculated under CIFRSs, the regulatory reserve is reversed to the amount that does not exceed the amount that would have been determined had no regulatory reserve been recognised in prior years.

On 16 February 2018, NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning. According to the Circular, the Group and the Bank are required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into five classes with provision rates as follows:

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Reserves (continued)

Regulatory provisions and regulatory reserves (continued)

Classifications	Number of days past due	Allowance
<u>General allowance</u>		
<u>Short-term facilities (one year or less)</u>		
Normal	0-14 days	1%
<u>Long-term facilities (more than one year)</u>		
Normal	0-29 days	1%
<u>Specific allowance</u>		
<u>Short-term facilities (one year or less)</u>		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days and above	100%
<u>Long-term facilities (more than one year)</u>		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days and above	100%

For facilities with repayment as quarterly, semi-annually or longer, such facilities shall be classified as substandard if their repayments are past due after five working days.

The allowance is calculated as a percentage of the facility amount outstanding as at each reporting period.

Non-distributable reserve

Non-distributable reserve is set up to strengthen Tier 1 capital and manage solvency ratio to be in compliance with NBC's requirements. The transfer from retained earnings to non-distributable reserves is subject to the approval of the NBC. The reserve cannot be distributed without prior approval from the NBC.

Others reserves

From 9 December 2010, a lender, Instituto de Credito Oficial ("ICO") of the Kingdom of Spain, required the Group and the Bank to set up a reserve in accordance with the requirement set out in the loan agreement under the Spanish Microfinance Program. The reserve is transferred annually from the retained earnings based on a rate of 3.5% of the outstanding loans from ICO at the end of each year until 9 March 2023.

The other reserves are for Institutional Strengthening and still retained in other reserved accounts during the life of the loan, except otherwise agreed by ICO and Agencia Española de Cooperación Internacional para el Desarrollo ("AECID"). Based on the loan agreement, the "other reserve" from that loan cannot be distributed for the life of loan, unless allowed by the lender with a request from the Group and the Bank to debit from that reserve account.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability accordingly to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

4.1 Critical judgments in applying the accounting policies

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see Note 3.6). The Group and the Bank determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Bank monitor financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Group's and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

Expected Credit Loss ("ECL") are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 and stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. In assessing whether the credit risk of an asset has significantly increased, the Group and the Bank take into account qualitative and quantitative reasonable and supportable forward-looking information.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Critical judgments in applying the accounting policies (continued)

Significant increase in credit risk (continued)

To monitor and identify the significant increase in credit risk for impairment, the Group and the Bank apply the approaches and criteria below:

- Quantitative criteria: compare the change in PD at the reporting date from the origination date (change in cumulative residual unbiased PD, or change in unbiased PD comparing the origination unbiased PD expected at the reporting date with the current PD at reporting). However, these quantitative criteria will be incorporated Behaviour Credit Scoring when the Group and the Bank have enough data.
- Qualitative criteria: the Group and the Bank have established the procedure for credit review. The independent credit review shall be conducted to review the facility quality and signal of significant increase in credit risk by applying the prudential criteria from the NBC.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group and the Bank monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group and the Bank use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

4.2 Key sources of estimation uncertainty

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in financial statements includes the followings:

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 Key sources of estimation uncertainty (continued)

Probability of default (PD)

The Probability of Default ("PD") is defined as an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of one year. The estimation of ECL under the CIFRS 9 requires a 12-month PD and lifetime PD estimation. 12-month ECLs represent a portion of lifetime ECLs and the probability of a default occurring in the 12 months after the reporting date. On the other hand, for lifetime ECLs, the Group and the Bank would need to estimate the risk of a default occurring throughout the expected lifetime of a financial instrument. Hence, a lifetime PD table is required to be computed based on the Bank's past historical data. In addition, the lifetime PD model is required to incorporate the seasonal changes and rating migration of the portfolio as well.

CIFRS 9 requires the application of forward-looking adjustments to the PD estimation to reflect the future macroeconomic scenarios. A term structure will be constructed using a statistical approach depending on data availability for the lifetime PD computation purpose.

Loss Given Default (LGD)

The Loss Given Default ("LGD") is defined as the percentage of exposure the financial institution might lose in case the borrower defaults. These losses are usually shown as a percentage of Exposure at Default ("EAD"), and depend, amongst others, on the type and amount of collateral as well as the type of borrower and the expected proceeds from the workout of the assets.

Forward Looking

With the change of standard from CIAS 39 to CIFRS 9 from an incurred loss model to an expected loss model, the analysis of the relationship between the historical default experience and the macroeconomic conditions is required. From thereon, using the related Macro Economic Variables ("MEVs"), the Group and the Bank can assign an appropriate amount of ECL according to the changes in the relevant economic condition.

In the event that there is a new product or insufficient data for a portfolio, the Group and the Bank shall leverage on other portfolios with similar characteristics until sufficient default data is available for forward-looking analysis.

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread globally, causing disruption to business and economic activity. The impact on Gross Domestic Product ("GDP") and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL.

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 Group and the Bank, however, this estimate may move materially as events unfold. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Group and the Bank.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 Key sources of estimation uncertainty (continued)

Management overlay

The Group and the Bank provide management overlay as an additional ECL for restructured loans and vulnerable sectors, or customers based on the assumptions that they have a higher risk of turning default and following the requirements outlined in the Circular on Classification and Provisioning Requirement on Restructured Loans issued by the NBC dated 28 December 2021; therefore, the ECL overlay is being assessed by classifying these restructured loans and vulnerable customers to a higher staging than they originally are.

Taxes

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

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

5. BALANCES WITH THE NBC

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Statutory deposits				
Capital guarantee deposit	14,000,000	57,638,000	14,002,823	57,047,501
Reserve requirement	114,637,865	471,964,090	91,210,835	371,592,942
	<u>128,637,865</u>	<u>529,602,090</u>	<u>105,213,658</u>	<u>428,640,443</u>
Current accounts	124,137,089	511,072,396	116,931,469	476,378,804
Negotiable Certificate of Deposit ("NCD")	<u>2,988,779</u>	<u>12,304,803</u>	<u>99,159</u>	<u>403,974</u>
	<u>255,763,733</u>	<u>1,052,979,289</u>	<u>222,244,286</u>	<u>905,423,221</u>

6. BALANCES WITH OTHER BANKS

Balances with other banks are measured at amortised cost because these instruments meet the SPPI criterion and are held to collect the contractual cash flows.

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Balance with other banks				
at amortised cost	39,442,256	162,383,768	36,502,894	148,712,790
Impairment loss allowance	<u>(119,407)</u>	<u>(491,599)</u>	<u>(93,461)</u>	<u>(380,760)</u>
	<u>39,322,849</u>	<u>161,892,169</u>	<u>36,409,433</u>	<u>148,332,030</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. BALANCES WITH OTHER BANKS (continued)

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Balance with other banks at amortised cost	39,390,959	162,172,579	36,451,582	148,503,745
Impairment loss allowance	(119,407)	(491,599)	(93,461)	(380,760)
	<u>39,271,552</u>	<u>161,680,980</u>	<u>36,358,121</u>	<u>148,122,985</u>

The movement of impairment loss allowance is presented in Note 39.1.4.

The above amounts are analysed as follows:

As at 31 December 2022

Group	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
Current accounts	8,067,897	(89,125)	7,978,772	32,848,604
Savings accounts	1,226,106	(24,870)	1,201,236	4,945,489
Term deposits	30,148,253	(5,412)	30,142,841	124,098,076
	<u>39,442,256</u>	<u>(119,407)</u>	<u>39,322,849</u>	<u>161,892,169</u>

Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
Current accounts	8,067,897	(89,125)	7,978,772	32,848,604
Savings accounts	1,174,809	(24,870)	1,149,939	4,734,299
Term deposits	30,148,253	(5,412)	30,142,841	124,098,077
	<u>39,390,959</u>	<u>(119,407)</u>	<u>39,271,552</u>	<u>161,680,980</u>

As at 31 December 2021

Group	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
Current accounts	6,414,136	(88,976)	6,325,160	25,768,702
Savings accounts	249,057	(1,500)	247,557	1,008,547
Term deposits	29,839,701	(2,985)	29,836,716	121,554,781
	<u>36,502,894</u>	<u>(93,461)</u>	<u>36,409,433</u>	<u>148,332,030</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. BALANCES WITH OTHER BANKS (continued)

As at 31 December 2021

Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
Current accounts	6,414,136	(88,976)	6,325,160	25,768,702
Savings accounts	197,745	(1,500)	196,245	799,502
Term deposits	29,839,701	(2,985)	29,836,716	121,554,781
	<u>36,451,582</u>	<u>(93,461)</u>	<u>36,358,121</u>	<u>148,122,985</u>

7. LOANS TO CUSTOMERS

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Loans to customers at amortised cost	1,926,663,702	7,932,074,461	1,680,030,619	6,844,444,742
Impairment loss allowance	<u>(24,159,007)</u>	<u>(99,462,632)</u>	<u>(24,291,157)</u>	<u>(98,962,174)</u>
	<u>1,902,504,695</u>	<u>7,832,611,829</u>	<u>1,655,739,462</u>	<u>6,745,482,568</u>

The movement of impairment loss allowance is presented in Note 39.1.4.

The above amounts are analysed as follows:

As at 31 December 2022

Group and Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
Individual loans				
External customers				
Mortgage lending	229,182,659	(3,928,045)	225,254,614	927,373,246
Personal lending	1,689,521,252	(20,128,628)	1,669,392,624	6,872,889,432
Motor Vehicle Loans - Individuals	494,078	(29,800)	464,278	1,911,433
Overdraft	691,570	(16,051)	675,519	2,781,112
Staff loans	6,774,143	(56,483)	6,717,660	27,656,606
	<u>1,926,663,702</u>	<u>(24,159,007)</u>	<u>1,902,504,695</u>	<u>7,832,611,829</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. LOANS TO CUSTOMERS (continued)

As at 31 December 2021

Group and Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
Individual loans				
External customers				
Mortgage lending	133,951,505	(583,850)	133,367,655	543,339,826
Personal lending	1,538,827,028	(23,672,142)	1,515,154,886	6,172,741,006
Overdrafts	447,140	(32,522)	414,618	1,689,154
Staff Loans	6,804,946	(2,643)	6,802,303	27,712,582
	<u>1,680,030,619</u>	<u>(24,291,157)</u>	<u>1,655,739,462</u>	<u>6,745,482,568</u>

8. INVESTMENT SECURITIES

On 4 March 2022, the Group and the Bank invested US\$15 million in Corporate Bond issued by Cambodia Airport Investment Co., Ltd. for the construction and development of Techo International Airport of the Cambodia government with a term of 3 years and an interest rate of 5.50% per annum.

The Group and the Bank have designated investment in Cambodia Microfinance Association ("CMA") as an equity instrument at fair value through other comprehensive income ("FVOCI") as the Group and the Bank hold this investment in the long term.

The table below shows this investment as well as dividend income recognised from the investment.

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Investment security measured at amortised cost	15,682,917	64,566,569	-	-
Investment security designated at FVOCI	20,000	82,340	20,000	81,480
	<u>15,702,917</u>	<u>64,648,909</u>	<u>20,000</u>	<u>81,480</u>
Dividend income				
	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Investment security designated at FVOCI (Note 29)	15,502	63,357	15,577	63,367

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. PROPERTY AND EQUIPMENT

Group	Freehold Land US\$	Leasehold improvement US\$	Motor Vehicles US\$	Computer equipment US\$	Equipment US\$	Furniture and fixtures US\$	Work in progress US\$	Total US\$	KHR'000
Cost									
At 1 January 2022	29,429,380	3,019,338	4,018,215	8,068,696	6,570,026	915,950	2,957,715	54,979,320	223,985,750
Additions	-	269,883	984,750	614,386	274,480	97,857	9,336,171	11,577,527	47,317,353
Disposals	-	(30,834)	(357,655)	(109,794)	(3,371)	-	-	(501,654)	(2,050,260)
Written off	-	(51,553)	-	(206,711)	(60,816)	(5,918)	-	(324,998)	(1,328,267)
Transfers	-	318,479	-	739,029	607,388	26,073	(1,690,969)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	2,686,636
At 31 December 2022	29,429,380	3,525,313	4,645,310	9,105,606	7,387,707	1,033,962	10,602,917	65,730,195	270,611,212
Less: Accumulated depreciation									
At 1 January 2022	-	2,059,392	3,063,706	5,861,625	5,535,239	796,072	-	17,316,034	70,545,523
Depreciation	-	327,843	368,357	1,034,317	564,128	83,438	-	2,378,083	9,719,226
Disposals	-	(30,744)	(357,655)	(109,476)	(3,371)	-	-	(501,246)	(2,048,592)
Written off	-	(48,339)	-	(206,570)	(60,816)	(5,918)	-	(321,643)	(1,314,555)
Currency translation differences	-	-	-	-	-	-	-	-	791,243
At 31 December 2022	-	2,308,152	3,074,408	6,579,896	6,035,180	873,592	-	18,871,228	77,692,845
Carrying amounts									
At 31 December 2022	29,429,380	1,217,161	1,570,902	2,525,710	1,352,527	160,370	10,602,917	46,858,967	192,918,367

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. PROPERTY AND EQUIPMENT (continued)

Bank	Leasehold improvement US\$	Motor Vehicles US\$	Computer equipment US\$	Equipment US\$	Furniture and fixtures US\$	Work in progress US\$	Total US\$	KHR'000
Cost								
At 1 January 2022	3,019,338	4,018,215	8,067,618	6,570,026	915,950	2,957,715	25,548,862	104,086,064
Additions	269,883	984,750	614,386	274,480	97,857	9,336,171	11,577,527	47,317,353
Disposals	(30,834)	(357,655)	(109,794)	(3,371)	-	-	(501,654)	(2,050,260)
Written off	(51,553)	-	(206,711)	(60,816)	(5,918)	-	(324,998)	(1,328,267)
Transfers	318,479	-	739,029	607,388	26,073	(1,690,969)	-	-
Currency translation differences	-	-	-	-	-	-	-	1,421,127
At 31 December 2022	3,525,313	4,645,310	9,104,528	7,387,707	1,033,962	10,602,917	36,299,737	149,446,017
Less: Accumulated depreciation								
At 1 January 2022	2,059,392	3,063,706	5,860,965	5,535,239	796,072	-	17,315,374	70,542,834
Depreciation	327,843	368,357	1,033,957	564,128	83,438	-	2,377,723	9,717,753
Disposals	(30,744)	(357,655)	(109,476)	(3,371)	-	-	(501,246)	(2,048,592)
Written off	(48,339)	-	(206,570)	(60,816)	(5,918)	-	(321,643)	(1,314,555)
Currency translation differences	-	-	-	-	-	-	-	791,206
At 31 December 2022	2,308,152	3,074,408	6,578,876	6,035,180	873,592	-	18,870,208	77,688,646
Carrying amounts								
At 31 December 2022	1,217,161	1,570,902	2,525,652	1,352,527	160,370	10,602,917	17,429,529	71,757,371

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. PROPERTY AND EQUIPMENT (continued)

Group	Freehold Land US\$	Leasehold improvement US\$	Motor Vehicles US\$	Computer equipment US\$	Equipment US\$	Furniture and fixtures US\$	Work in progress US\$	Total US\$	KHR'000
Cost									
At 1 January 2021	29,429,380	2,673,096	3,699,715	7,279,677	6,102,381	878,777	490,559	50,553,585	204,489,251
Additions	-	240,120	318,500	521,233	303,718	40,202	3,522,514	4,946,287	20,121,496
Disposals	-	(76,931)	-	(269,094)	(76,762)	(3,029)	-	(425,816)	(1,732,219)
Written off	-	(80,176)	-	(14,560)	-	-	-	(94,736)	(385,386)
Transfers	-	263,229	-	551,440	240,689	-	(1,055,358)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	1,492,608
At 31 December 2021	29,429,380	3,019,338	4,018,215	8,068,696	6,570,026	915,950	2,957,715	54,979,320	223,985,750
Less: Accumulated depreciation									
At 1 January 2021	-	1,959,107	2,671,890	5,131,059	5,165,747	733,464	-	15,661,267	63,349,825
Depreciation	-	243,405	391,816	1,013,858	445,822	65,637	-	2,160,538	8,789,069
Disposals	-	(76,249)	-	(268,732)	(76,330)	(3,029)	-	(424,340)	(1,726,215)
Written off	-	(66,871)	-	(14,560)	-	-	-	(81,431)	(331,261)
Currency translation differences	-	-	-	-	-	-	-	-	464,105
At 31 December 2021	-	2,059,392	3,063,706	5,861,625	5,535,239	796,072	-	17,316,034	70,545,523
Carrying amounts									
At 31 December 2021	29,429,380	959,946	954,509	2,207,071	1,034,787	119,878	2,957,715	37,663,286	153,440,227

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. PROPERTY AND EQUIPMENT (continued)

Bank	Leasehold improvement US\$	Motor Vehicles US\$	Computer equipment US\$	Equipment US\$	Furniture and fixtures US\$	Work in progress US\$	Total US\$	KHR'000
Cost								
At 1 January 2021	2,673,096	3,699,715	7,278,599	6,102,381	878,777	490,559	21,123,127	85,443,048
Additions	240,120	318,500	521,233	303,718	40,202	3,522,514	4,946,287	20,121,496
Disposals	(76,931)	-	(269,094)	(76,762)	(3,029)	-	(425,816)	(1,732,219)
Written off	(80,176)	-	(14,560)	-	-	-	(94,736)	(385,386)
Transfers	263,229	-	551,440	240,689	-	(1,055,358)	-	-
Currency translation differences	-	-	-	-	-	-	-	639,125
At 31 December 2021	<u>3,019,338</u>	<u>4,018,215</u>	<u>8,067,618</u>	<u>6,570,026</u>	<u>915,950</u>	<u>2,957,715</u>	<u>25,548,862</u>	<u>104,086,064</u>
Less: Accumulated depreciation								
At 1 January 2021	1,959,107	2,671,890	5,130,758	5,165,747	733,464	-	15,660,966	63,348,607
Depreciation	243,405	391,816	1,013,499	445,822	65,637	-	2,160,179	8,787,609
Disposals	(76,249)	-	(268,732)	(76,330)	(3,029)	-	(424,340)	(1,726,215)
Written off	(66,871)	-	(14,560)	-	-	-	(81,431)	(331,261)
Currency translation differences	-	-	-	-	-	-	-	464,094
At 31 December 2021	<u>2,059,392</u>	<u>3,063,706</u>	<u>5,860,965</u>	<u>5,535,239</u>	<u>796,072</u>	<u>-</u>	<u>17,315,374</u>	<u>70,542,834</u>
Carrying amounts								
At 31 December 2021	<u>959,946</u>	<u>954,509</u>	<u>2,206,653</u>	<u>1,034,787</u>	<u>119,878</u>	<u>2,957,715</u>	<u>8,233,488</u>	<u>33,543,230</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

10. RIGHT-OF-USE ASSETS

The Group and the Bank lease its headquarters, branch offices and premises for public Automated Teller Machine ("ATM").

Group

	Buildings	ATM premises	Total	
	US\$	US\$	US\$	KHR'000
31 December 2022				
Cost				
At 1 January 2022	21,726,078	797,114	22,523,192	91,759,484
Additions	3,248,085	216,000	3,464,085	14,157,715
Reversals	(86,238)	-	(86,238)	(352,455)
Currency translation differences	-	-	-	1,069,834
At 31 December 2022	24,887,925	1,013,114	25,901,039	106,634,578
Less: Accumulated amortisation				
At 1 January 2022	10,975,410	596,585	11,571,995	47,144,308
Amortisation	3,121,097	152,219	3,273,316	13,378,041
Reversals	(43,119)	-	(43,119)	(176,227)
Currency translation differences	-	-	-	594,503
At 31 December 2022	14,053,388	748,804	14,802,192	60,940,625
Carrying amounts				
At 31 December 2022	10,834,537	264,310	11,098,847	45,693,953

Bank

	Land (*)	Buildings	ATM premises	Total	
	US\$	US\$	US\$	US\$	KHR'000
31 December 2022					
	(Note 34)				
Cost					
At 1 January 2022	10,457,534	21,726,078	797,114	32,980,726	134,363,478
Additions	-	3,248,085	216,000	3,464,085	14,157,715
Reversals	-	(86,238)	-	(86,238)	(352,455)
Currency translation differences	-	-	-	-	1,519,507
At 31 December 2022	10,457,534	24,887,925	1,013,114	36,358,573	149,688,245
Less: Accumulated amortisation					
At 1 January 2022	370,371	10,975,410	596,585	11,942,366	48,653,199
Amortisation	261,438	3,121,097	152,219	3,534,754	14,446,540
Reversals	-	(43,119)	-	(43,119)	(176,227)
Currency translation differences	-	-	-	-	618,270
At 31 December 2022	631,809	14,053,388	748,804	15,434,001	63,541,782
Carrying amounts					
At 31 December 2022	9,825,725	10,834,537	264,310	20,924,572	86,146,463

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

10. RIGHT-OF-USE ASSETS (continued)

Group

31 December 2021	Buildings	ATM premises	Total	
	US\$	US\$	US\$	KHR'000
Cost				
At 1 January 2021	19,179,344	658,613	19,837,957	80,244,536
Additions	2,693,836	140,672	2,834,508	11,530,779
Reversals	(147,102)	(2,171)	(149,273)	(607,243)
Currency translation differences	-	-	-	591,412
At 31 December 2021	21,726,078	797,114	22,523,192	91,759,484
Less: Accumulated amortisation				
At 1 January 2021	8,051,334	429,067	8,480,401	34,303,222
Amortisation	2,997,216	168,603	3,165,819	12,878,551
Reversals	(73,140)	(1,085)	(74,225)	(301,947)
Currency translation differences	-	-	-	264,481
At 31 December 2021	10,975,410	596,585	11,571,995	47,144,307
Carrying amounts				
At 31 December 2021	10,750,668	200,529	10,951,197	44,615,177

Bank

31 December 2021	Land (*)	Buildings	ATM premises	Total	
	US\$	US\$	US\$	US\$	KHR'000
	(Note 34)				
Cost					
At 1 January 2021	10,457,534	19,179,344	658,613	30,295,491	122,545,261
Additions	-	2,693,836	140,672	2,834,508	11,530,779
Reversals	-	(147,102)	(2,171)	(149,273)	(607,243)
Currency translation differences	-	-	-	-	894,681
At 31 December 2021	10,457,534	21,726,078	797,114	32,980,726	134,363,478
Less: Accumulated amortisation					
At 1 January 2021	108,933	8,051,334	429,067	8,589,334	34,743,856
Amortisation	261,438	2,997,216	168,603	3,427,257	13,942,081
Reversals	-	(73,140)	(1,085)	(74,225)	(301,947)
Currency translation differences	-	-	-	-	269,209
At 31 December 2021	370,371	10,975,410	596,585	11,942,366	48,653,199
Carrying amounts					
At 31 December 2021	10,087,163	10,750,668	200,529	21,038,360	85,710,279

(*) The subsidiary leases the land to the Bank for a period of 20 years, with an option to renew the lease for another 20 years after the expiration date. From the period covering 1 August 2023 to 31 July 2029, the rental fee shall be increased once every 3 years at the market rate, in which case the incremental rate shall be capped at 5% from 1 August 2023 to 31 July 2029 and 8% from 1 August 2029 until the expiration date of the term.

HATTHA BANK PLC. AND ITS SUBSIDIARY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****10. RIGHT-OF-USE ASSETS (continued)****Group**Amount recognised in profit or loss

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation expense on right-of-use assets (Note 32)	3,273,316	13,378,041	3,165,819	12,878,551
Interest expense on lease liabilities (Note 26)	856,947	3,502,341	919,476	3,740,429
Expenses relating to leases of low-value assets and short-term lease (Note 33)	616,136	2,518,148	575,618	2,341,614
	<u>4,746,399</u>	<u>19,398,530</u>	<u>4,660,913</u>	<u>18,960,594</u>

At 31 December 2022, the Group is committed to US\$ 616,136 (2021: US\$575,618) for short-term leases. The total cash outflow for leases amounted to US\$4,080,216 (2021: US\$3,915,300).

BankAmount recognised in profit or loss

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation expense on right-of-use assets (Note 32)	3,534,754	14,446,540	3,427,257	13,942,081
Interest expense on lease liabilities (Note 26)	1,659,348	6,781,754	1,711,932	6,964,140
Expenses relating to leases of low-value assets and short-term lease (Note 33)	616,136	2,518,148	575,618	2,341,614
	<u>5,810,238</u>	<u>23,746,442</u>	<u>5,714,807</u>	<u>23,247,835</u>

At 31 December 2022, the Bank is committed to US\$ 616,136 (2021: US\$575,618) for short-term leases. The total cash outflow for leases amounted to US\$4,744,560 (2021: US\$4,579,644)

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. INTANGIBLE ASSETS

Group and Bank	Software and licenses	Work in progress	Total	
31 December 2022	US\$	US\$	US\$	KHR'000
Cost				
At 1 January 2022	7,237,568	996,354	8,233,922	33,544,998
Additions	134,947	573,672	708,619	2,896,126
Written-off	-	-	-	-
Transfers	738,625	(738,625)	-	-
Currency translation differences	-	-	-	375,318
At 31 December 2022	8,111,140	831,401	8,942,541	36,816,442
Less: Accumulated amortisation				
At 1 January 2022	3,735,355	-	3,735,355	15,217,836
Amortisation	846,779	-	846,779	3,460,786
Currency translation differences	-	-	-	186,024
At 31 December 2022	4,582,134	-	4,582,134	18,864,646
Carrying amounts				
At 31 December 2022	3,529,006	831,401	4,360,407	17,951,796
Group and Bank	Software and licenses	Work in progress	Total	
31 December 2021	US\$	US\$	US\$	KHR'000
Cost				
At 1 January 2021	4,819,696	2,114,602	6,934,298	28,049,235
Additions	383,615	997,405	1,381,020	5,617,989
Written-off	-	(81,396)	(81,396)	(331,119)
Transfers	2,034,257	(2,034,257)	-	-
Currency translation differences	-	-	-	208,893
At 31 December 2021	7,237,568	996,354	8,233,922	33,544,998
Less: Accumulated amortisation				
At 1 January 2021	3,159,134	-	3,159,134	12,778,697
Amortisation	576,221	-	576,221	2,344,067
Currency translation differences	-	-	-	95,072
At 31 December 2021	3,735,355	-	3,735,355	15,217,836
Carrying amounts				
At 31 December 2021	3,502,213	996,354	4,498,567	18,327,162

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. INCOME TAX

(a) Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts were as follows:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	10,626,460	43,749,136	12,596,941	51,319,938
Deferred tax liabilities	(7,868,137)	(32,393,120)	(4,257,461)	(17,344,896)
Net deferred tax assets	2,758,323	11,356,016	8,339,480	33,975,042
Bank				
Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	10,590,166	43,599,713	12,245,324	49,887,450
Deferred tax liabilities	(8,121,199)	(33,434,976)	(3,995,555)	(16,277,891)
Net deferred tax assets	2,468,967	10,164,737	8,249,769	33,609,559

The movement of net deferred tax assets was as follows:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At 1 January	8,339,480	33,975,042	7,991,149	32,324,198
Credited to profit or loss	(1,926,612)	(7,874,063)	1,201,260	4,886,726
Credited to other comprehensive income	(3,654,545)	(14,936,125)	(852,929)	(3,469,715)
Currency translation differences	-	191,162	-	233,833
At 31 December	2,758,323	11,356,016	8,339,480	33,975,042
Bank				
Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At 1 January	8,249,769	33,609,559	7,976,643	32,265,521
Credited to profit or loss	(2,126,258)	(8,690,016)	1,126,055	4,580,792
Credited to other comprehensive income	(3,654,544)	(14,936,121)	(852,929)	(3,469,715)
Currency translation differences	-	181,315	-	232,961
At 31 December	2,468,967	10,164,737	8,249,769	33,609,559

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. INCOME TAX (continued)

(a) Deferred tax assets (continued)

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

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation and amortisation	(3,834,897)	(15,788,271)	(3,856,430)	(15,711,096)
Unrealised exchange losses	534,561	2,200,788	166,642	678,900
Lease liabilities	4,733,248	19,486,782	4,505,617	18,355,883
Deferred fee income	2,618,179	10,779,043	2,895,878	11,797,807
Impairment loss allowances	666,599	2,744,388	3,002,414	12,231,835
Unearned referral fee income	133,333	548,932	169,697	691,346
Interest expense	106,573	438,761	56,227	229,069
Fair value losses	-	-	18,752	76,396
Provident benefits	1,149,928	4,734,254	866,166	3,528,760
Bonuses and unused leaves	30,491	125,531	28,360	115,539
Unused tax credits	15,587	64,172	15,587	63,501
Fair value through OCI	(3,395,279)	(13,978,364)	470,570	1,917,102
	<u>2,758,323</u>	<u>11,356,016</u>	<u>8,339,480</u>	<u>33,975,042</u>
Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Depreciation and amortisation	(4,024,098)	(16,567,210)	(3,993,298)	(16,268,697)
Unrealised exchange gains/(loss)	534,559	2,200,779	166,642	678,900
Lease liabilities	4,612,230	18,988,551	4,545,079	18,516,652
Deferred fee income	2,868,832	11,810,981	2,959,800	12,058,225
Impairment loss allowances	666,599	2,744,388	3,002,414	12,231,835
Investment in subsidiary	(701,671)	(2,888,780)	-	-
Unearned referral fee income	133,333	548,932	169,697	691,346
Fair value losses	-	-	18,752	76,396
Provident benefits	1,149,923	4,734,233	866,166	3,528,760
Bonuses and unused leaves	30,465	125,424	28,360	115,539
Unused tax credits	15,587	64,172	15,587	63,501
Fair value through OCI	(3,395,279)	(13,978,364)	470,570	1,917,102
Financial guarantee liabilities issued	578,487	2,381,631	-	-
	<u>2,468,967</u>	<u>10,164,737</u>	<u>8,249,769</u>	<u>33,609,559</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. INCOME TAX (continued)

(b) Current income tax liabilities

The movement of current income tax liabilities was as follow:

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At 1 January	12,908,783	52,590,382	8,492,313	34,351,406
Current income tax expense	16,402,627	67,037,537	13,367,367	54,378,449
Current income tax paid	(15,549,209)	(63,549,617)	(8,951,148)	(36,413,270)
Currency translation differences	-	580,680	251	273,797
At 31 December	13,762,201	56,658,982	12,908,783	52,590,382

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At 1 January	12,856,311	52,376,611	8,472,025	34,269,341
Current income tax expense	16,341,655	66,788,344	13,306,377	54,130,342
Current income tax paid	(15,487,839)	(63,298,798)	(8,922,342)	(36,296,087)
Currency translation differences	-	578,436	251	273,015
At 31 December	13,710,127	56,444,593	12,856,311	52,376,611

(c) Income tax expense

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Current income tax	16,402,628	67,037,541	13,367,367	54,378,449
Deferred tax	1,926,612	7,874,063	(1,201,260)	(4,886,726)
Income tax expense	18,329,240	74,911,604	12,166,107	49,491,723

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Current income tax	16,341,655	66,788,344	13,306,377	54,130,342
Deferred tax	2,126,258	8,690,016	(1,126,055)	(4,580,792)
Income tax expense	18,467,913	75,478,360	12,180,322	49,549,550

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. INCOME TAX (continued)

(c) Income tax expense (continued)

The reconciliation of income tax expense computed at the statutory tax rate of 20% to the income tax expense shown in the statement of profit or loss and other comprehensive income is as follows:

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	92,172,891	376,710,604	57,172,688	232,578,496
Income tax using statutory rate 20%	18,328,643	74,909,164	11,332,579	46,100,931
Tax effect of:				
Non-deductible expenses	(1,194)	(4,880)	1,591,467	6,474,088
Under/(over) provision in prior year	1,876	7,667	(62,004)	(252,232)
Adjustment in respect of prior year DTA	(85)	(347)	-	-
Impact of tax incentive	-	-	(695,935)	(2,831,064)
	<u>18,329,240</u>	<u>74,911,604</u>	<u>12,166,107</u>	<u>49,491,723</u>

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	92,337,066	377,381,587	56,733,612	230,792,333
Income tax using statutory rate 20%	18,467,413	75,476,317	11,346,722	46,158,465
Tax effect of:				
Non-deductible expenses	(1,194)	(4,880)	1,591,522	6,474,312
Under/(over) provision in prior year	1,842	7,528	(61,987)	(252,163)
Adjustment in respect of prior year DTA	(148)	(605)	-	-
Impact of tax incentive	-	-	(695,935)	(2,831,064)
	<u>18,467,913</u>	<u>75,478,360</u>	<u>12,180,322</u>	<u>49,549,550</u>

In accordance with Cambodian law on taxation, the Bank has an obligation to pay corporate income tax of either the income tax at the rate of 20% of taxable income or the minimum tax at 1% of gross revenue, whichever is higher.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. OTHER ASSETS

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Deferred employee expense	8,993,185	37,024,943	9,337,573	38,041,272
Prepayment of building construction	6,283,152	25,867,737	7,061,522	28,768,641
Deposits for leases	2,151,525	8,857,828	1,596,509	6,504,178
Prepaid maintenance services	895,442	3,686,535	695,519	2,833,544
Other receivables	5,054,179	20,808,054	7,461,984	30,400,122
	<u>23,377,483</u>	<u>96,245,097</u>	<u>26,153,107</u>	<u>106,547,757</u>
Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Deferred employee expense	8,993,185	37,024,943	9,337,573	38,041,272
Prepayment of building construction	6,283,152	25,867,737	7,061,522	28,768,641
Deposits for leases	2,649,783	10,909,157	2,094,767	8,534,081
Prepaid maintenance services	895,442	3,686,535	695,519	2,833,544
Other receivables	5,054,688	20,810,149	7,462,494	30,402,200
	<u>23,876,250</u>	<u>98,298,521</u>	<u>26,651,875</u>	<u>108,579,738</u>

14. DEPOSITS FROM CUSTOMERS AND FINANCIAL INSTITUTIONS

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At amortised cost				
Current deposits	8,288,418	34,123,417	713,761	2,907,862
Savings deposits	212,672,024	875,570,723	237,680,971	968,312,276
Term deposits	971,771,144	4,000,781,800	801,403,920	3,264,919,570
	<u>1,192,731,586</u>	<u>4,910,475,940</u>	<u>1,039,798,652</u>	<u>4,236,139,708</u>
Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At amortised cost				
Current deposits	8,288,418	34,123,416	713,761	2,907,862
Savings deposits	212,686,915	875,632,029	237,733,172	968,524,943
Term deposits	972,381,996	4,003,296,678	801,985,344	3,267,288,291
	<u>1,193,357,329</u>	<u>4,913,052,123</u>	<u>1,040,432,277</u>	<u>4,238,721,096</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15. DEBT SECURITIES ISSUED

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Debt securities issued at amortised cost	43,726,699	180,022,820	-	-

On 12 October 2022, the Bank issued corporate bonds in Thailand in an aggregate principal amount of THB 1,500,000,000. The bonds have a tenor of 3 years with a coupon rate of 4.70% per annum. The bonds will mature on 12 October 2025.

16. BORROWINGS

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At amortised cost				
Floating rate	71,620,810	294,862,875	77,419,848	315,408,461
Fixed rate	537,649,598	2,213,503,395	510,644,303	2,080,364,890
	609,270,408	2,508,366,270	588,064,151	2,395,773,351
Bank				
	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At amortised cost				
Floating rate	71,620,810	294,862,875	77,419,848	315,408,461
Fixed rate	508,148,879	2,092,048,935	481,143,584	1,960,178,961
	579,769,689	2,386,911,810	558,563,432	2,275,587,422

The borrowings from related party and other lenders bear interest rates ranging from 0% to 9.86% (2021: 0% to 8.31%) per annum.

17. SUBORDINATED DEBTS

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
At amortised cost				
Floating rate	41,248,052	169,818,230	24,288,468	98,951,219
Fixed rate	32,764,250	134,890,417	19,817,699	80,737,305
	74,012,302	304,708,647	44,106,167	179,688,524

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. SUBORDINATED DEBTS (continued)

During the year, subordinated debts amounting to US\$2,000,000 were repaid to the lender with the approval from the NBC on 24 February 2021 and 16 June 2021.

On 29 January 2021, subordinated debts amounting to US\$10,000,000 were received from the Deutsche Investitions-und Entwicklungsgesellschaft mbH ("DEG") for a period of seven years with the maturity date on 15 December 2027, and bear an interest rate of 7.56% per annum following the approval by the NBC on 28 December 2020.

On 28 December 2021, subordinated debts amounting to US\$25,000,000 were received from International Finance Corporation for the period of seven years with the maturity date on 15 July 2028, and bear an interest rate of 6.80% plus 6month LIBOR following the approval by the NBC on 21 December 2021.

18. DERIVATIVES HELD FOR RISK MANAGEMENT

Group and Bank		31 December 2022		31 December 2021	
		US\$	KHR'000	US\$	KHR'000
Derivative assets					
Interest rate swap designated in cash flow hedges – Note 38	A	17,987,092	74,052,858	21,421	87,269
Cross currency swap designated in cash flow hedges – Note 38	C	3,945,265	16,242,656	-	-
		<u>21,932,357</u>	<u>90,295,514</u>	<u>21,421</u>	<u>87,269</u>
Derivative liabilities					
Interest rate swap designated in cash flow hedges – Note 38	A	-	-	2,407,265	9,807,198
Interest rate swap not designated in cash flow hedges – Note 38	B	-	-	103,428	421,365
Foreign currency contracts	D	<u>1,730,083</u>	<u>7,122,752</u>	-	-
		1,730,083	7,122,752	2,510,693	10,228,563

The Group and the Bank uses the above derivatives to manage its exposure to foreign currency and interest rate risk. The instruments used principally include interest rate swaps, cross currency swap, foreign currency forward and foreign exchange swaps.

A. Cash flow hedges of interest rate risk

Interest rate designated in cash flow hedges was applied since 1 January 2020. The designated hedged exposure is the Bank's US\$ deposits portfolio and the Bank's borrowing with floating interest rate. The amount is exactly matched notional amount of the hedging instrument and this results in a hedge ratio of 1:1 or 100%. The hedge ratio is consistent with the strategy to hedge the total exposure arising from refinancing of deposits and floating rate borrowing. Cash flows hedge reserves amounting to US\$ 18,272,718 and its related deferred tax assets amounting US\$3,654,544 were recognised in OCI.

The Group and the Bank use a pay fixed, receive floating interest rate swap to hedge against interest rate risk exposure arising from group of existing and forecasted US dollar deposits and from borrowing with floating interest rate from lender. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The Group's and the Bank's approach to managing market risk, including interest rate risk and foreign exchange risk is discussed in Note 39.3.2.

The Group and the Bank determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group and the Bank consider the hedged item creates exposure to changes in the USD LIBOR market rate. The value of hedged item apparently moves in the opposite direction to the hedging instrument which the Group and the Bank receive USDLIBOR3M and USDLIBOR6M and pay fixed rate. As a result, an economic relationship exists.

The Group and the Bank assesses hedge effectiveness using cumulative dollar offset method, which compares changes in the fair value of the hedging instrument to changes in the fair value of a hypothetical derivative.

In the hedging relationship, the main sources of ineffectiveness are:

- Insufficient exposure of hedged item in terms of balanced matured and balance of new accounts. The Group and the Bank will monitor on a quarterly basis for fixed deposit and a monthly basis for CASA to ensure that exposure will cover the designated notional amount of hedging instrument. In case of insufficiency, The Group and the Bank will recognise ineffectiveness to P&L and consider re-balancing.
- A significant change in the credit risk or either party of the hedging relationship.
- Different conventions, i.e. holiday or payment date.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
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18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The amounts relating to items designated as hedged items at 31 December 2022 were as follows:

	Carrying amounts		Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedged item for ineffectiveness assessment	Cash flow hedge reserve	
	Assets	Liabilities			Continued hedges	Discontinued hedges
Group and Bank						
Interest rate risk						
Group and Bank of USD time-deposits (in US\$)	-	150,000,000	Deposits from customers and financial institutions	(1,527,504)	(11,970,886)	-
Group and Bank of borrowing (in US\$)	-	110,000,000	Borrowing	6,095,857	(5,135,782)	-
Total as of 31 December 2022	-	260,000,000		4,568,353	(17,106,668)	-
In KHR'000 equivalents	-	1,070,420,000		18,807,909	(70,428,152)	-

The following table sets out the maturity profile and average price of the hedging instruments used in hedging activities:

	Maturity		
	Less than 1 year	1 – 5 years	More than 5 years
Group and Bank			
Interest rate risk			
<i>Interest rate swap</i>			
Notional amount	-	70,000,000	190,000,000
In KHR'000 equivalents	-	288,190,000	782,230,000
Average fixed interest rate	-	1.94%/0.895%	1.51%

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
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18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The amounts relating to items designated as hedged items at 31 December 2021 were as follows:

Group and Bank	Carrying amounts		Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedged item for ineffectiveness assessment	Cash flow hedge reserve	
	Assets	Liabilities			Continued hedges	Discontinued hedges
Interest rate risk						
Group and Bank of USD time-deposits (in US\$)	-	80,000,000	Deposits from customers and financial institutions	(4,031,087)	4,309,101	-
Group and Bank of borrowing (in US\$)	-	95,000,000	Borrowing	58,331	(44,454)	-
Total as of 31 December 2021	-	175,000,000		(3,972,756)	4,264,647	-
In KHR'000 equivalents	-	712,950,000		(16,185,008)	17,374,172	-

The following table sets out the maturity profile and average price of the hedging instruments used in hedging activities:

Group and Bank	Maturity		
	Less than 1 year	1 – 5 years	More than 5 years
	US\$	US\$	US\$
Interest rate risk			
<i>Interest rate swap</i>			
Notional amount	-	150,000,000	25,000,000
In KHR'000 equivalents	-	611,100,000	101,850,000
Average fixed interest rate	-	1.94%/0.895%	1.51%

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The following table contains detail of the hedging instruments used in the hedging activities:

Group and Bank	Notional	Carrying Amount		Line item in the statement of financial position where the hedging instrument is included	Hedge ratio	Change in fair value used for calculating hedge ineffectiveness
	Amount	Assets	Liabilities			
	US\$	US\$	US\$			US\$
Interest rate risk						
Interest rate swap	80,000,000	6,128,883	-	Derivatives held for risk management	1:1	7,224,828
Interest rate swap	70,000,000	2,872,141	-			2,872,142
Interest rate swap	25,000,000	2,433,461	-			2,433,515
Interest rate swap	15,000,000	1,072,732	-			1,072,796
Interest rate swap	10,000,000	1,120,882	-			1,121,115
Interest rate swap	60,000,000	4,358,993	-			4,359,181
Cross-currency swap	39,525,692	3,945,265	-			3,950,802
Total as of 31 December 2022	<u>299,525,692</u>	<u>21,932,357</u>	<u>-</u>			<u>23,034,379</u>
In KHR'000 equivalents	<u>1,233,147,274</u>	<u>90,295,514</u>	<u>-</u>			<u>94,832,538</u>
Interest rate risk						
Interest rate swap	80,000,000	-	2,325,511	Derivatives held for risk management	1:1	4,289,987
Interest rate swap	70,000,000	21,590	-			21,590
Interest rate swap	25,000,000	-	78,265			(78,265)
Total as of 31 December 2021	<u>175,000,000</u>	<u>21,590</u>	<u>2,403,776</u>			<u>4,233,312</u>
In KHR'000 equivalents	<u>712,950,000</u>	<u>87,958</u>	<u>9,792,983</u>			<u>17,246,513</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The following table contains information regarding the effectiveness of the hedging relationships as well as impacts on profit or loss and other comprehensive income.

Group and Bank	Amounts reclassified from reserves to PL as					
	Gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in PL	PL line item that includes hedge ineffectiveness	Hedge cash flows will no longer occur	Hedged item affected PL	PL line item that includes reclassified amount
	US\$	US\$		US\$	US\$	
Interest rate risk						
Interest rate swap	19,532,521	837,491		-	1,185,768	
Cross-currency swap	(269,127)	-		-	(195,092)	
Total as of 31 December 2022	<u>19,263,394</u>	<u>837,491</u>	Net impairment loss on financial instruments		<u>990,676</u>	Interest expense
In KHR'000 equivalents	<u>78,729,491</u>	<u>3,422,826</u>			<u>4,048,893</u>	
Interest rate risk						
Interest rate swap	4,231,655	1,656		-	(32,992)	
Total as of 31 December 2021	<u>4,231,655</u>	<u>1,656</u>	Net impairment loss on financial instruments	-	<u>(32,992)</u>	Interest expense
In KHR'000 equivalents	<u>17,214,373</u>	<u>6,737</u>		-	<u>(134,211)</u>	

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

B. Interest rate swap not designated in cash flow hedges

On 12 January 2017, the Group and the Bank entered into agreements with Krungsri for an interest rate swap totaling US\$54 million, effective from 15 May 2017 to 14 May 2021. On 7 February 2018, the Group and the Bank entered into another agreement with Krungsri for an interest rate swap of US\$55 million, effective from 23 February 2018 to 15 June 2022. This is to manage the Group's and the Bank's exposure to interest rate risk on its funding.

C. Cross currency swap

The following table sets out the maturity profile and average price of the hedging instruments used in hedging activities:

	Maturity 2022		
	Less than 1 year	1 – 5 years	More than 5 years
Group and Bank	US\$	US\$	US\$
Interest rate and foreign exchange			
<i>Cross-currency swaps</i>			
Notional amount	-	39,525,692.00	-
In KHR'000 equivalents	-	162,727,274.00	
Average USD/THB exchange rate	-	37.95	-
Average fixed interest rate	-	7.30%	-

D. Foreign currency contracts

Foreign Exchange Swap

On 29 July 2022, the Group and the Bank entered into foreign exchange swap agreements with Foreign Trade Bank of Cambodia with the amount of US\$5 million, effective from 29 July 2022 to 30 January 2023.

Foreign Exchange Forward

On 30 August 2022, the Group and the Bank entered into two foreign exchange forward contracts with J Trust Royal Bank with the amount of US\$10 million, effective from 30 August 2022 to 30 August 2023 and US\$2 million, effective from 30 August 2022 to 30 August 2023. On 31 October 2022, the Group and the Bank entered into two more foreign exchange forward contract with J Trust Royal Bank with the amount of US\$5 million, effective from 02 November 2022 to 01 August 2023 and US\$5 million, effective from 02 November 2022 to 03 August 2023.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

19. LEASE LIABILITIES

Maturity analysis:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	3,899,791	16,055,440	3,714,429	15,132,584
Later than 1 year and not later than 5 years	8,914,763	36,702,079	9,249,497	37,682,451
Later than 5 years	1,638,522	6,745,795	1,309,375	5,334,394
	14,453,076	59,503,314	14,273,301	58,149,429
Less: unearned interest	(2,166,246)	(8,918,435)	(2,184,169)	(8,898,305)
	12,286,830	50,584,879	12,089,132	49,251,124
Bank				
	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	4,577,976	18,847,527	4,378,773	17,839,121
Later than 1 year and not later than 5 years	11,754,418	48,392,939	12,034,898	49,030,174
Later than 5 years	36,464,278	150,123,432	36,867,571	150,198,485
	52,796,672	217,363,898	53,281,242	217,067,780
Less: unearned interest	(29,735,523)	(122,421,148)	(30,555,847)	(124,484,521)
	23,061,149	94,942,750	22,725,395	92,583,259

Analysed as:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Current	3,151,128	12,973,194	2,952,430	12,028,200
Non-Current	9,135,702	37,611,685	9,136,702	37,222,924
	12,286,830	50,584,879	12,089,132	49,251,124
Bank				
	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Current	3,016,367	12,418,383	2,814,373	11,465,756
Non-Current	20,044,782	82,524,367	19,911,022	81,117,503
	23,061,149	94,942,750	22,725,395	92,583,259

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. PROVISIONS

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Impairment loss allowance on loan commitments	4,068	16,748	11,596	47,242

21. FINANCIAL GUARANTEE LIABILITIES ISSUED

On 4 September 2020, the Bank's subsidiary, HATTHA SERVICES Co., Ltd., borrowed US\$29,450,000 from CIMB Bank. This bank loan has a maturity of 10 years. The Bank guaranteed this bank loan, and in the event of default by its subsidiary, the Bank will have to pay CIMB Bank. The maximum Bank exposure is US\$29,450,000 and the given guarantee covers the time until maturity of underlying bank loan.

As at 31 December 2022, the Bank recognised the financial guarantee liability issued amounted to US\$2,892,433 or equivalent to KHR'000 11,908,147

22. OTHER LIABILITIES

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Amounts due to related party	167,078	687,860	123,335	502,467
Tax provision (Note 37)	-	-	7,599,141	30,958,900
Short-term employee benefits	7,867,955	32,392,371	6,868,032	27,980,362
Provident benefits	23	95	4,510,652	18,376,396
Retention bonus	6,095,985	25,097,170	-	-
Creditors and accruals	1,797,289	7,399,439	474,157	1,931,716
Others	3,818,528	15,720,878	3,527,891	14,372,628
	19,746,858	81,297,813	23,103,208	94,122,469

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Amounts due to related party	167,078	687,860	123,335	502,467
Tax provision (Note 37)	-	-	7,599,141	30,958,900
Short-term employee benefits	7,867,572	32,390,794	6,868,032	27,980,362
Provident benefits	-	-	4,510,652	18,376,396
Retention bonus	6,095,985	25,097,170	-	-
Creditors and accruals	1,793,262	7,382,861	470,657	1,917,457
Others	3,813,418	15,699,842	3,522,710	14,351,521
	19,737,315	81,258,527	23,094,527	94,087,103

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

23. SHARE CAPITAL

Group and Bank	Number of share capital	
	2022	2021
At 1 January	140,000,000	115,000,000
Additional share capital issued during the years	-	25,000,000
At 31 December	140,000,000	140,000,000

	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Registered, issued and fully paid ordinary share of US\$1 each	140,000,000	576,380,000	140,000,000	570,360,000

The Bank is wholly owned by Bank of Ayudhya PCL. ("Krungsri"), a bank incorporated in Thailand, with effective control from 12 September 2016.

On 3 March 2021, the Bank requested for approval from the NBC for increasing its new share capital by US\$25 million, from US\$115 million to US\$140 million. This request was approved by the NBC on 13 April 2021.

On 9 June 2021, the Ministry of Commerce approved the amended Memorandum and Articles of Association of the Bank with share capital of US\$140 million.

24. RESERVES

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Legal reserves	682,459	2,809,684	682,459	2,780,338
Regulatory reserves	28,911,520	119,028,728	13,576,650	55,311,272
Other reserves	1,597,463	6,576,755	1,563,830	6,371,044
Cash flow hedge reserve	13,626,107	55,660,137	(992,067)	(4,062,151)
Currency translation differences	-	10,753,736	-	4,488,367
	44,817,549	194,829,040	14,830,872	64,888,870

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Legal reserves	682,459	2,809,684	682,459	2,780,338
Regulatory reserves	28,911,520	119,028,728	13,576,650	55,311,272
Other reserves	1,597,463	6,576,755	1,563,830	6,371,044
Cash flow hedge reserve	13,626,107	55,660,137	(992,067)	(4,062,151)
Currency translation differences	-	10,722,965	-	4,486,603
	44,817,549	194,798,269	14,830,872	64,887,106

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
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24. RESERVES (continued)

The movements of reserves are as follows:

Group	Legal reserves		Regulatory reserves		Other reserves		Cash flow hedge reserve		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
1 January 2022	682,459	2,780,338	13,576,650	55,311,272	1,563,830	6,371,044	(992,067)	(4,062,151)	4,488,367	14,830,872	64,888,870
Other comprehensive income	-	-	-	-	-	-	14,618,174	70,452,660	-	14,618,174	70,452,660
Transfers from retained earnings to regulatory reserves	-	-	15,334,870	62,673,614	-	-	-	-	-	15,334,870	62,673,614
Transfer to other reserve	-	-	-	-	33,633	137,458	-	-	-	33,633	137,458
Currency translation differences	-	29,346	-	1,043,842	-	68,253	-	(10,730,372)	6,265,369	-	(3,323,562)
	-	29,346	15,334,870	63,717,456	33,633	205,711	-	(10,730,372)	6,265,369	15,368,503	59,487,510
31 December 2022	682,459	2,809,684	28,911,520	119,028,728	1,597,463	6,576,755	13,626,107	55,660,137	10,753,736	44,817,549	194,829,040

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. RESERVES (continued)

Bank	Legal reserves		Regulatory reserves		Other reserves		Cash flow hedge reserve		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
1 January 2022	682,459	2,780,338	13,576,650	55,311,272	1,563,830	6,371,044	(992,067)	(4,062,151)	4,486,603	14,830,872	64,887,106
Comprehensive income:											
Other comprehensive income	-	-	-	-	-	-	14,618,174	70,467,442	-	14,618,174	70,467,442
Total comprehensive income for the year	-	-	-	-	-	-	14,618,174	70,467,442	-	14,618,174	70,467,442
Transfers from retained earnings to regulatory reserves	-	-	15,334,870	62,673,614	-	-	-	-	-	15,334,870	62,673,614
Transfer to other reserve	-	-	-	-	33,633	137,458	-	-	-	33,633	137,458
Currency translation differences	-	29,346	-	1,043,842	-	68,253	-	(10,745,154)	6,221,580	-	(3,367,351)
	-	29,346	15,334,870	63,717,456	33,633	205,711	-	(10,745,154)	6,221,580	15,368,503	59,443,721
31 December 2022	682,459	2,809,684	28,911,520	119,028,728	1,597,463	6,576,755	13,626,107	55,660,137	10,708,183	44,817,549	194,798,269

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

24. RESERVES (continued)

Group	Legal reserves		Regulatory reserves		Other reserves		Cash flow hedge reserve		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
1 January 2021	682,459	2,760,547	250,847	1,014,676	1,501,845	6,074,962	(4,403,785)	(17,954,231)	1,710,977	(1,968,634)	(6,393,069)
Comprehensive income:											
Other comprehensive income	-	-	-	-	-	-	3,411,718	18,365,472	-	3,411,718	18,365,472
Total comprehensive income for the year	-	-	-	-	-	-	3,411,718	18,365,472	-	3,411,718	18,365,472
Transfers from regulatory reserves to retained earnings	-	-	13,325,803	54,209,367	-	-	-	-	-	13,325,803	54,209,367
Transfer to other reserve	-	-	-	-	61,985	252,155	-	-	-	61,985	252,155
Currency translation differences	-	19,791	-	87,229	-	43,927	-	(4,473,392)	2,777,390	-	(1,545,055)
	-	19,791	13,325,803	54,296,596	61,985	296,082	-	(4,473,392)	2,777,390	13,387,788	52,916,467
31 December 2021	682,459	2,780,338	13,576,650	55,311,272	1,563,830	6,371,044	(992,067)	(4,062,151)	4,488,367	14,830,872	64,888,870

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

RESERVES (continued)

Bank	Legal reserves		Regulatory reserves		Other reserves		Cash flow hedge reserve		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
1 January 2021	682,459	2,760,547	250,847	1,014,676	1,501,845	6,074,962	(4,403,785)	(17,954,231)	1,718,866	(1,968,634)	(6,385,180)
Comprehensive income:											
Other comprehensive income	-	-	-	-	-	-	3,411,718	18,365,472	-	3,411,718	18,365,472
Total comprehensive income for the year	-	-	-	-	-	-	3,411,718	18,365,472	-	3,411,718	18,365,472
Transfers from regulatory reserves to retained earnings	-	-	13,325,803	54,209,367	-	-	-	-	-	13,325,803	54,209,367
Transfer to other reserve	-	-	-	-	61,985	252,155	-	-	-	61,985	252,155
Currency translation differences	-	19,791	-	87,229	-	43,927	-	(4,473,392)	2,767,737	-	(1,554,708)
	-	19,791	13,325,803	54,296,596	61,985	296,082	-	(4,473,392)	2,767,737	13,387,788	52,906,814
31 December 2021	682,459	2,780,338	13,576,650	55,311,272	1,563,830	6,371,044	(992,067)	(4,062,151)	4,486,603	14,830,872	64,887,106

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. NON-DISTRIBUTABLE RESERVE

Non-distributable reserve is set up to strengthen Tier 1 capital and manage solvency ratio to be in compliance with NBC's requirements. The transfer from retained earnings to non-distributable reserves is subject to the approval of NBC. The reserve cannot be distributed without prior approval from the NBC.

On 18 April 2022, the NBC approved the Group and the Bank the transfer from retained earnings to non-distributable reserve amounting to US\$20,000,000 (2021: US\$20,000,000 on 23 March 2021).

Group	2022		2021	
	US\$	KHR'000	US\$	KHR'000
1 January 2022	50,000,000	203,700,000	30,000,000	121,350,000
Transfers from retained earnings to non-distributable reserve	20,000,000	81,740,000	20,000,000	81,360,000
Currency translation differences	-	2,750,000	-	990,000
31 December 2022	70,000,000	288,190,000	50,000,000	203,700,000

26. NET INTEREST INCOME

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest income				
Loans to customers	272,074,159	1,111,967,087	216,283,181	879,839,981
Investment securities at amortised cost	682,917	2,791,082	-	-
Balances with other banks	503,782	2,058,957	478,519	1,946,615
Balances with the NBC	78,929	322,583	10,400	42,307
	<u>273,339,787</u>	<u>1,117,139,709</u>	<u>216,772,100</u>	<u>881,828,903</u>
Interest expense				
Deposits from customers and financial institutions	68,294,998	279,121,657	53,376,689	217,136,371
Borrowings	35,125,134	143,556,423	30,312,946	123,313,064
Subordinated debts	5,737,340	23,448,509	1,665,443	6,775,022
Lease liabilities (Note 10)	856,947	3,502,341	919,476	3,740,429
Debt securities issued	647,765	2,647,416	2,399,840	9,762,549
	<u>110,662,184</u>	<u>452,276,346</u>	<u>88,674,394</u>	<u>360,727,435</u>
Net interest income	<u>162,677,603</u>	<u>664,863,363</u>	<u>128,097,706</u>	<u>521,101,468</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

26. NET INTEREST INCOME (continued)

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest income				
Loans to customers	272,074,159	1,111,967,087	216,283,181	879,839,981
Investment securities at amortised cost	682,917	2,791,082	-	-
Balances with other banks	503,782	2,058,957	478,519	1,946,615
Balances with the NBC	78,929	322,583	10,400	42,307
	<u>273,339,787</u>	<u>1,117,139,709</u>	<u>216,772,100</u>	<u>881,828,903</u>
Interest expense				
Deposits from customers and financial institutions	68,335,437	279,286,931	53,412,853	217,283,486
Borrowings	34,527,954	141,115,748	29,715,765	120,883,732
Subordinated debts	5,737,340	23,448,509	1,665,443	6,775,022
Lease liabilities (Note10)	1,659,348	6,781,754	1,711,932	6,964,140
Debt securities issued	647,765	2,647,416	2,399,840	9,762,549
	<u>110,907,844</u>	<u>453,280,358</u>	<u>88,905,833</u>	<u>361,668,929</u>
Net interest income	<u>162,431,943</u>	<u>663,859,351</u>	<u>127,866,267</u>	<u>520,159,974</u>

27. NET FEE AND COMMISSION INCOME

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Fee and commission income				
Other fees and commissions on loans	3,459,801	14,140,207	3,191,519	12,983,099
Referral fees	5,513,074	22,531,933	4,046,157	16,459,767
Service charges on deposit accounts	553,779	2,263,295	272,498	1,108,522
Remittance fees	49,701	203,128	56,685	230,595
Other fee income	272,672	1,114,410	149,494	608,141
	<u>9,849,027</u>	<u>40,252,973</u>	<u>7,716,353</u>	<u>31,390,124</u>
Fee and commission expense				
Borrowing fees	1,067,323	4,362,149	572,174	2,327,604
Bank charges	470,821	1,924,246	416,482	1,694,248
Referral fees	39,222	160,300	47,319	192,494
Debt securities fees	2,542	10,389	22,278	90,627
Subordinated debts fees	133,343	544,973	(29,262)	(119,038)
	<u>1,713,251</u>	<u>7,002,057</u>	<u>1,028,991</u>	<u>4,185,935</u>
Net fee and commission income	<u>8,135,776</u>	<u>33,250,916</u>	<u>6,687,362</u>	<u>27,204,189</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

27. NET FEE AND COMMISSION INCOME (continued)

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Fee and commission income				
Other fees and commissions on loans	3,459,801	14,140,207	3,191,519	12,983,099
Referral fees	5,513,074	22,531,933	4,046,157	16,459,767
Service charges on deposit accounts	553,779	2,263,295	272,498	1,108,522
Remittance fees	49,701	203,128	56,685	230,595
Other fee income	888,593	3,631,679	149,494	608,141
	<u>10,464,948</u>	<u>42,770,242</u>	<u>7,716,353</u>	<u>31,390,124</u>
Fee and commission expense				
Borrowing fees	1,067,323	4,362,149	572,174	2,327,604
Bank charges	470,821	1,924,246	416,482	1,694,248
Referral fees	39,222	160,300	47,319	192,494
Debt securities fees	2,542	10,389	22,278	90,627
Subordinated debts fees	133,343	544,973	(29,262)	(119,038)
	<u>1,713,251</u>	<u>7,002,057</u>	<u>1,028,991</u>	<u>4,185,935</u>
Net fee and commission income	<u>8,751,697</u>	<u>35,768,185</u>	<u>6,687,362</u>	<u>27,204,189</u>

28. NET LOSSES FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest rate	(637,512)	(2,605,511)	283,869	1,154,779
Foreign exchange	1,662,658	6,795,283	242,274	985,571
	<u>1,025,146</u>	<u>4,189,772</u>	<u>526,143</u>	<u>2,140,350</u>

29. OTHER INCOME

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Foreign exchange	(149,204)	(609,797)	79,513	323,459
Dividend on investment securities measured at FVOCI (Note 8)	15,502	63,357	15,577	63,367
Other income	358,647	1,465,790	167,096	679,747
	<u>224,945</u>	<u>919,350</u>	<u>262,186</u>	<u>1,066,573</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

29. OTHER INCOME (continued)

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Foreign exchange	(149,006)	(608,988)	79,054	321,592
Dividend on investment securities measured at FVOCI (Note 8)	15,502	63,357	15,577	63,367
Other income	402,920	1,646,734	208,089	846,506
	<u>269,416</u>	<u>1,101,103</u>	<u>302,720</u>	<u>1,231,465</u>

30. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Loans to customers (*)	4,697,601	19,199,095	4,905,258	19,954,590
Balances with other banks	26,261	107,329	(73,467)	(298,864)
Loan commitments	(7,509)	(30,689)	(65,731)	(267,394)
	<u>4,716,353</u>	<u>19,275,735</u>	<u>4,766,060</u>	<u>19,388,332</u>

(*) This includes the recoveries of loans previously written off amounting to US\$1,716,362 (2021: US\$1,296,191).

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

31. PERSONNEL EXPENSES

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and bonuses	44,995,696	183,897,409	40,285,945	163,883,224
Provident benefits	1,768,741	7,228,845	1,755,660	7,142,025
Seniority payments	2,091,105	8,546,346	1,835,589	7,467,176
Other personnel expenses	4,608,832	18,836,297	4,005,325	16,293,662
	<u>53,464,374</u>	<u>218,508,897</u>	<u>47,882,519</u>	<u>194,786,087</u>

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and bonuses	44,990,957	183,878,041	40,281,692	163,865,923
Provident benefits	1,768,718	7,228,751	1,755,827	7,142,704
Seniority payments	2,090,854	8,545,320	1,835,402	7,466,415
Other personnel expenses	4,608,343	18,834,298	4,004,695	16,291,100
	<u>53,458,872</u>	<u>218,486,410</u>	<u>47,877,616</u>	<u>194,766,142</u>

32. DEPRECIATION AND AMORTISATION

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Right-of-use assets	3,273,316	13,378,041	3,165,819	12,878,551
Property and equipment	2,378,083	9,719,226	2,160,538	8,789,069
Intangible assets	846,779	3,460,786	576,221	2,344,067
	<u>6,498,178</u>	<u>26,558,053</u>	<u>5,902,578</u>	<u>24,011,687</u>

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Right-of-use assets	3,534,754	14,446,540	3,427,257	13,942,081
Property and equipment	2,377,723	9,717,753	2,160,179	8,787,609
Intangible assets	846,779	3,460,786	576,221	2,344,067
	<u>6,759,256</u>	<u>27,625,079</u>	<u>6,163,657</u>	<u>25,073,757</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

33. OTHER EXPENSES

Group	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Travelling and transportation	3,511,715	14,352,379	2,536,328	10,317,782
Repairs and maintenance	2,091,554	8,548,181	1,897,942	7,720,828
License fee, patent and other taxes	1,570,407	6,418,253	5,600,966	22,784,730
Marketing and advertising	1,185,968	4,847,051	614,968	2,501,690
Utilities	977,640	3,995,615	881,567	3,586,215
Communication	938,129	3,834,133	737,661	3,000,805
Professional services	878,507	3,590,458	574,930	2,338,815
Security	843,455	3,447,201	788,585	3,207,964
Office supplies and non-capitalised purchases	726,074	2,967,464	722,216	2,937,975
Leases and rental	616,136	2,518,148	575,618	2,341,614
Board fees and meetings	98,362	402,005	81,554	331,762
Others	(276,565)	(1,130,320)	3,784,931	15,397,098
	<u>13,161,382</u>	<u>53,790,568</u>	<u>18,797,266</u>	<u>76,467,278</u>

Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Travelling and transportation	3,511,715	14,352,379	2,536,328	10,317,782
Repairs and maintenance	2,091,554	8,548,181	1,897,942	7,720,828
License fee, patent and other taxes	1,570,116	6,417,064	5,600,671	22,783,530
Marketing and advertising	1,185,968	4,847,051	614,968	2,501,690
Utilities	977,640	3,995,615	881,567	3,586,215
Communication	938,129	3,834,133	737,661	3,000,805
Professional services	874,072	3,572,332	571,760	2,325,920
Security	843,455	3,447,201	788,585	3,207,964
Office supplies and non-capitalised purchases	726,000	2,967,162	722,216	2,937,975
Leases and rental	616,136	2,518,148	575,618	2,341,614
Board fees and meetings	98,362	402,005	81,554	331,762
Others	(276,784)	(1,131,215)	3,780,391	15,378,629
	<u>13,156,363</u>	<u>53,770,056</u>	<u>18,789,261</u>	<u>76,434,714</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****34. ADDITIONAL INFORMATION FOR STATEMENT OF CASH FLOWS****(a) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	124,137,090	511,072,399	116,931,469	476,378,804
Balances with other banks	9,281,070	38,210,165	6,656,274	27,117,661
	<u>198,524,277</u>	<u>817,324,448</u>	<u>177,193,721</u>	<u>721,887,219</u>
Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	124,137,090	511,072,399	116,931,469	476,378,804
Balances with other banks	9,229,773	37,998,976	6,604,962	26,908,616
	<u>198,472,980</u>	<u>817,113,259</u>	<u>177,142,409</u>	<u>721,678,174</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

34. ADDITIONAL INFORMATION FOR STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

Group	At the beginning of the year US\$	Proceeds from issuance US\$	Repayments US\$	Accrued interest US\$	Interest paid US\$	Other non-cash items US\$	Currency translation differences US\$	At the end of the year US\$
At 31 December 2022								
Debt securities issued	-	39,397,240	-	619,660	-	3,709,799	-	43,726,699
Borrowings	588,064,151	349,116,943	(327,702,125)	33,500,752	(31,361,151)	(2,348,162)	-	609,270,408
Subordinated debts	44,106,167	30,000,000	(2,000,000)	5,638,430	(3,829,970)	97,675	-	74,012,302
Lease liabilities	12,089,132	-	(4,080,216)	-	-	4,277,914	-	12,286,830
Total	644,259,450	418,514,183	(333,782,341)	39,758,842	(35,191,121)	5,737,226	-	739,296,239
In KHR'000 equivalents	2,624,712,999	1,723,022,891	(1,374,181,898)	163,687,153	(144,881,845)	23,620,159	27,703,157	3,043,682,616
Bank	At the beginning of the year US\$	Proceeds from issuance US\$	Repayments US\$	Accrued interest US\$	Interest paid US\$	Other non-cash items US\$	Currency translation differences US\$	At the end of the year US\$
At 31 December 2022								
Debt securities issued	-	39,397,240	-	619,660	-	3,709,799	-	43,726,699
Borrowings	558,563,432	349,116,943	(327,702,125)	33,500,752	(31,361,151)	(2,348,162)	-	579,769,689
Subordinated debts	44,106,167	30,000,000	(2,000,000)	5,638,430	(3,829,970)	97,675	-	74,012,302
Lease liabilities	22,725,395	-	(4,744,560)	-	-	5,080,314	-	23,061,149
Total	625,394,994	418,514,183	(334,446,685)	39,758,842	(35,191,121)	6,539,626	-	720,569,839
In KHR'000 equivalents	2,547,859,206	1,723,022,891	(1,376,917,002)	163,687,153	(144,881,845)	26,923,640	26,891,984	2,966,586,027

HATTHA BANK PLC. AND ITS SUBSIDIARY

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34. ADDITIONAL INFORMATION FOR STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

Group	At the beginning of the year US\$	Proceeds from issuance US\$	Repayments US\$	Accrued interest US\$	Interest paid US\$	Other non-cash items US\$	Currency translation differences US\$	At the end of the year US\$
At 31 December 2021								
Debt securities issued	29,767,039	-	(29,666,255)	2,178,606	(2,500,624)	221,234	-	-
Borrowings	431,708,838	336,316,042	(175,805,653)	28,545,617	(26,869,255)	(5,831,438)	-	588,064,151
Subordinated debts	11,895,729	35,000,000	(2,000,000)	925,821	(928,004)	(787,379)	-	44,106,167
Lease liabilities	12,325,496	-	(3,915,300)	-	-	3,678,936	-	12,089,132
Total	485,697,102	371,316,042	(211,387,208)	31,650,044	(30,297,883)	(2,718,647)	-	644,259,450
In KHR'000 equivalents	1,964,644,778	1,512,741,555	(861,191,485)	128,942,279	(123,433,575)	(11,075,768)	14,085,215	2,624,712,999
Bank								
At 31 December 2021								
Debt securities issued	29,767,039	-	(29,666,255)	2,178,606	(2,500,624)	221,234	-	-
Borrowings	402,208,119	336,316,042	(175,805,653)	28,545,617	(26,869,255)	(5,831,438)	-	558,563,432
Subordinated debts	11,895,729	35,000,000	(2,000,000)	925,821	(928,004)	(787,379)	-	44,106,167
Lease liabilities	22,833,647	-	(4,579,644)	-	-	4,471,392	-	22,725,395
Total	466,704,534	371,316,042	(212,051,552)	31,650,044	(30,297,883)	(1,926,191)	-	625,394,994
In KHR'000 equivalents	1,887,819,840	1,512,741,555	(863,898,023)	128,942,279	(123,433,575)	(7,847,302)	13,534,431	2,547,859,205

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. RELATED PARTIES

(a) Related parties and relationships

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

Related parties	Relationship
Mitsubishi UFJ Financial Group, Inc.	Ultimate parent company
MUFG Bank, Ltd. ("MUFG")	Immediate parent company
Bank of Ayudhya Public Company Limited ("Krungsri")	Immediate parent company/shareholder
HATTHA SERVICES Co., Ltd.	Subsidiary of the Bank
Affiliates	All entities under the same ultimate parent company
Board of Directors	Persons overseeing the activities of the Group and the Bank.
Key management personnel	The key management personnel are those participating in the administration, direction, management or the design and implementation of the internal controls of the Group and the Bank. The key management personnel of the Group and the Bank include all EXCOM members appointed by the Board of Directors.
Mitsubishi UFJ Trust and Banking Corporation	Related party
Hattha Kaksekar Financial Trust	Related party
Trust Committee of Hattha Kaksekar	Related party

(b) Directors and key management compensation

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Board of Directors				
Fees and related expenses	84,353	344,751	81,554	331,762
Key management				
Salaries and short-term benefits	2,784,433	11,379,978	2,528,609	10,286,381
Provident benefits	138,598	566,450	116,362	473,361
	2,923,031	11,946,428	2,644,971	10,759,742
	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Provident benefits payable	502,479	2,068,706	333,808	1,359,934

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. RELATED PARTIES (continued)

(c) Loans to key management and interest income

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Loans outstanding to key management	476,571	1,962,043	554,083	2,257,334

Loans are provided to key management of the Group and the Bank with contractual interest rate ranging from 7% to 8% per annum (2021: 7% to 8% per annum).

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest income from key management	34,865	142,493	43,231	175,864

(d) Deposits from and interest expense to key management

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Deposits from key management	2,865,446	11,797,041	3,346,985	13,635,617

Deposits from key management of the Group and the Bank bear interest rates ranging from 0% to 9% per annum (2021: 0% to 8.25% per annum) depending on the terms and currency of the deposits.

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest expense to key management	189,053	772,660	189,400	770,479

(e) Deposits from and interest expense to Directors

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Deposits from Board of Directors	692,531	2,851,150	589,797	2,402,833

Deposits from the Board of Directors of the Group and the Bank bear interest rates ranging from 0% to 8.5% per annum (2021: from 1.75% to 8% per annum) depending on the terms and currency of deposits.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

35. RELATED PARTIES (continued)

(e) Deposits from and interest expense to Directors (continued)

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest expense to the Board of Directors	45,407	185,578	45,912	186,770

(f) Office rental from key management

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Right-of-use assets	252,855	1,041,004	327,182	1,332,939
Lease liabilities	289,741	1,192,864	356,142	1,450,923

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Interest expense	23,732	96,993	13,392	54,479
Depreciation	74,326	303,770	61,518	250,255
Lease payment	90,133	368,374	69,724	283,637

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. RELATED PARTIES (continued)

(g) Transactions and balances with shareholder and subsidiary

(i) *Transactions with shareholder and subsidiary*

Group and Bank	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
<i>Shareholder</i>				
Proceeds received for capital injection	-	-	25,000,000	101,700,000
Proceeds received for borrowings from Krungsri	100,000,000	408,700,000	80,000,000	325,440,000
Proceeds received for subordinated debt from Krungsri	15,000,000	61,305,000	-	-
Repayments of borrowing via IFC (*)	-	-	2,857,143	11,622,858
Repayment of borrowings from Krungsri	70,000,000	286,090,000	55,000,000	223,740,000
Interest and fee expenses	-	-	3,184,632	12,955,083
Net loss from other financial instruments at FVTPL	(704,936)	(2,881,073)	283,868	1,154,775
Interest and fee expenses on borrowing and subordinated debt	3,497,919	14,295,995	-	-
Other comprehensive income of cash flow hedge	18,272,718	74,680,598	4,264,647	17,348,584
Realised exchange gain/(loss)	127,595	521,481	-	-
Bond fee	219,872	898,617	-	-
Other expenses related to IT	273	1,116	2,988	12,155
Money transfer fee income	738	3,016	10	41
<i>Subsidiary</i>				
Interest expense on land lease	40,439	165,274	36,164	147,115
Depreciation on right-of-use of land	261,438	1,068,497	261,438	1,063,530
Lease payment	664,344	2,715,174	664,344	2,702,551
Management fee	44,273	180,944	40,994	166,764
<i>Other related party</i>				
Interest expense on borrowing	614,699	2,512,275	616,233	2,506,836
Secundee expense with MUFG	177,435	725,177	109,538	445,601
Interest expense on deposit	6,921,059	28,286,368	24,818	100,960

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. RELATED PARTIES (continued)

(g) Transactions and balances with shareholder and subsidiary (continued)

(ii) Balances with shareholder and subsidiary

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
<i>Shareholder</i>				
Derivative liabilities on interest rate SWAP	-	-	2,510,693	10,228,563
Amount payable on payment on behalf of the Bank's expense	12,817	52,768	28,577	116,423
Commitment given on interest rate SWAP (**)	260,000,000	1,070,420,000	182,857,857	744,962,909
Commitment received on interest rate SWAP (**)	260,000,000	1,070,420,000	182,857,857	744,962,909
Commitment given on currency SWAP (***)	39,525,692	162,727,274	-	-
Commitment received on currency SWAP (***)	43,538,985	179,250,001	-	-
Borrowing (***)	55,000,000	226,435,000	25,000,000	101,850,000
Subordinated debt	15,000,000	61,755,000		
Interest and fee payable on borrowing	530,133	2,182,558	12,100	49,295
Deposit to shareholder	72,179	297,161	85,651	348,942
Derivative assets on interest rate SWAP	21,932,357	90,295,514	21,421	87,269
Other payables	-	-	276	1,124
<i>Subsidiary</i>				
Right-of-use asset (Note 10)	9,825,725	40,452,510	10,087,163	41,095,102
Lease liability	10,774,319	44,357,871	10,636,263	43,332,135
Deposit from HATTHA SERVICES Co., Ltd	625,744	2,576,188	633,625	2,581,388
Refundable deposit to HATTHA SERVICES Co., Ltd	498,258	2,051,328	498,258	2,029,903
<i>Other related party</i>				
Amount payable on MUFG Bank's payment on behalf of the Bank	152,594	628,229	94,203	383,783
Borrowing	7,729,319	31,821,606	7,729,319	31,489,246
Accrued interest payable for borrowing	-	-	52,207	212,691
Deposit from MITSUBISHI UFJ TRUST AND BANKING CORPORATION	113,186,419	465,988,487	43,550,327	177,424,032
Accrued interest payable for deposit	4,072,044	16,764,605	24,818	101,109

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

35. RELATED PARTIES (continued)

(g) Transactions and balances with shareholder and subsidiary (continued)

(ii) Balances with shareholder and subsidiary (continued)

(*) This represents syndicated loan from International Finance Corporation ("IFC") of which Krungsri is the lender who provides funding to IFC.

(**) On 7 February 2018, the Group and the Bank entered into agreement with Krungsri for interest rate swap of US\$55 million, effective from 23 February 2018 to 15 June 2022. On 24 December 2019, the Group and the Bank entered into another agreement with Krungsri for interest swap of US\$80 million, effective from 27 December 2019 to 29 December 2026. On 28 December 2021, the Group and the Bank entered into another agreement with Krungsri for interest swap of US\$25 million, effective from 28 December 2021 to 15 July 2028. On 21 December 2021, the Group and the Bank entered into agreement with Krungsri for the interest swap of US\$70 million, effective from 23 December 2021 to 15 July 2024. On 23 February 2022, the Group and the Bank entered into agreement with Krungsri for interest swap of US\$15 million, effective from 25 February 2022 to 15 July 2028. On 25 February 2022, the Group and the Bank entered into agreement with Krungsri for interest swap of US\$10 million, effective from 28 February 2022 to 28 February 2032. On 25 February 2022, the Group and the Bank entered into another agreement with Krungsri for interest swap of US\$60 million, effective from 28 February 2022 to 28 February 2027. This is to manage the Group and the Bank's exposure to interest rate risk of its funding.

(***) On 4 October 2022, the Group and the Bank entered into agreement with Krungsri for currency swap of US\$ 39,525,692 for THB 1,500,000,000, effective from 12 October 2022 to 12 October 2025 to manage for exchange rate risk for the bond issuance at Thailand.

(***) On 22 October 2021, the Group and the Bank entered into agreement with Krungsri for the credit facility of US\$85,000,000. The amount of US\$25,000,000 was disbursed on 28 December 2021 effective from 28 December 2021 to 28 February 2022. The amount of US\$35,000,000 was disbursed on 25 November 2022 effective from 25 November 2022 to 24 March 2023. The amount of US\$20,000,000 was disbursed on 30 November 2022 effective from 30 November 2022 to 27 January 2023.

36. COMMITMENTS

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Loan commitment and unused portion of overdrafts	578,701	2,382,512	2,761,166	11,248,990
Capital expenditures	30,489,125	125,523,728	39,152,991	159,509,285
	<u>31,067,826</u>	<u>127,906,240</u>	<u>41,914,157</u>	<u>170,758,275</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

37. TAX CONTINGENCIES

On 19 March 2019, the General Department of Taxation ("GDT") issued a notice of tax reassessment to the Group and the Bank to pay reassessed taxes of KHR 31,255,677,651 (approximately US\$7.7 million) for the fiscal year 2016.

On 11 April 2019, the Group and the Bank filed a tax objection letter to the GDT protesting to the reassessed taxes. As a result, the Bank received the 2nd Notice of Tax Reassessment from the GDT dated 9 July 2019 re-imposing taxes in total amount of KHR 30,958,899,567 (approximately US\$7.6 million).

The Group and the Bank have engaged tax advisor to help on this matter and filed 2nd protest letter to the GDT on 30 July 2019. On 8 January 2020, the Group and the Bank received a response to the 2nd protest letter from the GDT. There is no change in the reassessment amount. However, the Group and the Bank have consulted with the tax advisor and it is believed that the Group and the Bank would have reasonable grounds to challenge the case. Therefore, the Group and the Bank decided to move on with 3rd protest requesting the GDT to transfer the case to the litigation department. The letter was signed on 23 January 2020 and submitted to the tax advisor for further process to the GDT.

On 2 April 2021, the Group and the Bank received a response to the 3rd protest letter from the GDT with no change in the reassessment amount. The Group and the Bank submitted the protest letter to the Ministry of Economy and Finance ("MoEF") on 3 May 2021. On 9 February 2022, the MoEF issued a notification letter to the Bank stating that the Tax Dispute Resolution decides to maintain the decision from the GDT. The provision of KHR 30,958,899,567 (approximately US\$7.6 million) for these tax liabilities have been recognised in the financial statements as at 31 December 2021 (Note 22).

The Group and the Bank then submitted the request to the GDT to waive 60% of the penalty and interest following a recommendation from the Ministry of Economy and Finance on 31 March 2022. The GDT issued its 4th Notification by asking the Group and the Bank to pay the new reassessment amount following the request. Based on the new notification, the amount to be paid is KHR 22,878 million (approximately US\$5.7 million). The payment was made to the GDT on 27 April 2022. The reversal of over prior-year provision of approximately US\$1.9 million is recognised in the statement of profit or loss and other comprehensive income. The Group and the Bank received a certificate of tax situation for the comprehensive tax audit for the fiscal year 2016 on 26 May 2022.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL INSTRUMENTS

a. Financial instruments measured at fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

**Group and Bank
31 December 2022**

	Carrying amounts				Fair value			
	FVOCI – equity instruments	Fair value – hedging instrument	FVTPL	Total	Level 1	Level 2	Level 3	Total
	US\$	\$US	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets measured at fair value								
Interest rate swaps – Note 18	-	17,987,092	-	17,987,092	-	17,987,092	-	17,987,092
Cross currency swap – Note 18	-	3,945,265	-	3,945,265	-	3,945,265	-	3,945,265
Investment securities – Note 8	20,000	-	-	20,000	-	-	20,000	20,000
Total	<u>20,000</u>	<u>21,932,357</u>	<u>-</u>	<u>21,952,357</u>	<u>-</u>	<u>21,932,357</u>	<u>20,000</u>	<u>21,952,357</u>
In KHR'000 equivalents	<u>82,340</u>	<u>90,295,514</u>	<u>-</u>	<u>90,377,854</u>	<u>-</u>	<u>90,295,514</u>	<u>82,340</u>	<u>90,377,854</u>
Financial liabilities measured at fair value								
Foreign currency contracts – Note 18	-	-	1,730,083	1,730,083	-	1,730,083	-	1,730,083
In KHR'000 equivalents	<u>-</u>	<u>-</u>	<u>7,122,752</u>	<u>7,122,752</u>	<u>-</u>	<u>7,122,752</u>	<u>-</u>	<u>7,122,752</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

38. FINANCIAL INSTRUMENTS (continued)

a. Financial instruments measured at fair value (continued)

**Group and Bank
31 December 2021**

	Carrying amounts				Fair value			
	FVOCI – equity instruments	Fair value - hedging instrument	FVTPL	Total	Level 1	Level 2	Level 3	Total
	US\$	\$US	US\$	US\$	US\$	US\$	US\$	US\$
<i>Financial assets measured at fair value</i>								
Interest Swap – Note 18	-	21,421	-	21,421	-	21,421	-	21,421
Investment securities – Note 8	20,000	-	-	20,000	-	-	20,000	20,000
Total	<u>20,000</u>	<u>21,421</u>	<u>-</u>	<u>41,421</u>	<u>-</u>	<u>21,421</u>	<u>20,000</u>	<u>41,421</u>
In KHR'000 equivalents	<u>81,480</u>	<u>87,269</u>	<u>-</u>	<u>168,749</u>	<u>-</u>	<u>87,269</u>	<u>81,480</u>	<u>168,749</u>
<i>Financial liabilities measured at fair value</i>								
Interest rate swaps – Note 18	-	2,407,265	103,428	2,510,693	-	2,510,693	-	2,510,693
In KHR'000 equivalents	<u>-</u>	<u>9,807,198</u>	<u>421,365</u>	<u>10,228,563</u>	<u>-</u>	<u>10,228,563</u>	<u>-</u>	<u>10,228,563</u>

b. Financial instruments not measured at fair value

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

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

38. FINANCIAL INSTRUMENTS (continued)

a. Financial instruments not measured at fair value (continued)

i. *Balances with the NBC and other banks*

Balances with the NBC and other banks include current accounts which are non-interest bearing, savings deposits and short-term deposits. The fair value of deposits and placements with other banks approximate their carrying values at the reporting date due to the relatively short maturity of these instruments.

ii. *Loans to customers*

The fair value of loans is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party and information obtained from other market participants, which includes observed primary and secondary transactions. Its carrying value approximates to fair value at the reporting date.

iii. *Deposits from customers and financial institutions and debt securities issued*

The fair value of deposits from customers and financial institutions with maturities of less than one year approximates their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits from customers and financial institutions and debt securities issued with remaining maturities of more than one year are expected to approximate their carrying amount due to the Group and the Bank offered similar interest rate of the instrument with similar maturities and terms.

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

iv. *Investment securities, other assets, lease liabilities and other liabilities*

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

v. *Borrowings and subordinated debts*

The fair value of borrowings and subordinated debts are estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles. However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Group and the Bank believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Group's and the Bank's credit risk profile as at reporting date. On this basis, the fair value of borrowings and subordinated debts approximates their carrying values at the reporting date.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT

The Group's and the Bank's BoD have overall responsibility for the establishment and oversight of the Group's and the Bank's risk management framework. The BoD has established the Asset and Liability Risk Management Committee ("ALMRC") and Risk Board Committee ("ARBC"), which is responsible for approving and monitoring Group and Bank risk management policies.

The Group's and the Bank's risk management policies are established to identify and analyse the risks faced by the Group and the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's and the Bank's activities.

The policies and procedures adopted by the Group and the Bank to manage the risks that arise in the conduct of their business activities are as follows:

39.1. Credit risk

Credit risk refers to risk of financial loss to the Group and the Bank if a counterparty to a financial instrument fail to meet its obligations in accordance with the agreed terms and arises from deposits with other banks and loans to customers (including commitment to lend such loans). The Group and the Bank consider all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

39.1.1. Credit risk management

Credit and Market Risk Department is responsible for managing the Group's and the Bank's credit risk by:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, in accordance with CIFRSs and relevant NBC's guidance.
- Establishing the authorisation structure for the approval and renewal of credit facilities. The holders of credit approval discretion, i.e. Board Credit Committee, Management Credit Committee, Credit Underwriting Director, and Branch Managers are responsible for approving loans to customers.
- Reviewing and assessing credit risk by setting the limit and monitoring all credit exposures in excess of designated.
- Limiting concentrations of exposure to counterparties, geographies, industries, purposes, sectors (for loans to customers and similar exposures).
- Developing and maintaining the Group's and the Bank's process for measuring ECL that includes the processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.
- Reviewing compliance of branches with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of portfolios may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Group and the Bank in the management of credit risk.
- During the COVID-19 situation, the Bank provides the restructure scheme released by National Bank of Cambodia, and the portfolio of restructured loan is properly managed and communicated to management, Board of Director and National Bank of Cambodia.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.2 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

Group	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Balances with other banks					
Normal	39,442,256	-	-	39,442,256	162,383,768
Loss allowance	(119,407)	-	-	(119,407)	(491,599)
Carrying amounts	<u>39,322,849</u>	<u>-</u>	<u>-</u>	<u>39,322,849</u>	<u>161,892,169</u>
Loans to customers					
Normal	1,802,621,590	-	-	1,802,621,590	7,421,393,086
Special mention	-	80,601,661	-	80,601,661	331,837,038
Substandard	-	-	15,640,321	15,640,321	64,391,202
Doubtful	-	-	19,045,710	19,045,710	78,411,188
Loss	-	-	8,754,420	8,754,420	36,041,947
	<u>1,802,621,590</u>	<u>80,601,661</u>	<u>43,440,451</u>	<u>1,926,663,702</u>	<u>7,932,074,461</u>
Loss allowance	<u>(13,345,779)</u>	<u>(5,756,561)</u>	<u>(5,056,667)</u>	<u>(24,159,007)</u>	<u>(99,462,632)</u>
Carrying amounts	<u>1,789,275,811</u>	<u>74,845,100</u>	<u>38,383,784</u>	<u>1,902,504,695</u>	<u>7,832,611,829</u>
Loan commitments					
Normal	571,085	-	-	571,085	2,351,157
Special mention	-	1,000	-	1,000	4,117
Substandard	-	-	6,615	6,615	27,234
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	<u>571,085</u>	<u>1,000</u>	<u>6,615</u>	<u>578,700</u>	<u>2,382,508</u>
Loss allowance	<u>(2,577)</u>	<u>(20)</u>	<u>(1,471)</u>	<u>(4,068)</u>	<u>(16,748)</u>
Carrying amounts	<u>568,508</u>	<u>980</u>	<u>5,144</u>	<u>574,632</u>	<u>2,365,760</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT

39.1 Credit risk (continued)

39.1.2 Credit quality analysis (continued)

Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Balances with other banks					
Normal	39,390,959	-	-	39,390,959	162,172,579
Loss allowance	(119,407)	-	-	(119,407)	(491,599)
Carrying amounts	39,271,552	-	-	39,271,552	161,680,980
Loans to customers					
Normal	1,802,621,590	-	-	1,802,621,590	7,421,393,086
Special mention	-	80,601,661	-	80,601,661	331,837,038
Substandard	-	-	15,640,321	15,640,321	64,391,202
Doubtful	-	-	19,045,710	19,045,710	78,411,188
Loss	-	-	8,754,420	8,754,420	36,041,947
	1,802,621,590	80,601,661	43,440,451	1,926,663,702	7,932,074,461
Loss allowance	(13,345,779)	(5,756,561)	(5,056,667)	(24,159,007)	(99,462,632)
Carrying amounts	1,789,275,811	74,845,100	38,383,784	1,902,504,695	7,832,611,829
Loan commitments					
Normal	571,085	-	-	571,085	2,351,157
Special mention	-	1,000	-	1,000	4,117
Substandard	-	-	6,615	6,615	27,234
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	571,085	1,000	6,615	578,700	2,382,508
Loss allowance	(2,577)	(20)	(1,471)	(4,068)	(16,748)
Carrying amounts	568,508	980	5,144	574,632	2,365,760

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.2 Credit quality analysis (continued)

Group	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Balances with other banks					
Normal	36,502,894	-	-	36,502,894	148,712,790
Loss allowance	(93,461)	-	-	(93,461)	(380,760)
Carrying amounts	<u>36,409,433</u>	<u>-</u>	<u>-</u>	<u>36,409,433</u>	<u>148,332,030</u>
Loans to customers					
Normal	1,623,317,782	-	-	1,623,317,782	6,613,396,644
Special mention	-	31,600,822	-	31,600,822	128,741,748
Substandard	-	-	14,119,674	14,119,674	57,523,552
Doubtful	-	-	10,104,334	10,104,334	41,165,057
Loss	-	-	888,007	888,007	3,617,741
	<u>1,623,317,782</u>	<u>31,600,822</u>	<u>25,112,015</u>	<u>1,680,030,619</u>	<u>6,844,444,742</u>
Loss allowance	<u>(18,776,667)</u>	<u>(2,890,132)</u>	<u>(2,624,358)</u>	<u>(24,291,157)</u>	<u>(98,962,174)</u>
Carrying amounts	<u>1,604,541,115</u>	<u>28,710,690</u>	<u>22,487,657</u>	<u>1,655,739,462</u>	<u>6,745,482,568</u>
Loan commitments					
Normal	2,738,666	-	-	2,738,666	11,157,325
Special mention	-	-	-	-	-
Substandard	-	-	19,980	19,980	81,399
Doubtful	-	-	2,520	2,520	10,266
Loss	-	-	-	-	-
	<u>2,738,666</u>	<u>-</u>	<u>22,500</u>	<u>2,761,166</u>	<u>11,248,990</u>
Loss allowance	<u>(11,465)</u>	<u>-</u>	<u>(131)</u>	<u>(11,596)</u>	<u>(47,242)</u>
Carrying amounts	<u>2,727,201</u>	<u>-</u>	<u>22,369</u>	<u>2,749,570</u>	<u>11,201,748</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.2 Credit quality analysis (continued)

Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Balances with other banks					
Normal	36,451,582	-	-	36,451,582	148,503,745
Loss allowance	(93,461)	-	-	(93,461)	(380,760)
Carrying amounts	<u>36,358,121</u>	<u>-</u>	<u>-</u>	<u>36,358,121</u>	<u>148,122,985</u>
Loans to customers					
Normal	1,623,317,782	-	-	1,623,317,782	6,613,396,644
Special mention	-	31,600,822	-	31,600,822	128,741,748
Substandard	-	-	14,119,674	14,119,674	57,523,552
Doubtful	-	-	10,104,334	10,104,334	41,165,057
Loss	-	-	888,007	888,007	3,617,741
	<u>1,623,317,782</u>	<u>31,600,822</u>	<u>25,112,015</u>	<u>1,680,030,619</u>	<u>6,844,444,742</u>
Loss allowance	<u>(18,776,667)</u>	<u>(2,890,132)</u>	<u>(2,624,358)</u>	<u>(24,291,157)</u>	<u>(98,962,174)</u>
Carrying amounts	<u>1,604,541,115</u>	<u>28,710,690</u>	<u>22,487,657</u>	<u>1,655,739,462</u>	<u>6,745,482,568</u>
Loan commitments					
Normal	2,738,666	-	-	2,738,666	11,157,325
Special mention	-	-	-	-	-
Substandard	-	-	19,980	19,980	81,399
Doubtful	-	-	2,520	2,520	10,266
Loss	-	-	-	-	-
	<u>2,738,666</u>	<u>-</u>	<u>22,500</u>	<u>2,761,166</u>	<u>11,248,990</u>
Loss allowance	<u>(11,465)</u>	<u>-</u>	<u>(131)</u>	<u>(11,596)</u>	<u>(47,242)</u>
Carrying amounts	<u>2,727,201</u>	<u>-</u>	<u>22,369</u>	<u>2,749,570</u>	<u>11,201,748</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.2 Credit quality analysis (continued)

The below table sets out information about the overdue status of loans to customers in Stage 1, 2 and 3.

Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loans to customers					
Current	1,795,784,613	73,601,371	16,291,703	1,885,677,687	7,763,335,037
Overdue ≤ 30 days	6,836,977	1,301,017	667,384	8,805,378	36,251,741
Overdue > 30 days	-	5,699,273	26,481,364	32,180,637	132,487,683
Total	1,802,621,590	80,601,661	43,440,451	1,926,663,702	7,932,074,461
Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loans to customers					
Current	1,621,725,282	27,536,087	19,270,440	1,668,531,809	6,797,598,590
Overdue ≤ 30 days	1,592,500	847,951	571,405	3,011,856	12,270,301
Overdue > 30 days	-	3,216,784	5,270,170	8,486,954	34,575,851
Total	1,623,317,782	31,600,822	25,112,015	1,680,030,619	6,844,444,742

39.1.3 Collateral held

Small and Medium Entity (SME) Retail Loans and Mortgage Loans (secured loans)

The Group and the Bank hold residential properties as collaterals for majority of loans, and the collaterals include land, house, building and other movable assets. The Group and the Bank set Loan to Collateral Value ("LTV") > 67% as the minimum eligible ratio for loan disbursement to customers.

39.1.4 Amounts arising from ECL

(a) Inputs, assumptions and techniques used for estimating impairment

The Group and the Bank recognise loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- balances with other banks,
- financial assets that are debt instruments; and
- loan commitments.

No impairment loss is recognised on equity investments.

The Group and the Bank measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- balances with the NBC that are determined to have low credit risk at the reporting date; and

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4.Amounts arising from ECL (continued)

(a) Inputs, assumptions and techniques used for estimating impairment (continued)

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group and the Bank do not apply the low credit risk exemption to any other financial instruments.

Low credit risk exemption

The Group and the Bank may assign, in accordance with requirement in CIFRS 9, the low credit risk criteria for financial instruments that allow the exposure, at reporting date, to be measured at 12-month ECL. In order for the practical expedient to be applied the financial instrument has to meet the following requirements:

- It has a low risk of default;
- The borrower is considered in the short term, to have a strong capacity to meet its obligations; and
- The Group and the Bank expect, in the longer term that adverse changes in economic and business conditions might, but will not necessarily; reduce the ability of the borrower to fulfil its obligations.

Significant Increase in Credit Risk (Stage 2)

The Group and the Bank assessed the change in levels of credit risk over the expected life of the financial instrument through comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The qualitative and quantitative measures to determine whether a significant increase in credit risk has occurred are outlined below. To monitor and identify the Significant Increase in Credit Risk for impairment, the Group and the Bank apply the approaches and criteria below:

- Quantitative criteria: compare the change in PD at the reporting date from the origination date (change in cumulative residual unbiased PD, or change in unbiased PD comparing the origination unbiased PD expected at the reporting date with the current PD at reporting). However, these quantitative criteria will be incorporated Behaviour Credit Scoring when the Group and the Bank have enough data.
- Qualitative criteria: the Group and the Bank have established the procedure for credit review. The independent credit review shall be conducted to review the facility quality and signal of significant increase in credit risk by applying the prudential criteria from the NBC.

Credit impaired financial instruments (Stage 3)

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4. Amounts arising from ECL (continued)

(a) Inputs, assumptions and techniques used for estimating impairment (continued)

Credit impaired financial instruments (Stage 3) (continued)

- The disappearance of an active market for the financial asset because of financial difficulties for example debtor's business status, debtor during litigation process, frequency of entering debt restructuring etc.;
- Fraudulent debtors;
- Partially write off.

Credit-impaired loans to customers are graded as substandard, doubtful and loss in the Group' and the Bank's internal credit risk grading system.

Credit risk grades

The Group and the Bank allocate each exposure to a credit risk grade based on the prudential definition of the NBC which applies the number of days past due as the grading criteria. The grades are:

1. Normal
2. Special mention
3. Substandard
4. Doubtful
5. Loss

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of following data.

- Past repayment history;
- Financial conditions of counterparty;
- Business prospective and cash projection;
- Ability and willingness to pay;
- Economic environment; and
- Quality of documentation.

(i) **Definition of default**

For the purpose of the Group's and the Bank's CIFRS 9 Impairment Model Development, the default definition stated in Article 17 and Article 19 of NBC Prakas on Credit Risk Grading and Impairment Provisioning has been utilised. The institution has different classifications of graduation of risks depending on the tenure of facilities into long term facilities (i.e. original term of more than one year) and short-term facilities (i.e. original term of one year or less).

(ii) **Staging or classification**

In order to assess the application of either 12 month or lifetime ECL, each financial instrument, both individually or collectively, is assessed for impairment in accordance with this policy on a monthly basis and classified into one of the three following stages of credit deterioration since initial recognition. Under CIFRS 9, financial instruments are segregated into three stages depending on the changes in credit quality since initial recognition. The following table shows the corresponding stage of measuring the ECL:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(ii) Staging or classification (continued)

Stage	Definition
Stage 1	Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amounts of the asset (that is, without deduction for credit allowance).
Stage 2	Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amounts of the asset.
Stage 3	Stage 3 includes financial assets where there is more than significant deterioration in credit quality since initial recognition and assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amounts (that is, net of credit allowance).

The stage assessment has to be classified by individual account level according to the credit risk profile of the asset and commitment. For business loan exposure, it is required to take into consideration the relation of cash flow of each account for stage assessment.

For all the three staging, the back-stop indicator is used. Back stop indicator: the number of days past due is used as the back-stop indicator for staging. Based on NBC prudential guideline, 30 DPD is set as backstop for long- term loans and 15 DPD for short-term loan. Moreover, for the facility that subject to reclassifying, the classification then is mapped with the stage as per the below table as well.

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.

Following the NBC's workshop on "the Circular on Classification and Provisioning Requirement for Restructured Loans" held on 18 January 2022, the NBC issued a communication on 4 February 2022 allowing banking and financial institutions ("BFIs") to defer the implementation of the new Circular until January 2022 onward though early adoption is encouraged. The Group and the Bank chose to defer the implementation of the new Circular in preparing these financial statements for the year ended 31 December 2021.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

Stage	Classification	Facility	DPD
1	Normal (Performing)	Long Term	$0 \leq DPD < 30$
		Short Term	$0 \leq DPD \leq 14$
2	Special Mention (Underperforming)	Long Term	$30 \leq DPD < 90$
		Short Term	$15 \leq DPD \leq 30$
3	Substandard, Doubtful, Loss (Non-Performing)	Long Term	$DPD \geq 90$ * or Account Status = "WRITE OFF"
		Short Term	$DPD > 30$ * or Account Status = "WRITE OFF"

Balances with other banks

Bank Name	ECL Calculation
A	<i>Deposit portfolio × Benchmark ECL%</i>
B	<i>Deposit portfolio × Benchmark ECL%</i>
C	<i>Deposit portfolio × Benchmark ECL%</i>

The tables below analyse the movement of the loss allowance during the year per class of assets.

(i) Loss allowance – Balances with other banks at amortised cost:

Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss					
At 1 January 2022	93,461	-	-	93,461	380,760
Change in the expected credit loss					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net remeasurement of loss allowance and other movements	26,254	-	-	26,254	107,309
New financial assets originated	7	-	-	7	29
Foreign exchange	(315)	-	-	(315)	(1,297)
Currency translation difference	-	-	-	-	4,798
Expected credit loss					
At 31 December 2022	119,407	-	-	119,407	491,599

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(i) Loss allowance – Balances with other banks at amortised cost: (continued)

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss					
At 1 January 2021	167,030	-	-	167,030	675,636
<i>Change in the expected credit loss</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net remeasurement of loss allowance and other movements	(73,530)	-	-	(73,530)	(299,120)
New financial assets originated	63	-	-	63	256
Foreign exchange	(102)	-	-	(102)	(420)
Currency translation difference	-	-	-	-	4,408
Expected credit loss					
At 31 December 2021	93,461	-	-	93,461	380,760

(ii) Loss allowance - Loans and advances to customers at amortised cost:

Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss					
At 1 January 2022	18,776,667	2,890,132	2,624,358	24,291,157	98,962,174
<i>Change in the expected credit loss</i>					
Transfer to stage 1	544,646	(382,544)	(162,102)	-	-
Transfer to stage 2	(2,897,450)	3,012,343	(114,893)	-	-
Transfer to stage 3	(625,788)	(469,380)	1,095,168	-	-
Net remeasurement of loss allowance and other movements	(3,437,840)	1,449,396	1,874,570	(113,874)	(465,403)
New financial assets originated	7,298,191	713,375	885,723	8,897,289	36,363,220
Financial assets that have been derecognised	(4,987,198)	168,142	2,418,543	(2,400,513)	(9,810,897)
Unwinds	-	-	190,478	190,478	778,484
Write-offs	(1,279,570)	(1,618,575)	(3,745,839)	(6,643,984)	(27,153,963)
Foreign exchange	(45,879)	(6,328)	(9,339)	(61,546)	(251,539)
Currency translation difference	-	-	-	-	1,040,556
Expected credit loss					
At 31 December 2022	13,345,779	5,756,561	5,056,667	24,159,007	99,462,632

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(ii) Loss allowance - Loans and advances to customers at amortised cost: (continued)

Group and Bank	31 December 2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss At 1 January 2021	2,288,173	3,279,799	17,768,701	23,336,673	94,396,842
<i>Change in the expected credit loss</i>					
Transfer to stage 1	951,567	(825,604)	(125,963)	-	-
Transfer to stage 2	(47,983)	546,747	(498,764)	-	-
Transfer to stage 3	(19,587)	(986,880)	1,006,467	-	-
Net remeasurement of loss allowance and other movements	7,940,540	1,272,013	(8,530,221)	682,332	2,775,727
New financial assets originated	8,409,324	205,227	137,109	8,751,660	35,601,753
Financial assets that have been derecognised	(586,298)	(227,084)	(2,419,161)	(3,232,543)	(13,149,985)
Unwinds	-	-	(428,139)	(428,139)	(1,741,669)
Write-offs	(119,407)	(354,537)	(4,190,224)	(4,664,168)	(18,973,835)
Foreign exchange	(39,662)	(19,549)	(95,447)	(154,658)	(629,149)
Currency translation differences	-	-	-	-	682,490
Expected credit loss At 31 December 2021	18,776,667	2,890,132	2,624,358	24,291,157	98,962,174

(iii) Loss allowance – Loan commitments:

Group and Bank	31 December 2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss At 1 January 2022	11,465	-	131	11,596	47,242
<i>Change in the expected credit loss</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(20)	20	-	-	-
Transfer to stage 3	(1,405)	-	1,405	-	-
Net remeasurement of loss allowance and other movements	1,612	-	-	1,612	6,589
Loan commitments transferred to loans to customers	(11,237)	-	(131)	(11,368)	(46,465)
New loan commitments issued	2,167	-	80	2,247	9,184
Foreign exchange	(5)	-	(14)	(19)	(78)
Currency translation differences	-	-	-	-	276
Expected credit loss At 31 December 2022	2,577	20	1,471	4,068	16,748

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(iii) Loss allowance – Loan commitments: (continued)

Group and Bank	31 December 2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss At 1 January 2021	6,276	600	70,493	77,369	312,958
<i>Change in the expected credit loss</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net remeasurement of loss allowance and other movements	190	-	(1,552)	(1,362)	(5,541)
Loan commitments transferred to loans to customers	(6,081)	(596)	(68,800)	(75,477)	(307,044)
New loan commitments issued	11,109	-	-	11,109	45,191
Foreign exchange	(29)	(4)	(10)	(43)	(175)
Currency translation differences	-	-	-	-	1,849
Expected credit loss At 31 December 2021	11,465	-	131	11,596	47,242

The tables below analyse the movement of the gross carrying amount of financial assets during the year that contributed to changes in the loss allowance.

(iv) Balances with other banks at amortised cost:

Group	31 December 2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount At 1 January 2022	36,502,894	-	-	36,502,894	148,712,790
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	2,936,569	-	-	2,936,569	12,001,758
New financial assets originated	39,810	-	-	39,810	162,703
Foreign exchange	(37,017)	-	-	(37,017)	(151,288)
Currency translation differences	-	-	-	-	1,657,805
Gross carrying amount At 31 December 2022	39,442,256	-	-	39,442,256	162,383,768

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(iv) Balances with other banks at amortised cost: (continued)

Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount At 1 January 2022	36,451,582	-	-	36,451,582	148,503,745
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	2,936,585	-	-	2,936,585	12,001,823
New financial assets originated	39,810	-	-	39,810	162,703
Foreign exchange	(37,018)	-	-	(37,018)	(151,293)
Currency translation differences	-	-	-	-	1,655,601
Gross carrying amount At 31 December 2022	39,390,959	-	-	39,390,959	162,172,579
Group	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount At 1 January 2021	41,896,868	-	-	41,896,868	169,472,831
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	(5,564,484)	-	-	(5,564,484)	(22,636,321)
New financial assets originated	209,538	-	-	209,538	852,401
Foreign exchange	(39,028)	-	-	(39,028)	(158,766)
Currency translation differences	-	-	-	-	1,182,645
Gross carrying amount At 31 December 2021	36,502,894	-	-	36,502,894	148,712,790

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(iv) Balances with other banks at amortised cost: (continued)

Bank	31 December 2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount At 1 January 2021	41,823,659	-	-	41,823,659	169,176,700
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	(5,542,586)	-	-	(5,542,586)	(22,547,240)
New financial assets originated	209,538	-	-	209,538	852,401
Foreign exchange	(39,029)	-	-	(39,029)	(158,770)
Currency translation differences	-	-	-	-	1,180,654
Gross carrying amount At 31 December 2021	36,451,582	-	-	36,451,582	148,503,745

(v) Loans and advances to customers at amortised cost:

Group and Bank	31 December 2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount At 1 January 2022	1,623,317,782	31,600,822	25,112,015	1,680,030,619	6,844,444,742
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	5,964,358	(4,448,197)	(1,516,161)	-	-
Transfer to stage 2	(81,823,207)	82,954,003	(1,130,796)	-	-
Transfer to stage 3	(22,429,500)	(5,024,945)	27,454,445	-	-
Net movements	(689,522,602)	(30,011,816)	(9,441,113)	(728,975,531)	(2,979,322,995)
New financial assets originated	972,237,391	7,224,158	6,827,792	986,289,341	4,030,964,537
Write-offs	(1,279,570)	(1,618,575)	(3,776,902)	(6,675,047)	(27,280,917)
Foreign exchange	(3,843,062)	(73,791)	(88,827)	(4,005,680)	(16,371,214)
Currency translation differences	-	-	-	-	79,640,308
Gross carrying amount At 31 December 2022	1,802,621,590	80,601,659	43,440,453	1,926,663,702	7,932,074,461

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(v) Loans and advances to customers at amortised cost (continued)

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount					
At 1 January 2021	1,288,642,698	5,749,441	17,768,702	1,312,160,841	5,307,690,602
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	1,574,048	(1,448,085)	(125,963)	-	-
Transfer to stage 2	(27,206,463)	27,705,227	(498,764)	-	-
Transfer to stage 3	(11,052,716)	(1,729,811)	12,782,527	-	-
Net movements	(560,838,452)	(747,157)	(1,668,894)	(563,254,503)	(2,291,319,318)
New financial assets originated	938,718,259	2,486,957	1,196,092	942,401,308	3,833,688,521
Write-offs	(119,407)	(354,537)	(4,190,224)	(4,664,168)	(18,973,835)
Foreign exchange	(6,400,184)	(61,213)	(151,462)	(6,612,859)	(26,901,110)
Currency translation differences	-	-	-	-	40,259,882
Gross carrying amount					
At 31 December 2021	1,623,317,783	31,600,822	25,112,014	1,680,030,619	6,844,444,742

(vi) Loan commitments:

Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount					
At 1 January 2022	2,738,666	-	22,500	2,761,166	11,248,990
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(5,664)	1,000	4,664	-	-
Transfer to stage 3	-	-	-	-	-
Loan commitments transferred to loans to customers	(2,471,981)	-	(22,494)	(2,494,475)	(10,194,919)
New loan commitments issued	311,692	-	2,000	313,692	1,282,059.00
Foreign exchange	(1,628)	-	(54)	(1,682)	(6,874)
Currency translation difference	-	-	-	-	53,256
Gross carrying amount					
At 31 December 2022	571,085	1,000	6,616	578,701	2,382,512

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

(vi) Loan commitments (continued)

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime ECL	Lifetime ECL		
	ECL			US\$	KHR'000
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount					
At 1 January 2021	3,606,317	1,049	70,493	3,677,859	14,876,939
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Loan commitments transferred to loans to customers	(3,497,261)	(1,043)	(68,800)	(3,567,104)	(14,510,979)
New loan commitments issued	2,643,641	-	20,819	2,664,460	10,839,023
Foreign exchange	(14,031)	(6)	(12)	(14,049)	(57,151)
Currency translation differences	-	-	-	-	101,158
Gross carrying amount					
At 31 December 2021	2,738,666	-	22,500	2,761,166	11,248,990

During the year, the allowance for impairment loss recognised in the profit or loss was as follows:

31 December 2022

Group and Bank	Balances with other banks at amortised cost	Loans and advances to customers at amortised cost	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
	US\$	US\$	US\$	US\$	KHR'000
Net remeasurement of loss allowance	26,254	(113,874)	1,612	(86,008)	(351,515)
New financial assets originated	7	8,897,289	2,247	8,899,543	36,372,432
Financial assets that have been derecognised	-	(2,369,452)	(11,368)	(2,380,820)	(9,730,411)
Recoveries of amounts previously written off	-	(1,716,362)	-	(1,716,362)	(7,014,771)
Impairment losses on financial instrument recognised in profit or loss (Note 30)	26,261	4,697,601	(7,509)	4,716,353	19,275,735

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.4 Amounts arising from ECL (continued)

31 December 2021

Group and Bank	Balances with other banks at amortised cost	Loans and advances to customers at amortised cost	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
Net remeasurement of loss allowance	(73,530)	682,332	(1,362)	607,440	2,471,066
New financial assets originated	63	8,751,660	11,109	8,762,832	35,647,201
Financial assets that have been derecognised	-	(3,232,543)	(75,478)	(3,308,021)	(13,457,029)
Recoveries of amounts previously written off	-	(1,296,191)	-	(1,296,191)	(5,272,906)
Impairment losses on financial instrument recognised in profit or loss (Note 29)	(73,467)	4,905,258	(65,731)	4,766,060	19,388,332

This table summarises the loss allowance as of the year-end by class of exposure/assets.

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Loss allowance by classes				
Balances with other banks	119,407	491,599	93,461	380,760
Loans to customers	24,159,007	99,462,632	24,291,157	98,962,174
Loan commitments	4,068	16,748	11,596	47,242
	24,282,482	99,970,979	24,396,214	99,390,176

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is US\$6,675,047 at 31 December 2022 and US\$4,664,218 at 31 December 2021.

Under the Group's and the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

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39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.5 Concentration of credit risk

Group and Bank	31 December 2022		31 December 2021	
	Gross carrying amounts	Loss allowance	Gross carrying amounts	Loss allowance
	US\$	US\$	US\$	US\$
Loans to customers				
0-29 days	1,894,279,862	20,688,887	1,671,518,346	23,403,630
30-59 days	3,546,918	274,911	2,181,823	223,259
60-89 days	2,928,312	227,774	1,671,204	170,775
90-180 days	8,751,992	930,613	2,460,290	252,739
More than 180 days	17,156,618	2,036,822	2,198,956	240,754
Total	1,926,663,702	24,159,007	1,680,030,619	24,291,157
In KHR'000 equivalents	7,932,074,461	99,462,632	6,844,444,742	98,962,174

The Group and the Bank monitor concentrations of credit risk by sector. An analysis of concentrations of credit risk from balances with other banks, loans to customers and loan commitments is shown below.

Group	31 December 2022				
	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
Carrying amounts	39,322,849	1,902,504,695	(4,068)	1,941,823,476	7,994,487,251
Amount committed	-	-	578,700	578,700	2,382,508
Concentration by sector					
External customers					
Mortgages loans	-	229,182,659	122,500	229,305,159	944,049,340
Personal loans	-	1,690,015,330	234,461	1,690,249,791	6,958,758,390
Overdraft	-	691,570	209,739	901,309	3,710,689
Staff loans	-	6,774,143	12,000	6,786,143	27,938,551
	-	1,926,663,702	578,700	1,927,242,402	7,934,456,970

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.1 Credit risk (continued)

39.1.5 Concentration of credit risk (continued)

31 December 2022					
Bank	Balances with other banks US\$	Loans to customers US\$	Loan commitments US\$	Total US\$	KHR'000
Carrying amounts	39,271,552	1,902,504,695	(4,068)	1,941,772,179	7,994,276,061
Amount committed	-	-	578,700	578,700	2,382,508
Concentration by sector					
External customers					
Mortgages loans	-	229,182,659	122,500	229,305,159	944,049,340
Personal loans	-	1,690,706,900	444,200	1,691,151,100	6,962,469,079
Staff loans	-	6,774,143	12,000	6,786,143	27,938,551
	-	1,926,663,702	578,700	1,927,242,402	7,934,456,970
31 December 2021					
Group	Balances with other banks US\$	Loans to customers US\$	Loan commitments US\$	Total US\$	KHR'000
Carrying amounts	36,409,433	1,655,739,462	(11,596)	1,692,137,299	6,893,767,356
Amount committed	-	-	2,761,166	2,761,166	11,248,990
Concentration by sector					
External customers					
Mortgages loans	-	133,951,505	397,538	134,349,043	547,338,001
Personal loans	-	1,539,274,168	2,363,628	1,541,637,796	6,280,632,381
Staff loans	-	6,804,946	-	6,804,946	27,723,350
	-	1,680,030,619	2,761,166	1,682,791,785	6,855,693,732
31 December 2021					
Bank	Balances with other banks US\$	Loans to customers US\$	Loan commitments US\$	Total US\$	KHR'000
Carrying amounts	36,358,121	1,655,739,462	(11,596)	1,692,085,987	6,893,558,311
Amount committed	-	-	2,468,305	2,468,305	10,055,875
Concentration by sector					
External customers					
Mortgages loans	-	133,951,505	397,538	134,349,043	547,338,001
Personal loans	-	1,539,274,168	2,363,628	1,541,637,796	6,280,632,381
Staff loans	-	6,804,946	-	6,804,946	27,723,350
	-	1,680,030,619	2,761,166	1,682,791,785	6,855,693,732

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk

Liquidity risk refers to risk which the institution cannot meet the obligation or cannot settle debt obligation or settle position in the specific economic and financial situation and market situation. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's and the Bank's operations and investments.

39.2.1 Liquidity risk management

The Group's and the Bank's BoD set the Group's and the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by ARBC. ARBC approves the Group and the Bank's liquidity policies created by the Risk division and acknowledged by ALRMC. Treasury department manages the Group's and the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of Head office and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ARBC.

The Group's and the Bank's approaches to managing liquidity are to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and the Bank's reputation. The key elements of the Group's and the Bank's liquidity strategy are as follows.

- Maintaining a diversified funding, consisting of customer deposits (both individual and corporate) and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioral characteristics of the Group's and the Bank's financial assets and financial liabilities, and the extent to which the Group and the Bank's assets are encumbered and so not available as potential collateral for obtaining the funding.
- Performing a stress testing of the Group's and the Bank's liquidity position against various exposures and country-specific events.
- Minimizing cost of foregone earnings on idle liquidity.
- Responding to possible future liquidity constraints arising from the COVID-19 pandemic

Treasury department receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury department then maintains a portfolio of short-term liquid assets, largely made up of inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group and the Bank as a whole. The liquidity requirements of branches are met through funds from Treasury department to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

Treasury department monitors compliance with local regulatory limits on a monthly basis.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Bank-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes). Moreover, stress scenarios may be based on past events (historical scenario) observed within the own institution, or more commonly, on crisis situations witnessed by other institutions of similar size, business model and regional footprint. Often, the Group and the Bank also combines crisis elements from various historical situations to develop a hypothetical but plausible crisis scenario that might be more relevant to their current business model and exposure profile.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.1 Liquidity risk management (continued)

The key measure used by the Group and the Bank for managing liquidity risk is Liquidity Coverage Ratio ("LCR"). This ratio reflects the available cash inflows (including loans to be collected and balances with other banks); cash outflows matured within 30days (including amount to be paid to lenders, deposits from financial institutions and corporates); and adjusted retail saving deposit as well as stock of eligible liquid assets (cash on hand, all current accounts and reserve requirements with the NBC).

39.2.2 Exposure to liquidity risk

Group and Bank	31 December 2022	31 December 2021
1		
At end of year	146.03%	164.27%
Average for the year	148.71%	161.70%
Maximum for the year	164.27%	234.79%
Minimum for the year	130.66%	141.78%

39.2.3 Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2022								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	1,192,731,586	(1,250,643,074)	(279,453,558)	(214,463,607)	(606,552,976)	(147,089,054)	(3,083,879)	-
Debt securities issued	43,726,699	(49,683,588)	-	-	(2,046,332)	(47,637,256)	-	-
Borrowings	609,270,408	(667,864,049)	(44,040,747)	(71,957,519)	(156,586,425)	(363,144,982)	(31,241,925)	(892,451)
Subordinated debts	74,012,302	(105,186,855)	(2,090,147)	(99,362)	(6,434,943)	(60,880,872)	(35,681,531)	-
Lease liabilities	12,286,830	(14,453,075)	(342,058)	(672,894)	(2,884,838)	(8,914,763)	(1,638,522)	-
Other liabilities	10,676,916	(11,175,174)	(1,227,211)	(400,008)	(8,350,523)	(1,197,432)	-	-
	<u>1,942,704,741</u>	<u>(2,099,005,815)</u>	<u>(327,153,721)</u>	<u>(287,593,390)</u>	<u>(782,856,037)</u>	<u>(628,864,359)</u>	<u>(71,645,857)</u>	<u>(892,451)</u>
Derivative liabilities								
Risk management	1,730,083	-	-	-	-	-	-	-
Outflow	-	(28,730,083)	(5,066,450)	-	(23,663,633)	-	-	-
Inflow	-	27,000,000	5,000,000	-	22,000,000	-	-	-
	<u>1,730,083</u>	<u>(1,730,083)</u>	<u>(66,450)</u>	<u>-</u>	<u>(1,663,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loan and other commitments	-	(31,993,648)	-	(31,416,394)	(208,292)	(156,162)	(212,800)	-
In US\$ equivalents	<u>1,944,434,824</u>	<u>(2,132,729,546)</u>	<u>(327,220,171)</u>	<u>(319,009,784)</u>	<u>(784,727,962)</u>	<u>(629,020,521)</u>	<u>(71,858,657)</u>	<u>(892,451)</u>
In KHR'000 equivalents	<u>8,005,238,170</u>	<u>(8,780,447,541)</u>	<u>(1,347,165,443)</u>	<u>(1,313,363,280)</u>	<u>(3,230,725,020)</u>	<u>(2,589,677,485)</u>	<u>(295,842,091)</u>	<u>(3,674,222)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2022								
Financial assets by type								
Non-derivative assets								
Cash on hand	65,106,117	65,106,117	65,106,117	-	-	-	-	-
Balances with the NBC	255,763,733	255,775,791	9,566,657	3,000,837	-	-	243,208,297	-
Balances with other banks	39,322,849	39,686,861	9,294,003	-	330,684	-	30,062,174	-
Loans to customers	1,902,504,695	2,690,906,583	79,469,539	110,317,164	628,578,209	1,555,991,756	316,549,915	-
Investment securities	15,702,917	17,495,000	-	-	825,000	16,650,000	-	20,000
Other assets	2,832,810	2,832,810	-	355,863	-	1,653,267	823,680	-
	<u>2,281,233,121</u>	<u>3,071,803,162</u>	<u>163,436,316</u>	<u>113,673,864</u>	<u>629,733,893</u>	<u>1,574,295,023</u>	<u>590,644,066</u>	<u>20,000</u>
Derivative assets								
Risk management	21,932,357	-	-	-	-	-	-	-
Outflow	-	(30,540,314)	(1,277,199)	(356,928)	(7,338,470)	(20,452,210)	(1,115,507)	-
Inflow	-	51,889,864	2,029,084	868,206	11,183,571	35,408,585	2,400,418	-
	<u>21,932,357</u>	<u>21,349,550</u>	<u>751,885</u>	<u>511,278</u>	<u>3,845,101</u>	<u>14,956,375</u>	<u>1,284,911</u>	<u>-</u>
Borrowing commitments	-	32,980,134	-	2,980,134	-	-	30,000,000	-
In US\$ equivalents	<u>2,303,165,478</u>	<u>3,126,132,846</u>	<u>164,188,201</u>	<u>117,165,276</u>	<u>633,578,994</u>	<u>1,589,251,398</u>	<u>621,928,977</u>	<u>20,000</u>
In KHR'000 equivalents	<u>9,482,132,273</u>	<u>12,870,288,927</u>	<u>675,962,824</u>	<u>482,369,441</u>	<u>2,608,444,718</u>	<u>6,542,948,006</u>	<u>2,560,481,598</u>	<u>82,340</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2021								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	1,039,798,652	(1,091,788,574)	(290,755,256)	(126,963,151)	(500,165,418)	(170,799,863)	(3,104,886)	-
Borrowings	588,064,151	(648,088,365)	(11,818,016)	(59,532,089)	(155,385,887)	(381,724,313)	(38,582,900)	(1,045,160)
Subordinated debts	44,106,167	(61,050,747)	(252,303)	(1,112,012)	(3,130,568)	(33,407,615)	(23,148,249)	-
Lease liabilities	12,089,132	(14,273,302)	(331,250)	(653,153)	(2,730,026)	(9,249,497)	(1,309,376)	-
Other liabilities	17,648,834	(17,648,834)	(75,016)	(1,787,046)	(14,809,393)	(977,379)	-	-
	<u>1,701,706,936</u>	<u>(1,832,849,822)</u>	<u>(303,231,841)</u>	<u>(190,047,451)</u>	<u>(676,221,292)</u>	<u>(596,158,667)</u>	<u>(66,145,411)</u>	<u>(1,045,160)</u>
Derivative liabilities								
Risk management	2,510,693	-	-	-	-	-	-	-
Outflow	-	(9,938,429)	(98,360)	(302,000)	(1,757,479)	(7,550,734)	(229,856)	-
Inflow	-	248,452	6,636	-	47,855	178,453	15,508	-
	<u>2,510,693</u>	<u>(9,689,977)</u>	<u>(91,724)</u>	<u>(302,000)</u>	<u>(1,709,624)</u>	<u>(7,372,281)</u>	<u>(214,348)</u>	<u>-</u>
Loan and other commitments	-	(41,927,117)	-	(39,166,534)	(298,706)	(281,251)	(2,180,626)	-
In US\$ equivalents	<u>1,704,217,629</u>	<u>(1,884,466,916)</u>	<u>(303,323,565)</u>	<u>(229,515,985)</u>	<u>(678,229,622)</u>	<u>(603,812,199)</u>	<u>(68,540,385)</u>	<u>(1,045,160)</u>
In KHR'000 equivalents	<u>6,942,982,621</u>	<u>(7,677,318,216)</u>	<u>(1,235,740,204)</u>	<u>(935,048,123)</u>	<u>(2,763,107,480)</u>	<u>(2,459,930,899)</u>	<u>(279,233,528)</u>	<u>(4,257,982)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2021								
Financial assets by type								
Non-derivative assets								
Cash on hand	53,605,978	53,605,978	53,605,978	-	-	-	-	-
Balances with the NBC	222,244,286	222,245,287	3,660,406	-	100,161	-	218,484,720	-
Balances with other banks	36,409,433	36,745,006	6,663,193	-	327,300	-	29,754,513	-
Loans to customers	1,655,739,462	2,315,161,775	47,704,732	97,406,859	413,627,822	1,469,835,244	262,152,935	24,434,183
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Other assets	9,642,458	9,642,458	-	750,833	233,594	8,658,031	-	-
	<u>1,977,661,617</u>	<u>2,637,420,504</u>	<u>111,634,309</u>	<u>98,157,692</u>	<u>414,288,877</u>	<u>1,478,493,275</u>	<u>510,392,168</u>	<u>24,454,183</u>
Derivative assets								
Risk management	21,421	-	-	-	-	-	-	-
Outflow	-	-	-	-	-	-	-	-
Inflow	-	-	-	-	-	-	-	-
	<u>21,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowing commitments	-	75,099,092	-	99,092	15,000,000	-	60,000,000	-
In US\$ equivalents	<u>1,977,683,038</u>	<u>2,712,519,596</u>	<u>111,634,309</u>	<u>98,256,784</u>	<u>429,288,877</u>	<u>1,478,493,275</u>	<u>570,392,168</u>	<u>24,454,183</u>
In KHR'000 equivalents	<u>8,057,080,697</u>	<u>11,050,804,834</u>	<u>454,798,175</u>	<u>400,298,138</u>	<u>1,748,922,885</u>	<u>6,023,381,602</u>	<u>2,323,777,692</u>	<u>99,626,342</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2022								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	1,193,357,329	(1,251,268,817)	(279,468,449)	(215,074,459)	(606,552,976)	(147,089,054)	(3,083,879)	-
Debt securities issued	43,726,699	(49,683,588)	-	-	(2,046,332)	(47,637,256)	-	-
Borrowings	579,769,689	(633,733,135)	(43,990,028)	(71,860,988)	(156,136,494)	(360,754,624)	(98,550)	(892,451)
Subordinated debts	74,012,302	(105,186,855)	(2,090,147)	(99,362)	(6,434,943)	(60,880,872)	(35,681,531)	-
Lease liabilities	23,061,149	(52,796,671)	(397,420)	(783,618)	(3,396,937)	(11,754,418)	(36,464,278)	-
Financial guarantee liabilities issued	2,892,433	(2,892,433)	(366,514)	(65,899)	(296,547)	(1,360,226)	(803,247)	-
Other liabilities	11,170,786	(11,170,786)	(1,227,211)	(399,756)	(8,346,387)	(1,197,432)	-	-
	<u>1,927,990,387</u>	<u>(2,106,732,285)</u>	<u>(327,539,769)</u>	<u>(288,284,082)</u>	<u>(783,210,616)</u>	<u>(630,673,882)</u>	<u>(76,131,485)</u>	<u>(892,451)</u>
Derivative liabilities								
Risk management	1,730,083	-	-	-	-	-	-	-
Outflow	-	(28,730,083)	(5,066,450)	-	(23,663,633)	-	-	-
Inflow	-	27,000,000	5,000,000	-	22,000,000	-	-	-
	<u>1,730,083</u>	<u>(1,730,083)</u>	<u>(66,450)</u>	<u>-</u>	<u>(1,663,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loan and other commitments	-	(31,993,648)	-	(31,416,394)	(208,292)	(156,162)	(212,800)	-
In US\$ equivalents	<u>1,929,720,470</u>	<u>(2,140,456,016)</u>	<u>(327,606,219)</u>	<u>(319,700,476)</u>	<u>(785,082,541)</u>	<u>(630,830,044)</u>	<u>(76,344,285)</u>	<u>(892,451)</u>
In KHR'000 equivalents	<u>7,944,659,175</u>	<u>(8,812,257,418)</u>	<u>(1,348,754,804)</u>	<u>(1,316,206,860)</u>	<u>(3,232,184,821)</u>	<u>(2,597,127,291)</u>	<u>(314,309,421)</u>	<u>(3,674,221)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2022								
Financial assets by type								
Non-derivative assets								
Cash on hand	65,106,117	65,106,117	65,106,117	-	-	-	-	-
Balances with the NBC	255,763,733	255,775,791	9,566,657	3,000,837	-	-	243,208,297	-
Balances with other banks	39,271,552	39,635,564	9,242,706	-	330,684	-	30,062,174	-
Loans to customers	1,902,504,695	2,690,906,583	79,469,539	110,317,164	628,578,209	1,555,991,756	316,549,915	-
Investment securities	15,702,917	17,495,000	-	-	825,000	16,650,000	-	20,000
Investment in subsidiary	3,508,844	3,508,844	-	-	-	-	-	3,508,844
Other assets	2,507,388	2,507,388	-	355,863	-	1,653,267	498,258	-
	<u>2,284,365,246</u>	<u>3,074,935,287</u>	<u>163,385,019</u>	<u>113,673,864</u>	<u>629,733,893</u>	<u>1,574,295,023</u>	<u>590,318,644</u>	<u>3,528,844</u>
Derivative assets								
Risk management	21,932,357							
Outflow	-	(30,540,314)	(1,277,199)	(356,928)	(7,338,470)	(20,452,210)	(1,115,507)	-
Inflow	-	51,889,864	2,029,084	868,206	11,183,571	35,408,585	2,400,418	-
	<u>21,932,357</u>	<u>21,349,550</u>	<u>751,885</u>	<u>511,278</u>	<u>3,845,101</u>	<u>14,956,375</u>	<u>1,284,911</u>	<u>-</u>
Borrowing commitments	-	32,980,134	-	2,980,134	-	-	30,000,000	-
In US\$ equivalents	<u>2,306,297,603</u>	<u>3,129,264,971</u>	<u>164,136,904</u>	<u>117,165,276</u>	<u>633,578,994</u>	<u>1,589,251,398</u>	<u>621,603,555</u>	<u>3,528,844</u>
In KHR'000 equivalents	<u>9,495,027,232</u>	<u>12,883,183,886</u>	<u>675,751,635</u>	<u>482,369,441</u>	<u>2,608,444,718</u>	<u>6,542,948,006</u>	<u>2,559,141,836</u>	<u>14,528,250</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2021								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	1,040,432,277	(1,092,422,199)	(290,807,457)	(126,963,151)	(500,746,842)	(170,799,863)	(3,104,886)	-
Borrowings	558,563,432	(613,360,270)	(11,767,297)	(59,435,558)	(154,935,956)	(379,333,955)	(6,842,344)	(1,045,160)
Subordinated debts	44,106,167	(61,050,747)	(252,303)	(1,112,012)	(3,130,568)	(33,407,615)	(23,148,249)	-
Lease liabilities	22,725,395	(53,281,242)	(386,612)	(763,877)	(3,228,283)	(12,034,898)	(36,867,572)	-
Other liabilities	17,645,334	(17,645,334)	(75,016)	(1,787,046)	(14,805,893)	(977,379)	-	-
	<u>1,683,472,605</u>	<u>(1,837,759,792)</u>	<u>(303,288,685)</u>	<u>(190,061,644)</u>	<u>(676,847,542)</u>	<u>(596,553,710)</u>	<u>(69,963,051)</u>	<u>(1,045,160)</u>
Derivative liabilities								
Risk management	2,510,693	-	-	-	-	-	-	-
Outflow	-	(9,938,429)	(98,360)	(302,000)	(1,757,479)	(7,550,734)	(229,856)	-
Inflow	-	248,452	6,636	-	47,855	178,453	15,508	-
	<u>2,510,693</u>	<u>(9,689,977)</u>	<u>(91,724)</u>	<u>(302,000)</u>	<u>(1,709,624)</u>	<u>(7,372,281)</u>	<u>(214,348)</u>	<u>-</u>
Loan and other commitments	-	(41,927,117)	-	(39,166,534)	(298,706)	(281,251)	(2,180,626)	-
In US\$ equivalents	<u>1,685,983,298</u>	<u>(1,889,376,886)</u>	<u>(303,380,409)</u>	<u>(229,530,178)</u>	<u>(678,855,872)</u>	<u>(604,207,242)</u>	<u>(72,358,025)</u>	<u>(1,045,160)</u>
In KHR'000 equivalents								
	<u>6,868,695,956</u>	<u>(7,697,321,434)</u>	<u>(1,235,971,786)</u>	<u>(935,105,945)</u>	<u>(2,765,658,823)</u>	<u>(2,461,540,304)</u>	<u>(294,786,594)</u>	<u>(4,257,982)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2021								
Financial assets by type								
Non-derivative assets								
Cash on hand	53,605,978	53,605,978	53,605,978	-	-	-	-	-
Balances with the NBC	222,244,286	222,245,287	3,660,406	-	100,161	-	218,484,720	-
Balances with other banks	36,358,121	36,693,694	6,611,881	-	327,300	-	29,754,513	-
Loans to customers	1,655,739,462	2,315,161,775	47,704,732	97,406,859	413,627,822	1,469,835,244	262,152,935	24,434,183
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	490	-	-	-	-	-	490
Other assets	10,141,226	10,141,226	-	751,343	233,594	8,658,031	498,258	-
	<u>1,978,109,563</u>	<u>2,637,868,450</u>	<u>111,582,997</u>	<u>98,158,202</u>	<u>414,288,877</u>	<u>1,478,493,275</u>	<u>510,890,426</u>	<u>24,454,673</u>
Derivative assets								
Risk management	21,421	-	-	-	-	-	-	-
Outflow	-	-	-	-	-	-	-	-
Inflow	-	-	-	-	-	-	-	-
	<u>21,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowing commitments	-	75,099,092	-	99,092	15,000,000	-	60,000,000	-
In US\$ equivalents	<u>1,978,130,984</u>	<u>2,712,967,542</u>	<u>111,582,997</u>	<u>98,257,294</u>	<u>429,288,877</u>	<u>1,478,493,275</u>	<u>570,890,426</u>	<u>24,454,673</u>
In KHR'000 equivalents	<u>8,058,905,629</u>	<u>11,052,629,766</u>	<u>454,589,129</u>	<u>400,300,216</u>	<u>1,748,922,885</u>	<u>6,023,381,602</u>	<u>2,325,807,596</u>	<u>99,628,338</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Loan commitments	Earliest possible contractual maturity.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. interest rate swap and currency swaps) and the net amounts for derivatives that are net settled.

As part of the management of liquidity risk arising from financial liabilities, the Group and the Bank hold liquid assets comprising cash and cash equivalents, which can be readily to meet liquidity requirements. In addition, the Group and the Bank maintain agreed lines of credit with other banks.

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Cash on hand	65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	12,567,494	51,740,373	3,760,567	15,320,550
Balances with other banks	9,624,687	39,624,836	6,990,493	28,479,268
Loans to customers	818,364,912	3,369,208,343	558,739,413	2,276,304,369
Investment securities	825,000	3,396,525	-	-
Other assets	355,863	1,465,088	984,427	4,010,556
	906,844,073	3,733,477,049	624,080,878	2,542,505,497
Borrowing commitments	2,980,134	12,269,212	15,099,092	61,513,701
	909,824,207	3,745,746,261	639,179,970	2,604,019,198
Financial liabilities				
Deposits from customers	1,100,470,141	4,530,635,570	917,883,825	3,739,458,703
Debt securities issued	2,046,332	8,424,749	-	-
Borrowings	272,584,691	1,122,231,173	226,735,992	923,722,431
Subordinated debts	8,624,452	35,506,869	4,494,883	18,312,153
Lease liabilities	4,577,976	18,847,523	3,714,429	15,132,584
Other liabilities	9,977,742	41,078,364	16,671,455	67,919,508
	1,398,281,334	5,756,724,252	1,169,500,584	4,764,545,379
Loan commitments	31,624,686	130,198,832	39,465,240	160,781,388
	1,429,906,020	5,886,923,084	1,208,965,824	4,925,326,767

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Cash on hand	65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	12,567,494	51,740,373	3,760,567	15,320,550
Balances with other banks	9,573,390	39,413,647	6,939,181	28,270,223
Loans to customers	818,364,912	3,369,208,343	558,739,413	2,276,304,369
Investment securities	825,000	3,396,525	-	-
Other assets	355,863	1,465,088	984,937	4,012,633
	<u>906,792,776</u>	<u>3,733,265,860</u>	<u>624,030,076</u>	<u>2,542,298,529</u>
Borrowing commitments	2,980,134	12,269,212	15,099,092	61,513,701
	<u>909,772,910</u>	<u>3,745,535,072</u>	<u>639,129,168</u>	<u>2,603,812,230</u>
Financial liabilities				
Deposits from customers	1,101,095,884	4,533,211,754	918,517,450	3,742,040,091
Debt securities issued	2,046,332	8,424,749	-	-
Borrowings	271,987,510	1,119,772,579	226,138,811	921,289,516
Subordinated debts	8,624,452	35,506,869	4,494,883	18,312,153
Lease liabilities	4,577,976	18,847,527	4,378,773	17,839,121
Financial guarantee liabilities issued	728,960	3,001,128	-	-
Other liabilities	9,973,354	41,060,298	16,667,955	67,905,249
	<u>1,399,034,468</u>	<u>5,759,824,904</u>	<u>1,170,197,872</u>	<u>4,767,386,130</u>
Loan commitments	31,624,686	130,198,832	39,465,240	160,781,388
	<u>1,430,659,154</u>	<u>5,890,023,736</u>	<u>1,209,663,112</u>	<u>4,928,167,518</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Balances with the NBC	243,208,297	1,001,288,559	218,484,720	890,106,749
Balances with other banks	30,062,174	123,765,970	29,754,513	121,219,886
Loans to customers	1,872,541,671	7,709,254,060	1,756,422,362	7,155,664,703
Investment securities	16,670,000	68,630,390	20,000	81,480
Other assets	2,476,947	10,197,591	8,658,031	35,272,818
	<u>2,164,959,089</u>	<u>8,913,136,570</u>	<u>2,013,339,626</u>	<u>8,202,345,636</u>
 Borrowing commitments	 30,000,000	 123,510,000	 60,000,000	 244,440,000
	<u>2,194,959,089</u>	<u>9,036,646,570</u>	<u>2,073,339,626</u>	<u>8,446,785,636</u>
Financial liabilities				
Deposits from customers	150,172,933	618,261,965	173,904,749	708,487,947
Debt securities issued	47,637,256	196,122,583	-	-
Borrowings	395,279,358	1,627,365,117	421,352,373	1,716,589,568
Subordinated debts	96,562,403	397,547,413	56,555,864	230,408,590
Lease liabilities	48,218,696	198,516,371	10,558,873	43,016,849
Other liabilities	1,197,432	4,929,828	977,379	3,981,842
	<u>739,068,078</u>	<u>3,042,743,277</u>	<u>663,349,238</u>	<u>2,702,484,796</u>
 Loan commitments	 368,962	 1,519,017	 2,461,877	 10,029,687
	<u>739,437,040</u>	<u>3,044,262,294</u>	<u>665,811,115</u>	<u>2,712,514,483</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.3 Maturity analysis for financial liabilities and financial assets (continued)

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date. (continued)

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Balances with the NBC	243,208,297	1,001,288,559	218,484,720	890,106,749
Balances with other banks	30,062,174	123,765,970	29,754,513	121,219,886
Loans to customers	1,872,541,671	7,709,254,060	1,756,422,362	7,155,664,703
Investment securities	16,670,000	68,630,390	20,000	81,480
Investment in subsidiary	3,508,844	14,445,911	490	1,996
Other assets	2,151,525	8,857,828	9,156,289	37,302,721
	<u>2,168,142,511</u>	<u>8,926,242,718</u>	<u>2,013,838,374</u>	<u>8,204,377,535</u>
Borrowing commitments	30,000,000	123,510,000	60,000,000	244,440,000
	<u>2,198,142,511</u>	<u>9,049,752,718</u>	<u>2,073,838,374</u>	<u>8,448,817,535</u>
Financial liabilities				
Deposits from customers	150,172,933	618,261,965	173,904,749	708,487,947
Debt securities issued	47,637,256	196,122,583	-	-
Borrowings	361,745,625	1,489,306,738	387,221,459	1,577,540,224
Subordinated debts	96,562,403	397,547,413	56,555,864	230,408,590
Lease liabilities	48,218,696	198,516,371	48,902,470	199,228,663
Financial guarantee liabilities issued	2,163,473	8,907,018	-	-
Other liabilities	1,197,432	4,929,828	977,379	3,981,842
	<u>707,697,818</u>	<u>2,913,591,916</u>	<u>667,561,921</u>	<u>2,719,647,266</u>
Loan commitments	368,962	1,519,017	2,461,877	10,029,687
	<u>708,066,780</u>	<u>2,915,110,933</u>	<u>670,023,798</u>	<u>2,729,676,953</u>

39.2.4 Liquidity reserves

The following table sets out the components of the Group's and the Bank's liquidity reserves.

Group	31 December 2022		31 December 2021	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	65,106,117	65,106,117	53,605,978	53,605,978
Balances with the NBC	255,763,733	255,763,733	222,244,286	222,244,286
Balances with other banks	39,322,849	39,322,849	36,409,433	36,409,433
Undrawn credit lines	32,980,134	32,980,134	60,099,092	60,099,092
Total liquidity reserves	<u>393,172,833</u>	<u>393,172,833</u>	<u>372,358,789</u>	<u>372,358,789</u>
In KHR'000 equivalents	<u>1,618,692,553</u>	<u>1,618,692,553</u>	<u>1,516,989,706</u>	<u>1,516,989,706</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.4 Liquidity reserves (continued)

The following table sets out the components of the Group's and the Bank's liquidity reserves.

Bank	31 December 2022		31 December 2021	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	65,106,117	65,106,117	53,605,978	53,605,978
Balances with the NBC	255,763,733	255,763,733	222,244,286	222,244,286
Balances with other banks	39,271,552	39,271,552	36,358,121	36,358,121
Undrawn credit lines	32,980,134	32,980,134	60,099,092	60,099,092
Total liquidity reserves	393,121,536	393,121,536	372,307,477	372,307,477
In KHR'000 equivalents	1,618,481,364	1,618,481,364	1,516,780,661	1,516,780,661

39.2.5 Financial assets available to support future funding

The following table sets out the availability of the Group's and the Bank's financial assets to support future funding.

Group	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**		
	US\$	US\$	US\$	US\$	US\$	KHR'000
31 December 2022						
Cash on hand	-	-	-	65,106,117	65,106,117	268,041,884
Balances with the NBC	3,000,837	14,000,000	-	238,774,954	255,775,791	1,053,028,932
Balances with other banks	30,392,859	-	-	9,294,002	39,686,861	163,390,807
Loans to customers	-	-	-	2,690,906,583	2,690,906,583	11,078,462,402
Investment securities	-	-	-	17,495,000	17,495,000	72,026,915
Other assets	-	-	-	2,832,810	2,832,810	11,662,679
	33,393,696	14,000,000	-	3,024,409,466	3,071,803,162	12,646,613,619
31 December 2021						
Cash on hand	-	-	-	53,605,978	53,605,978	218,390,754
Balances with the NBC	100,161	14,002,823	-	208,142,303	222,245,287	905,427,299
Balances with other banks	30,081,813	-	-	6,663,193	36,745,006	149,699,154
Loans to customers	-	-	-	2,315,161,775	2,315,161,775	9,431,969,071
Investment securities	-	-	-	20,000	20,000	81,480
Other assets	-	-	-	9,642,458	9,642,458	39,283,374
	30,181,974	14,002,823	-	2,593,235,707	2,637,420,504	10,744,851,132

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.2 Liquidity risk (continued)

39.2.5 Financial assets available to support future funding (continued)

Bank	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other(*)	Available as collateral	Other(**)		
	US\$	US\$	US\$	US\$	US\$	KHR'000
31 December 2022						
Cash on hand	-	-	-	65,106,117	65,106,117	268,041,884
Balances with the NBC	3,000,837	14,000,000	-	238,774,954	255,775,791	1,053,028,932
Balances with other banks	30,392,859	-	-	9,242,705	39,635,564	163,179,617
Loans to customers	-	-	-	2,690,906,583	2,690,906,583	11,078,462,402
Investment securities	-	-	-	17,495,000	17,495,000	72,026,915
Investment in subsidiary	-	-	-	3,508,844	3,508,844	14,445,911
Other assets	-	-	-	2,507,388	2,507,388	10,322,916
	<u>33,393,696</u>	<u>14,000,000</u>	<u>-</u>	<u>3,027,541,591</u>	<u>3,074,935,287</u>	<u>12,659,508,577</u>
31 December 2021						
Cash on hand	-	-	-	53,605,978	53,605,978	218,390,754
Balances with the NBC	100,161	14,002,823	-	208,142,303	222,245,287	905,427,299
Balances with other banks	30,081,813	-	-	6,611,881	36,693,694	149,490,109
Loans to customers	-	-	-	2,315,161,775	2,315,161,775	9,431,969,071
Investment securities	-	-	-	20,000	20,000	81,480
Investment in subsidiary	-	-	-	490	490	1,996
Other assets	-	-	-	10,141,226	10,141,226	41,315,355
	<u>30,181,974</u>	<u>14,002,823</u>	<u>-</u>	<u>2,593,683,653</u>	<u>2,637,868,450</u>	<u>10,746,676,064</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.1. Market risk management

Overall authority for market risk is vested in ARBC at Board level and ALRMC at management level. ARBC sets up limits for each type of risk in aggregate and for portfolios (all portfolios are non-trading). The Credit and Market Risk Department at Risk Division is responsible for the development of detailed risk management policies (subject to be reviewed by ARBC and approved by BoD). Treasury function implements and manages the day-to-day market risk in the daily operation.

The Group and the Bank employ a range of tools to monitor and limit market risk exposures.

The following table sets out the allocation of assets and liabilities subject to market risk.

Group	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Assets subject to market risk				
Cash on hand	65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	255,763,733	1,052,979,289	222,244,286	905,423,221
Balances with other banks	39,322,849	161,892,169	36,409,433	148,332,030
Loans to customers	1,902,504,695	7,832,611,829	1,655,739,462	6,745,482,568
Investment securities	15,702,917	64,648,909	20,000	81,480
Derivative assets held for risk management	21,932,357	90,295,514	21,421	87,269
Other assets	2,832,810	11,662,679	9,642,458	39,283,374
	<u>2,303,165,478</u>	<u>9,482,132,273</u>	<u>1,977,683,038</u>	<u>8,057,080,696</u>
Liabilities subject to market risk				
Deposits from customers	1,192,731,586	4,910,475,940	1,039,798,652	4,236,139,708
Debt securities issued	43,726,699	180,022,820	-	-
Borrowings	609,270,408	2,508,366,270	588,064,151	2,395,773,351
Subordinated debts	74,012,302	304,708,647	44,106,167	179,688,524
Lease liabilities	12,286,830	50,584,879	12,089,132	49,251,124
Other liabilities	10,676,916	43,956,863	17,648,834	71,901,350
Derivative liabilities held for risk management	1,730,083	7,122,752	2,510,693	10,228,563
	<u>1,944,434,824</u>	<u>8,005,238,171</u>	<u>1,704,217,629</u>	<u>6,942,982,620</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.1. Market risk management (continued)

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Assets subject to market risk				
Cash on hand	65,106,117	268,041,884	53,605,978	218,390,754
Balances with the NBC	255,763,733	1,052,979,289	222,244,286	905,423,221
Balances with other banks	39,271,552	161,680,980	36,358,121	148,122,985
Loans to customers	1,902,504,695	7,832,611,829	1,655,739,462	6,745,482,568
Investment securities	15,702,917	64,648,909	20,000	81,480
Investment in subsidiary	3,508,844	14,445,911	490	1,996
Derivative assets held for risk management	21,932,357	90,295,514	21,421	87,269
Other assets	2,507,388	10,322,916	10,141,226	41,315,355
	<u>2,306,297,603</u>	<u>9,495,027,232</u>	<u>1,978,130,984</u>	<u>8,058,905,628</u>
Liabilities subject to market risk				
Deposits from customers	1,193,357,329	4,913,052,123	1,040,432,277	4,238,721,096
Debt securities issued	43,726,699	180,022,820	-	-
Borrowings	579,769,689	2,386,911,810	558,563,432	2,275,587,422
Subordinated debts	74,012,302	304,708,647	44,106,167	179,688,524
Lease liabilities	23,061,149	94,942,750	22,725,395	92,583,259
Financial guarantee liabilities issued	2,892,433	11,908,147		
Other liabilities	11,170,786	45,990,126	17,645,334	71,887,091
Derivative liabilities held for risk management	1,730,083	7,122,752	2,510,693	10,228,563
	<u>1,929,720,470</u>	<u>7,944,659,175</u>	<u>1,685,983,298</u>	<u>6,868,695,955</u>

39.3.2 Exposure to market risk

(i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Group and the Bank also enter into Interest Rate Swap and Long-Term Funding to manage its interest rate risk exposures. ALMRC is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Group's and the Bank's interest rate exposures, which include the impact of the Group's and the Bank's outstanding or forecast debt obligations.

ARBC and ALMRC is responsible for setting the overall hedging strategy of the Group and the Bank. Treasury is responsible for implementing that strategy by putting in place the individual hedge arrangements.

The following is a summary of the Group's and the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Group's and the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Group	Carrying amounts US\$	Up to 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$
31 December 2022							
Financial assets							
Cash on hand	65,106,117	-	-	-	-	-	65,106,117
Balances with the NBC	255,763,733	-	16,980,134	-	-	-	238,783,599
Balances with other banks	39,322,849	4,035,162	-	581,424	-	30,062,175	4,644,088
Loans to customers	1,902,504,695	3,024,962	4,204,363	16,450,625	844,073,813	1,068,693,667	(33,942,735)
Investment securities	15,702,917	-	-	-	-	-	15,702,917
Other assets	2,832,810	-	-	-	-	-	2,832,810
	2,281,233,121	7,060,124	21,184,497	17,032,049	844,073,813	1,098,755,842	293,126,796
Derivative assets held for risk management	21,932,357	-	-	-	-	-	21,932,357
Financial liabilities							
Deposits from customers	1,192,731,586	474,658,793	184,031,335	379,170,516	124,315,289	2,031,685	28,523,968
Debt securities issued	43,726,699	-	-	-	43,538,985	-	187,714
Borrowings	609,270,408	57,887,194	18,358,554	113,852,070	385,399,013	29,955,407	3,818,170
Subordinated debts	74,012,302	-	-	40,000,000	10,729,319	22,000,000	1,282,983
Lease liabilities	12,286,830	-	-	-	-	-	12,286,830
Other liabilities	10,676,916	-	-	-	-	-	10,676,916
	1,942,704,741	532,545,987	202,389,889	533,022,586	563,982,606	53,987,092	56,776,581
Derivative liabilities held for risk management	1,730,083	-	-	-	-	-	1,730,083
GAP	<u>358,730,654</u>	<u>(525,485,863)</u>	<u>(181,205,392)</u>	<u>(515,990,537)</u>	<u>280,091,207</u>	<u>1,044,768,750</u>	<u>256,552,489</u>
In KHR'000 equivalents	<u>1,476,894,102</u>	<u>(2,163,425,298)</u>	<u>(746,022,599)</u>	<u>(2,124,333,041)</u>	<u>1,153,135,499</u>	<u>4,301,312,944</u>	<u>1,056,226,597</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Group	Carrying amounts	Up to 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2021							
Financial assets							
Cash on hand	53,605,978	-	-	-	-	-	53,605,978
Balances with the NBC	222,244,286	-	14,000,000	99,092	-	-	208,145,194
Balances with other banks	36,409,433	605,456	-	-	-	29,754,513	6,049,464
Loans to customers	1,655,739,462	2,800,790	3,624,029	15,831,598	754,463,150	889,403,476	(10,383,581)
Investment securities	20,000	-	-	-	-	-	20,000
Other assets	9,642,458	-	-	-	-	-	9,642,458
	1,977,661,617	3,406,246	17,624,029	15,930,690	754,463,150	919,157,989	267,079,513
Derivative assets held for risk management	21,421	-	-	-	-	-	21,421
Financial liabilities							
Deposits from customers	1,039,798,652	287,022,554	120,121,142	468,418,858	145,601,060	2,043,016	16,592,022
Debt securities issued	-	-	-	-	-	-	-
Borrowings	588,064,151	107,592,509	56,575,021	21,235,922	301,155,768	100,019,440	1,485,491
Subordinated debts	44,106,167	26,000,000	-	1,000,000	-	17,729,319	(623,152)
Lease liabilities	12,089,132	-	-	-	-	-	12,089,132
Other liabilities	17,648,834	-	-	-	-	-	17,648,834
	1,701,706,936	420,615,063	176,696,163	490,654,780	446,756,828	119,791,775	47,192,327
Derivative liabilities held for risk management	2,510,693	-	2,510,693	-	-	-	-
Total	273,465,409	(417,208,817)	(161,582,827)	(474,724,090)	307,706,322	799,366,214	219,908,607
In KHR'000 equivalents	1,114,098,076	(1,699,708,720)	(658,288,437)	(1,934,025,943)	1,253,595,556	3,256,617,956	895,907,664

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Bank	Carrying amounts	Up to 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2022							
Financial assets							
Cash on hand	65,106,117	-	-	-	-	-	65,106,117
Balances with the NBC	255,763,733	-	16,980,134	-	-	-	238,783,599
Balances with other banks	39,271,552	4,594,717	-	-	-	30,062,175	4,614,660
Loans to customers	1,902,504,695	3,024,962	4,204,363	16,450,625	844,073,813	1,068,693,667	(33,942,735)
Investment securities	15,702,917	-	-	-	-	-	15,702,917
Investment in subsidiary	3,508,844	-	-	-	-	-	3,508,844
Other assets	2,507,388	-	-	-	-	-	2,507,388
	2,284,365,246	7,619,679	21,184,497	16,450,625	844,073,813	1,098,755,842	296,280,790
Derivative assets held for risk management	21,932,357	-	-	-	-	-	21,932,357
Financial liabilities	-	-	-	-	-	-	-
Deposits from customers	1,193,357,329	475,284,536	184,031,335	379,139,092	124,315,289	2,031,685	28,555,392
Debt securities issued	43,726,699	-	-	-	43,538,985	-	187,714
Borrowings	579,769,689	57,887,194	18,358,554	113,852,070	385,399,013	505,407	3,767,451
Subordinated debts	74,012,302	-	-	40,000,000	10,729,319	22,000,000	1,282,983
Lease liabilities	23,061,149	-	-	-	-	-	23,061,149
Financial guarantee liabilities issued	2,892,433	-	-	-	-	-	2,892,433
Other liabilities	11,170,786	-	-	-	-	-	11,170,786
	1,927,990,387	533,171,730	202,389,889	532,991,162	563,982,606	24,537,092	70,917,908
Derivative liabilities held for risk management	1,730,083	-	-	-	-	-	1,730,083
GAP	376,577,133	(525,552,051)	(181,205,392)	(516,540,537)	280,091,207	1,074,218,750	245,565,156
In KHR'000 equivalents	1,550,368,057	(2,163,697,794)	(746,022,599)	(2,126,597,391)	1,153,135,499	4,422,558,594	1,010,991,748

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Bank	Carrying amounts US\$	Up to 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$
31 December 2021							
Financial assets							
Cash on hand	53,605,978	-	-	-	-	-	53,605,978
Balances with the NBC	222,244,286	-	14,000,000	99,092	-	-	208,145,194
Balances with other banks	36,358,121	554,144	-	-	-	29,754,513	6,049,464
Loans to customers	1,655,739,462	2,800,790	3,624,029	15,831,598	754,463,150	889,403,476	(10,383,581)
Investment securities	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	-	-	-	-	-	490
Other assets	10,141,226	-	-	-	-	-	10,141,226
	1,978,109,563	3,354,934	17,624,029	15,930,690	754,463,150	919,157,989	267,578,771
Derivative assets held for risk management	21,421	-	-	-	-	-	21,421
Financial liabilities							
Deposits from customers	1,040,432,277	287,074,755	120,121,142	468,968,858	145,601,060	2,043,016	16,623,446
Debt securities issued	-	-	-	-	-	-	-
Borrowings	558,563,432	107,592,509	56,575,021	21,235,922	301,155,768	70,569,440	1,434,772
Subordinated debts	44,106,167	26,000,000	-	1,000,000	-	17,729,319	(623,152)
Lease liabilities	22,725,395	-	-	-	-	-	22,725,395
Other liabilities	17,645,334	-	-	-	-	-	17,645,334
	1,683,472,605	420,667,264	176,696,163	491,204,780	446,756,828	90,341,775	57,805,795
Derivative liabilities held for risk management	2,510,693	-	2,510,693	-	-	-	-
Total	292,147,686	(417,312,330)	(161,582,827)	(475,274,090)	307,706,322	828,816,214	209,794,397
In KHR'000 equivalents	1,190,209,673	(1,700,130,432)	(658,288,437)	(1,936,266,643)	1,253,595,556	3,376,597,256	854,702,373

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's and the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 and 50 basis point (bp) parallel fall or rise to see the impact of Net Interest Income (NII) within 12 months and a 100bp and 50 basis point (BP) parallel fall or rise to all portions to see the impact on Book Value to Equity.

The following is an analysis of the Group's and the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement of interest rate.

Group and Bank	100bp parallel increase US\$	100bp parallel decrease US\$	50bp increase after 1 year US\$	50bp decrease after 1 year US\$
Sensitivity of projected net interest income				
31 December 2022				
As at 31 December	(3,832,389)	3,832,389	(1,916,195)	1,916,195
Average for the year	(3,227,993)	3,227,993	(1,613,997)	1,613,997
Maximum for the year	(3,845,526)	3,845,526	(1,922,763)	1,922,763
Minimum for the year	(2,308,579)	2,308,579	(1,154,290)	1,154,290
31 December 2021				
As at 31 December	(3,003,102)	3,003,102	(1,501,551)	1,501,551
Average for the year	(3,050,107)	3,050,107	(1,525,054)	1,525,054
Maximum for the year	(3,811,990)	3,811,990	(1,905,995)	1,905,995
Minimum for the year	(2,776,985)	2,776,985	(1,388,493)	1,388,493
Sensitivity of reported equity to interest rate movements				
31 December 2022				
As at 31 December	(42,676,576)	42,676,576	(21,338,288)	21,338,288
Average for the year	(37,996,776)	37,996,776	(18,998,388)	18,998,388
Maximum for the year	(46,378,471)	46,378,471	(23,189,235)	23,189,235
Minimum for the year	(27,692,029)	27,692,029	(13,846,015)	13,846,015
31 December 2021				
As at 31 December	(15,521,157)	15,521,157	(7,760,579)	7,760,579
Average for the year	(14,977,447)	14,977,447	(7,488,724)	7,488,724
Maximum for the year	(18,046,851)	18,046,851	(9,023,425)	9,023,425
Minimum for the year	(13,015,081)	13,015,081	(6,507,540)	6,507,540

Aggregate interest rate risk positions are managed by Treasury, which uses balances with other banks, deposits from banks and derivative instruments to manage the positions.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Interest rate swap contracts and cross-currency swap contracts

Under interest rate swap contracts, the Group and the Bank agree to exchange the difference between fixed and floating rate interest amounts calculated on contracted notional principal amounts. Such contracts enable the Group and the Bank to mitigate the risk of changing interest rates on the cash flow of floating rate debts issued and the risk of violating the gap of BVE. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the interest rate curves at the reporting date adjusted for the credit risk inherent in the contract and is disclosed below.

	Contract floating interest rate		Notional principal value		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Group and Bank	%	%	US\$	US\$	US\$	US\$
Outstanding receive floating pay fixed contracts						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-
2 to 5 years	3.06%-7.30%	0.33%-4.55%	130,000,000	77,858,000	6,817,406	(82,006)
5 years +	3.06%-4.72%	0.10%-0.22%	169,525,692	105,000,000	15,114,951	(2,407,266)
Total			299,525,692	182,858,000	21,932,357	(2,489,272)
In KHR'000 equivalents			1,233,147,273	744,963,492	90,295,514	(10,141,294)

The interest rate swaps typically settle on a semi-annual basis. The floating rate on the interest rate swaps is typically 6-month LIBOR.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(ii) Foreign exchange risk

The Group and the Bank undertake transactions denominated in foreign currencies resulting in exposures to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters using cross currency swaps.

The carrying amounts of the Group's and the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Group	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
31 December 2022					
Financial assets					
Cash on hand	47,471,368	15,929,563	1,705,186	65,106,117	268,041,884
Balances with the NBC	222,210,349	33,553,384	-	255,763,733	1,052,979,289
Balances with other banks	34,118,366	4,889,295	315,188	39,322,849	161,892,169
Loans to customers	1,643,481,595	216,772,137	42,250,963	1,902,504,695	7,832,611,829
Investment securities	15,702,917	-	-	15,702,917	64,648,909
Derivative assets held for risk management	(25,558,388)	-	47,490,745	21,932,357	90,295,514
Other assets	2,692,256	129,752	10,802	2,832,810	11,662,679
	<u>1,940,118,463</u>	<u>271,274,131</u>	<u>91,772,884</u>	<u>2,303,165,478</u>	<u>9,482,132,273</u>
Financial liabilities					
Deposits from customers	1,109,919,476	70,433,388	12,378,722	1,192,731,586	4,910,475,940
Debt securities issued	(13,115)	-	43,739,814	43,726,699	180,022,820
Borrowings	443,263,209	148,107,647	17,899,552	609,270,408	2,508,366,270
Subordinated debts	74,012,302	-	-	74,012,302	304,708,647
Derivative liabilities held for risk management	1,730,083	-	-	1,730,083	7,122,752
Lease liabilities	12,286,830	-	-	12,286,830	50,584,879
Other liabilities	10,511,684	146,109	19,123	10,676,916	43,956,863
	<u>1,651,710,469</u>	<u>218,687,144</u>	<u>74,037,211</u>	<u>1,944,434,824</u>	<u>8,005,238,171</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(ii) Foreign exchange risk (continued)

Group	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
31 December 2021					
Financial assets					
Cash on hand	41,918,299	10,617,136	1,070,543	53,605,978	218,390,754
Balances with the NBC	206,947,270	15,297,016	-	222,244,286	905,423,221
Balances with other banks	35,290,624	1,090,735	28,074	36,409,433	148,332,030
Loans to customers	1,373,991,016	236,220,163	45,528,283	1,655,739,462	6,745,482,568
Investment securities	20,000	-	-	20,000	81,480
Derivative assets held for risk management	21,421	-	-	21,421	87,269
Other assets	9,451,446	190,889	123	9,642,458	39,283,374
	<u>1,667,640,076</u>	<u>263,415,939</u>	<u>46,627,023</u>	<u>1,977,683,038</u>	<u>8,057,080,696</u>
Financial liabilities					
Deposits from customers	952,431,857	71,340,214	16,026,581	1,039,798,652	4,236,139,708
Debt securities issued	-	-	-	-	-
Borrowings	399,300,776	158,272,727	30,490,648	588,064,151	2,395,773,351
Subordinated debts	44,106,167	-	-	44,106,167	179,688,524
Derivative liabilities held for risk management	2,510,693	-	-	2,510,693	10,228,563
Lease liabilities	12,089,132	-	-	12,089,132	49,251,124
Other liabilities	9,718,404	7,878,836	51,594	17,648,834	71,901,350
	<u>1,420,157,029</u>	<u>237,491,777</u>	<u>46,568,823</u>	<u>1,704,217,629</u>	<u>6,942,982,620</u>
Bank					
	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
31 December 2022					
Financial assets					
Cash on hand	47,471,368	15,929,563	1,705,186	65,106,117	268,041,884
Balances with the NBC	222,210,349	33,553,384	-	255,763,733	1,052,979,289
Balances with other banks	34,067,069	4,889,295	315,188	39,271,552	161,680,980
Loans to customers	1,643,481,595	216,772,137	42,250,963	1,902,504,695	7,832,611,829
Investment securities	15,702,917	-	-	15,702,917	64,648,909
Investment in subsidiary	3,508,844	-	-	3,508,844	14,445,911
Derivative assets held for risk management	(25,558,388)	-	47,490,745	21,932,357	90,295,514
Other assets	2,366,834	129,752	10,802	2,507,388	10,322,916
	<u>1,943,250,588</u>	<u>271,274,131</u>	<u>91,772,884</u>	<u>2,306,297,603</u>	<u>9,495,027,232</u>
Financial liabilities					
Deposits from customers	1,110,545,219	70,433,388	12,378,722	1,193,357,329	4,913,052,123
Debt securities issued	(13,115)	-	43,739,814	43,726,699	180,022,820
Borrowings	413,762,490	148,107,647	17,899,552	579,769,689	2,386,911,810
Subordinated debts	74,012,302	-	-	74,012,302	304,708,647
Derivative liabilities held for risk management	1,730,083	-	-	1,730,083	7,122,752
Lease liabilities	23,061,149	-	-	23,061,149	94,942,750
Financial guarantee liabilities issued	2,892,433	-	-	2,892,433	11,908,147
Other liabilities	11,005,554	146,109	19,123	11,170,786	45,990,126
	<u>1,636,996,115</u>	<u>218,687,144</u>	<u>74,037,211</u>	<u>1,929,720,470</u>	<u>7,944,659,175</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(ii) Foreign exchange risk (continued)

Bank	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
31 December 2021					
Financial assets					
Cash on hand	41,918,299	10,617,136	1,070,543	53,605,978	218,390,754
Balances with the NBC	206,947,270	15,297,016	-	222,244,286	905,423,221
Balances with other banks	35,239,312	1,090,735	28,074	36,358,121	148,122,985
Loans to customers	1,373,991,016	236,220,163	45,528,283	1,655,739,462	6,745,482,568
Investment securities	20,000	-	-	20,000	81,480
Investment in subsidiary	490	-	-	490	1,996
Derivative assets held for risk management	21,421	-	-	21,421	87,269
Other assets	9,950,214	190,889	123	10,141,226	41,315,355
	<u>1,668,088,022</u>	<u>263,415,939</u>	<u>46,627,023</u>	<u>1,978,130,984</u>	<u>8,058,905,628</u>
Financial liabilities					
Deposits from customers	953,065,482	71,340,214	16,026,581	1,040,432,277	4,238,721,096
Debt securities issued	-	-	-	-	-
Borrowings	369,800,057	158,272,727	30,490,648	558,563,432	2,275,587,422
Subordinated debts	44,106,167	-	-	44,106,167	179,688,524
Derivative liabilities held for risk management	2,510,693	-	-	2,510,693	10,228,563
Lease liabilities	22,725,395	-	-	22,725,395	92,583,259
Other liabilities	9,714,904	7,878,836	51,594	17,645,334	71,887,091
	<u>1,401,922,698</u>	<u>237,491,777</u>	<u>46,568,823</u>	<u>1,685,983,298</u>	<u>6,868,695,955</u>

Sensitivity analysis

The Group and the Bank is exposed to changes in US dollar and other foreign currencies exchange rate. Due to a reasonably possible strengthening (weakening) of the US dollar against foreign currencies, the Group's and the Bank's exposure to other foreign exchange movement is not material.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.3 Market risk (continued)

39.3.2 Exposure to market risk (continued)

(ii) Foreign exchange risk (continued)

Foreign currency contracts

In the current year, the Group and the Bank enter into foreign currency contract where the Group and the Bank agree to exchange KHR currency, THB currency with US\$ currency in order to manage foreign currency position.

The following table details the foreign currency contract outstanding as at the year-end:

	Exchange rate		Foreign currency		Notional value		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	% p.a	% p.a	KHR'000	KHR'000	US\$	US\$	US\$	US\$
Group and Bank								
Outstanding contract								
Buy								
Less than 3 months		-	-	-	-	-	-	-
3 to 6 months		4.093 – 4.095	5,066,450	-	5,000,000	-	66,450	-
Sell								
Less than 3 months		-	-	-	-	-	-	-
	4.254 KHR							
	36.8285-							
3 to 6 months	38.5629THB	4.093 – 4.095	23,663,633	-	22,000,000	-	1,663,633	-
			(28,730,083)	-	(27,000,000)	-	(1,730,083)	-

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.4 Operational risk

39.4.1 Operational risk management

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's and 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 Group's and the Bank's operations.

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

Risk Division is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group and 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.

39.5 Capital risk

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

The Group's and the Bank's strategy are 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 Group 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.

The Group's and the Bank's lead regulator, the NBC, set and monitor capital requirements for the Group and the Bank as a whole.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

39. FINANCIAL RISK MANAGEMENT (continued)

39.5 Capital risk (continued)

39.5.1 Capital risk management

As with liquidity and market risks, ARBC and ALRMC is responsible for ensuring the effective management of capital risk throughout the Group and the Bank.

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

On 22 February 2019, 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 13 April 2020, the NBC issued a circular No. B7-020-622 by decreasing capital conservation buffer to 1.25% until a new announcement is release.

The Group and the Bank have complied with all externally imposed capital requirements throughout the year.

The table below summarises the composition of regulatory capital follows requirement of the National Bank of Cambodia, and the amounts are based on the separate financial statements for the year ended 31 December 2022.

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Tier 1 Capital				
Share capital	140,000,000	576,380,000	140,000,000	570,360,000
Share premium	19,082,502	78,562,661	19,082,502	77,742,113
Retained earnings	146,948,695	604,987,777	108,275,794	441,115,585
General reserves (*)	70,000,000	288,190,000	51,254,222	208,809,700
Less: Intangible assets	(4,360,407)	(17,951,796)	(4,498,567)	(18,327,162)
Less: Loan to related parties	(8,079,954)	(33,265,171)	(8,399,826)	(34,220,891)
	<u>363,590,836</u>	<u>1,496,903,471</u>	<u>305,714,125</u>	<u>1,245,479,345</u>
Tier 2 complementary capital				
General provision (**)	18,392,932	75,723,701	16,713,135	68,089,312
Subordinated debts (***)	72,729,319	299,426,606	44,729,319	182,227,246
Less: Equity participation in banking or financial institutions	(20,490)	(84,357)	(20,490)	(83,476)
	<u>91,101,761</u>	<u>375,065,950</u>	<u>61,421,964</u>	<u>250,233,082</u>
	<u>454,692,597</u>	<u>1,871,969,421</u>	<u>367,136,089</u>	<u>1,495,712,427</u>

(*) It represents Non-distributable reserve approved by NBC.

(**) General provision of 1% foreseen in Prakas on Asset Classification and Provisioning in Banking and Financial Institution in according with Prakas No B7-010-182 Prokor.

(***) It represents subordinated debts approved by NBC.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

40. OPERATING SEGMENT

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group and the Bank have determined the BoD as the collective body of chief operating decision makers. Segment reporting is not required for the Group and the Bank as the majority of the income is from the same business segment, which is credit and lending. All activities are carried out in the Kingdom of Cambodia.

41. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

41.1 New and amended CIFRS Accounting Standards that are effective for the current year

In the current year, the Group and the Bank have applied a number of amendments to CIFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022, or earlier application of amendments. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendment to CIFRS 3 Reference to the Conceptual Framework	<i>Business Combinations</i>
Amendments to CIAS 16 Property, Plant and Equipment	<i>Proceeds before Intended Use</i>
Amendments to CIAS 37 Onerous Contracts	<i>Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	<ul style="list-style-type: none">- Amendments to CIFRS 1, First-time Adoption of CIFRSs- Amendments to CIFRS 9, Financial Instruments- Amendments to Illustrative Examples accompanying CIFRS 16- Amendments to CIAS 41, Agriculture

The adoption of these amended standards does not have any significant impact on the financial statements of the Group and the Bank.

41.2 New and revised CIFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group and the Bank have not applied the following new and revised CIFRS Accounting Standards that have been issued but are not yet effective:

Amendments to CIAS 1	<i>Classification of Liabilities as Current or Non-current Non-current Liabilities with Covenants</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
CIFRS 17	<i>Insurance Contracts</i>
Amendments to CIFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to CIAS 8	<i>Definition of Accounting Estimates</i>
Amendments to CIAS 1 and CIFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and the Bank in future periods.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

41. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

41.2 New and revised CIFRS Accounting Standards in issue but not yet effective (continued)

Amendments to CIAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to CIAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to CIAS 1 Non-current Liabilities with Covenants

The amendments to CIAS 1 in 2022 specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The amendments also specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

41. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

41.2 New and revised CIFRS Accounting Standards in issue but not yet effective (continued)

Amendments to CIFRS 16 Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in CIFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in CIFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

CIFRS 17 Insurance Contracts

CIFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes CIFRS 4 Insurance Contracts.

CIFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

CIFRS 17 must be applied retrospectively for annual periods beginning on or after 1 January 2023 unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

41. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

41.2 New and revised CIFRS Accounting Standards in issue but not yet effective (continued)

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to CIAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing CIAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

41. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

41.2 New and revised CIFRS Accounting Standards in issue but not yet effective (continued)

Amendments to CIAS 1 and IFRS Practice Statement 2

The supporting paragraphs in CIAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in CIFRS Practice Statement 2.

The amendments to CIAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to CIFRS Practice Statement 2 do not contain an effective date or transition requirements.

42. EVENTS AFTER THE REPORTING PERIOD

New debt securities issued

On 24 January 2023, the Bank issued additional corporate bonds in Thailand, totalling THB1,300,000,000. The Bank entered into an agreement with Krungsri on 17 January 2023 for a currency swap to convert THB 1,300,000,000 for US\$39,215,686, which is effective until 24 January 2026 in order to manage the exchange rate risk resulting from the bond issuance.

Transfer of retained earnings

On 23 February 2023, following the Bank's request, the NBC approved the transfer of US\$10,000,000 from retained earnings to non-distributable reserve.