

**HATTHA KAKSEKAR LIMITED
AND ITS SUBSIDIARY**
(Registration No. 00005355)

**CONDENSED CONSOLIDATED AND SEPARATE
INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD
ENDED 31 MARCH 2020**

**AND
INDEPENDENT AUDITOR'S REPORT ON REVIEW
OF INTERIM FINANCIAL INFORMATION**

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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HATTHA KAKSEKAR LIMITED

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STATEMENT OF THE BOARD OF DIRECTORS

In the opinion of the Board of Directors, the accompanying condensed consolidated interim financial statements of Hattha Kaksekar Limited (the "Company") and its subsidiary (collectively referred to as the "Group") and condensed separate interim financial statements of the Company, set out on pages 4 to 44 are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, 'Interim Financial Reporting'. *law 12*

On behalf of the Board of Directors



Mr. Hout Leng Tong
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
15 June 2020

Subsidiary of krungsri bank
A member of MUFG, a global financial group



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Independent Auditors' Report on review of interim financial information

**To the shareholder of
Hattha Kaksekar Limited**

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Hattha Kaksekar Limited (the "Company") and its subsidiary (together referred to as the "Group") and condensed separate interim statement of financial position of the Company as at 31 March 2020 and the related condensed consolidated and separate interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 4 to 44 (hereafter referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with Cambodian International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Cambodian International Standard on Review Engagements 2400, 'Engagement to Review Historical Financial Statements'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, 'Interim Financial Reporting'.

Other matters

The financial statements of the Group and the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 March 2020.

The condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the Company for the three-month period ended 31 March 2019 were reviewed by another auditor who expressed an unmodified conclusion on those financial statements on 28 June 2019.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

15 June 2020

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

		31 March 2020		31 December 2019	
	Notes	US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
ASSETS					
Cash on hand		27,808,303	113,179,793	34,190,445	139,326,063
Balances with the NBC	4	64,732,685	263,462,028	95,934,585	390,933,434
Balances with other banks	5	15,475,392	62,984,845	9,657,803	39,355,547
Loans to customers	6	1,086,258,634	4,421,072,640	1,036,272,930	4,222,812,190
Investment securities		20,000	81,400	20,000	81,500
Property and equipment	7	4,078,923	16,601,217	4,201,129	17,119,601
Right-of-use assets	8	11,984,566	48,777,184	12,281,257	50,046,122
Intangible assets	9	2,339,213	9,520,597	2,300,471	9,374,419
Deferred tax assets, net	10(a)	5,945,920	24,199,894	3,902,683	15,903,433
Other assets	11	28,650,384	116,607,065	28,066,516	114,371,054
TOTAL ASSETS		1,247,294,020	5,076,486,663	1,226,827,819	4,999,323,363
LIABILITIES					
Deposits from customers	12	568,268,680	2,312,853,528	610,098,327	2,486,150,683
Debt securities issued	13	30,000,238	122,100,969	29,196,072	118,973,993
Borrowings	14	367,667,480	1,496,406,644	311,485,982	1,269,305,377
Subordinated debts	15	10,798,267	43,948,947	11,974,921	48,797,803
Derivatives held for risk management	16	8,686,822	35,355,366	1,887,584	7,691,905
Current income tax liabilities	10(b)	2,314,683	9,420,760	2,632,899	10,729,063
Lease liabilities	17	12,778,535	52,008,637	13,005,210	52,996,231
Provisions	18	3,520	14,326	2,717	11,072
Other liabilities	19	6,221,756	25,322,547	48,184,085	196,350,146
TOTAL LIABILITIES		1,006,739,981	4,097,431,724	1,028,467,797	4,191,006,273
EQUITY					
Share capital	20	115,000,000	468,050,000	75,000,000	305,625,000
Share premium		19,082,502	77,665,783	19,082,502	77,761,196
Reserves	21	4,050,162	20,548,468	8,818,392	40,434,778
Retained earnings		102,421,375	412,790,688	95,459,128	384,496,116
TOTAL EQUITY		240,554,039	979,054,939	198,360,022	808,317,090
TOTAL LIABILITIES AND EQUITY		1,247,294,020	5,076,486,663	1,226,827,819	4,999,323,363

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

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Notes	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	22	42,685,365	173,473,323	31,752,531	127,200,639
Interest expense	22	(17,183,953)	(69,835,585)	(13,519,486)	(54,159,061)
Net interest income		25,501,412	103,637,738	18,233,045	73,041,578
Fee and commission income	23	1,350,284	5,487,554	1,215,979	4,871,212
Fee and commission expense	23	(151,486)	(615,639)	(182,060)	(729,332)
Net fee and commission income		1,198,798	4,871,915	1,033,919	4,141,880
Net losses from other financial instruments at FVTPL	24	(880,001)	(3,576,324)	(389,253)	(1,559,348)
Other income		156,018	634,057	178,515	715,131
Net impairment losses on financial instruments	25	(3,254,097)	(13,224,650)	(156,625)	(627,440)
Personnel expenses	26	(10,212,913)	(41,505,279)	(7,940,535)	(31,809,783)
Depreciation and amortisation		(1,330,600)	(5,407,558)	(1,310,089)	(5,248,217)
Other expenses	27	(2,435,534)	(9,898,010)	(1,912,468)	(7,661,347)
Profit before income tax		8,743,083	35,531,889	7,736,509	30,992,454
Income tax expense	10(c)	(1,799,144)	(7,311,721)	(1,720,776)	(6,893,429)
Profit for the period		6,943,939	28,220,168	6,015,733	24,099,025
Other comprehensive income					
Cash flow hedge reserve		(5,937,403)	(24,129,606)	-	-
Income tax relating to components of other comprehensive income		1,187,481	4,825,923	-	-
Currency translation difference		-	4,035,809	-	(157,575)
Total comprehensive income for the period		2,194,017	12,952,294	6,015,733	23,941,450
Profit attributable to shareholder		6,943,939	28,220,168	6,015,733	24,099,025
Total comprehensive income attributable to shareholder		2,194,017	12,952,294	6,015,733	23,941,450

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

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

	Attributable to shareholder			
	Share capital US\$	Share premium US\$	Reserves US\$	Retained earnings US\$
Three-month period ended 31 March 2019				
At 1 January 2019	75,000,000	19,082,502	4,389,186	67,772,665
				166,244,353
Profit for the period	-	-	-	6,015,733
Total comprehensive income for the period	-	-	-	6,015,733
Transfers	-	-	933,004	(933,004)
				-
At 31 March 2019	75,000,000	19,082,502	5,322,190	72,855,394
				172,260,086
In KHR'000 equivalents (Note 2.3)	301,125,000	76,616,246	21,211,019	292,671,979
				691,624,244
Three-month period ended 31 March 2020				
At 1 January 2020	75,000,000	19,082,502	8,818,392	95,459,128
				198,360,022
Issuance of share capital	40,000,000	-	-	-
				40,000,000
Profit for the period	-	-	-	6,943,939
Other comprehensive income	-	-	(4,749,922)	-
Total comprehensive income for the period	-	-	(4,749,922)	6,943,939
				2,194,017
Transfers	-	-	(18,308)	18,308
				-
At 31 March 2020	115,000,000	19,082,502	4,050,162	102,421,375
				240,554,039
In KHR'000 equivalents (Note 2.3)	468,050,000	77,665,783	20,548,468	412,790,688
				979,054,939

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

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

Notes	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from operating activities				
Profit before income tax	8,743,083	35,531,889	7,736,509	30,992,454
Adjustments for:				
Net interest income	22 (25,501,412)	(103,637,738)	(18,233,045)	(73,041,578)
Net losses from other financial instruments at FVTPL	24 880,001	3,576,324	389,253	1,559,348
Dividends on equity securities at FVOCI	-	-	(7,835)	(31,387)
Net impairment losses on financial instruments	25 3,254,097	13,224,650	156,625	627,440
Depreciation and amortisation	1,330,600	5,407,558	1,310,089	5,248,217
Provision for employee benefits	437,860	1,779,463	303,316	1,215,084
Losses/(gains) on disposals of property and equipment	725	2,946	(78)	(312)
Effect of currency translation of monetary items	(2,347,186)	(9,538,964)	177,067	709,330
	(13,202,232)	(53,653,872)	(8,168,099)	(32,721,404)
Changes in:				
Balances with the NBC	1,993,216	8,100,430	(3,103,347)	(12,432,008)
Loans to customers	(52,850,502)	(214,784,440)	(69,051,754)	(276,621,327)
Other assets	(600,962)	(2,442,310)	(671,152)	(2,688,635)
Deposits from customers	(41,036,289)	(166,771,478)	35,063,976	140,466,288
Other liabilities	(41,959,659)	(170,524,054)	(822,375)	(3,294,434)
Cash used in operations	(147,656,428)	(600,075,724)	(46,752,751)	(187,291,520)
Interest received	41,893,611	170,255,635	31,988,541	128,146,095
Interest paid	(14,613,339)	(59,388,610)	(10,186,274)	(40,806,214)
Income tax paid	10(b) (2,973,116)	(12,082,743)	(5,248,222)	(21,024,377)
Net cash used in operating activities	(123,349,272)	(501,291,442)	(30,198,706)	(120,976,016)

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020 (CONTINUED)

Note	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Cash flows from investing activities				
Purchases of property and equipment	(405,993)	(1,649,956)	(535,179)	(2,143,927)
Purchases of intangible assets	(106,445)	(432,592)	(445,885)	(1,786,215)
Proceeds from disposals of property and equipment	1,391	5,653	500	2,003
Net cash used in investing activities	(511,047)	(2,076,895)	(980,564)	(3,928,139)
Cash flows from financing activities				
Proceeds from borrowings	137,263,471	557,838,746	26,049,362	104,353,744
Repayments of borrowings	(81,200,300)	(329,998,019)	(7,265,551)	(29,105,797)
Repayments of subordinated debts	(1,000,000)	(4,064,000)	(1,000,000)	(4,006,000)
Principal elements of lease payments	(907,701)	(3,688,897)	(862,515)	(3,455,235)
Issuance of share capital	40,000,000	162,560,000	-	-
Net cash from financing activities	94,155,470	382,647,830	16,921,296	67,786,712
Net decrease in cash and cash equivalents	(29,704,849)	(120,720,507)	(14,257,974)	(57,117,443)
Cash and cash equivalents at the beginning of the period	78,700,630	320,311,564	106,976,320	429,830,854
Currency translation differences	-	(178,228)	-	(449,251)
Cash and cash equivalents at the end of period	48,995,781	199,412,829	92,718,346	372,264,160

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

HATTHA KAKSEKAR LIMITED
**CONDENSED SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

		31 March 2020		31 December 2019	
	Notes	US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
ASSETS					
Cash on hand		27,808,303	113,179,793	34,190,445	139,326,063
Balances with the NBC	4	64,732,685	263,462,028	95,934,585	390,933,434
Balances with other banks	5	15,475,392	62,984,845	9,657,803	39,355,547
Loans to customers	6	1,086,258,634	4,421,072,640	1,036,272,930	4,222,812,190
Investment securities		20,000	81,400	20,000	81,500
Investment in subsidiary		490	1,994	490	1,997
Property and equipment	7	4,077,876	16,596,955	4,201,129	17,119,601
Right-of-use assets	8	11,984,566	48,777,184	12,281,257	50,046,122
Intangible assets	9	2,339,213	9,520,597	2,300,471	9,374,419
Deferred tax assets, net	10(a)	5,945,920	24,199,894	3,902,683	15,903,433
Other assets	11	28,658,214	116,638,933	28,071,676	114,392,081
TOTAL ASSETS		<u>1,247,301,293</u>	<u>5,076,516,263</u>	<u>1,226,833,469</u>	<u>4,999,346,387</u>
LIABILITIES					
Deposits from customers	12	568,269,688	2,312,857,630	610,099,327	2,486,154,758
Debt securities issued	13	30,000,238	122,100,969	29,196,072	118,973,993
Borrowings	14	367,667,480	1,496,406,644	311,485,982	1,269,305,377
Subordinated debts	15	10,798,267	43,948,947	11,974,921	48,797,803
Derivatives held for risk management	16	8,686,822	35,355,366	1,887,584	7,691,905
Current income tax liabilities	10(b)	2,314,683	9,420,760	2,632,899	10,729,063
Lease liabilities	17	12,778,535	52,008,637	13,005,210	52,996,231
Provisions	18	3,520	14,326	2,717	11,072
Other liabilities	19	6,216,789	25,302,331	48,179,260	196,330,485
TOTAL LIABILITIES		<u>1,006,736,022</u>	<u>4,097,415,610</u>	<u>1,028,463,972</u>	<u>4,190,990,687</u>
EQUITY					
Share capital	20	115,000,000	468,050,000	75,000,000	305,625,000
Share premium		19,082,502	77,665,783	19,082,502	77,761,196
Reserves	21	4,050,162	20,548,650	8,818,392	40,434,996
Retained earnings		102,432,607	412,836,220	95,468,603	384,534,508
TOTAL EQUITY		<u>240,565,271</u>	<u>979,100,653</u>	<u>198,369,497</u>	<u>808,355,700</u>
TOTAL LIABILITIES AND EQUITY		<u>1,247,301,293</u>	<u>5,076,516,263</u>	<u>1,226,833,469</u>	<u>4,999,346,387</u>

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

HATTHA KAKSEKAR LIMITED
CONDENSED SEPARATE INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

	Notes	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	22	42,685,365	173,473,323	31,752,531	127,200,639
Interest expense	22	(17,183,961)	(69,835,618)	(13,519,486)	(54,159,061)
Net interest income		25,501,404	103,637,705	18,233,045	73,041,578
Fee and commission income	23	1,350,284	5,487,554	1,215,979	4,871,212
Fee and commission expense	23	(151,486)	(615,639)	(182,060)	(729,332)
Net fee and commission income		1,198,798	4,871,915	1,033,919	4,141,880
Net losses from other financial instruments at FVTPL	24	(880,001)	(3,576,324)	(389,253)	(1,559,348)
Other income		156,018	634,057	178,515	715,131
Net impairment losses on financial instruments	25	(3,254,097)	(13,224,650)	(156,625)	(627,440)
Personnel expenses	26	(10,212,513)	(41,503,653)	(7,940,535)	(31,809,783)
Depreciation and amortisation		(1,330,569)	(5,407,432)	(1,310,089)	(5,248,217)
Other expenses	27	(2,434,200)	(9,892,589)	(1,912,468)	(7,661,347)
Profit before income tax		8,744,840	35,539,029	7,736,509	30,992,454
Income tax expense	10(c)	(1,799,144)	(7,311,721)	(1,720,776)	(6,893,429)
Profit for the period		6,945,696	28,227,308	6,015,733	24,099,025
Other comprehensive income					
Cash flow hedge reserve		(5,937,403)	(24,129,606)	-	-
Income tax relating to components of other comprehensive income		1,187,481	4,825,923	-	-
Currency translation difference		-	4,035,991	-	(157,575)
Total comprehensive income for the period		2,195,774	12,959,616	6,015,733	23,941,450
Profit attributable to shareholder		6,945,696	28,227,308	6,015,733	24,099,025
Total comprehensive income attributable to shareholder		2,195,774	12,959,616	6,015,733	23,941,450

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

HATTHA KAKSEKAR LIMITED

**CONDENSED SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

	Attributable to shareholder			
	Share capital US\$	Share premium US\$	Reserves US\$	Retained earnings US\$
Three-month period ended 31 March 2019				
At 1 January 2019	75,000,000	19,082,502	4,389,186	67,772,665
				166,244,353
Profit for the period	-	-	-	6,015,733
Total comprehensive income for the period	-	-	-	6,015,733
Transfers	-	-	933,004	(933,004)
				-
At 31 March 2019	75,000,000	19,082,502	5,322,190	72,855,394
				172,260,086
In KHR'000 equivalents (Note 2.3)	301,125,000	76,616,246	21,211,019	292,671,979
				691,624,244
Three-month period ended 31 March 2020				
At 1 January 2020	75,000,000	19,082,502	8,818,392	95,468,603
				198,369,497
Issuance of share capital	40,000,000	-	-	-
				40,000,000
Profit for the period	-	-	-	6,945,696
Other comprehensive income	-	-	(4,749,922)	-
				(4,749,922)
Total comprehensive income for the period	-	-	(4,749,922)	6,945,696
				2,195,774
Transfers	-	-	(18,308)	18,308
				-
At 31 March 2020	115,000,000	19,082,502	4,050,162	102,432,607
				240,565,271
In KHR'000 equivalents (Note 2.3)	468,050,000	77,665,783	20,548,650	412,836,220
				979,100,653

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

HATTHA KAKSEKAR LIMITED
**CONDENSED SEPARATE INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

	Notes	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from operating activities					
Profit before income tax		8,744,840	35,539,029	7,736,509	30,992,454
<i>Adjustments for:</i>					
Net interest income	22	(25,501,404)	(103,637,705)	(18,233,045)	(73,041,578)
Net losses from other financial instruments at FVTPL	24	880,001	3,576,324	389,253	1,559,348
Dividends on equity securities at FVOCI		-	-	(7,835)	(31,387)
Net impairment losses on financial instruments	25	3,254,097	13,224,650	156,625	627,440
Depreciation and amortisation		1,330,569	5,407,432	1,310,089	5,248,217
Provision for employee benefits		437,860	1,779,463	303,316	1,215,084
Losses/(gains) on disposals of property and equipment		725	2,946	(78)	(312)
Effect of currency translation of monetary items		(2,347,186)	(9,538,964)	177,067	709,330
		(13,200,498)	(53,646,825)	(8,168,099)	(32,721,404)
<i>Changes in:</i>					
Balances with the NBC		1,993,216	8,100,430	(3,103,347)	(12,432,008)
Loans to customers		(52,850,502)	(214,784,440)	(69,051,754)	(276,621,327)
Other assets		(600,962)	(2,442,310)	(671,152)	(2,688,635)
Deposits from customers		(41,036,289)	(166,771,478)	35,063,976	140,466,288
Other liabilities		(41,962,471)	(170,535,482)	(822,375)	(3,294,434)
Cash used in operations		(147,657,506)	(600,080,105)	(46,752,751)	(187,291,520)
Interest received		41,893,611	170,255,635	31,988,541	128,146,095
Interest paid		(14,613,339)	(59,388,610)	(10,186,274)	(40,806,214)
Income tax paid	10(b)	(2,973,116)	(12,082,743)	(5,248,222)	(21,024,377)
Net cash used in operating activities		(123,350,350)	(501,295,823)	(30,198,706)	(120,976,016)

HATTHA KAKSEKAR LIMITED
**CONDENSED SEPARATE INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

Note	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Cash flows from investing activities				
Purchases of property and equipment	(404,915)	(1,645,575)	(535,179)	(2,143,927)
Purchases of intangible assets	(106,445)	(432,592)	(445,885)	(1,786,215)
Proceeds from disposals of property and equipment	1,391	5,653	500	2,003
Net cash used in investing activities	(509,969)	(2,072,514)	(980,564)	(3,928,139)
Cash flows from financing activities				
Proceeds from borrowings	137,263,471	557,838,746	26,049,362	104,353,744
Repayments of borrowings	(81,200,300)	(329,998,019)	(7,265,551)	(29,105,797)
Repayments of subordinated debts	(1,000,000)	(4,064,000)	(1,000,000)	(4,006,000)
Principal elements of lease payments	(907,701)	(3,688,897)	(862,515)	(3,455,235)
Issuance of share capital	40,000,000	162,560,000	-	-
Net cash from financing activities	94,155,470	382,647,830	16,921,296	67,786,712
Net decrease in cash and cash equivalents	(29,704,849)	(120,720,507)	(14,257,974)	(57,117,443)
Cash and cash equivalents at the beginning of the period	78,700,630	320,705,067	106,976,320	429,830,854
Currency translation differences	-	(571,731)	-	(449,251)
Cash and cash equivalents at the end of period	48,995,781	199,412,829	92,718,346	372,264,160

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

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

1. REPORTING ENTITY

Hattha Kaksekar, a non-governmental organisation ("NGO") established in November 1996, has created Hattha Kaksekar Limited ("HKL" or the "Company") in order to comply with the Prakas No. B7-00-06 dated 11 January 2000 of the National Bank of Cambodia ("NBC" or "the Central Bank") on the licensing of micro-finance institutions. The creation of HKL converted the NGO's micro-lending operations into a licensed and commercially oriented micro-finance institution. HKL aims to continue the NGO's micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. The conversion was achieved by transferring and assigning all the assets and liabilities of the NGO as at 27 April 2001, the effective date of transfer, to HKL including all grant contracts and the outstanding receivables arising from these contracts as at the date of transfer, conditions and obligations relating to borrowings, all employment contracts, conditions, obligations and benefits, leases on premises or houses for office branches or headquarters, and all other related to the micro-lending operations of the NGO. The transfer and assignment of all these were put into effect through an agreement to transfer assets and liabilities, and the subordinated loan agreement between the NGO and HKL, both dated 27 April 2001.

In 2001, the Ministry of Commerce issued an incorporation certificate dated 3 April 2001 to HKL to operate as a limited company with the aim of providing credit and saving services for the lower segments of the market. On 19 October 2001, under license number 2, the NBC granted HKL a license to conduct micro-finance business for a three-year period which expired on 19 October 2004. On 12 July 2004, HKL obtained a new license for a three-year period which expired on 19 October 2007. The NBC granted an indefinite micro-finance license to the Company effective from 8 August 2007.

On 29 January 2010, the NBC granted HKL a license to conduct the deposit taking business.

On 9 October 2013, HKL obtained approval from NBC for operating Mobile Banking exclusively covering the services namely (1) balance inquiry, (2) account statement summary, (3) search ATM location, (4) fund transfers, (5) mobile top-up, (6) loan repayment, (7) check interest rate, (8) check exchange rate, (9) loan repayment alert, (10) advertising through mobile device and (11) SMS notification.

NBC approved HKL to be an Insurance Agent by acting as Referral for Prévoir Kampuchea Micro Life Insurance Plc. and Sovannaphum Life Assurance Plc. on 19 December 2014 and 29 December 2017, respectively.

The principal activity of HKL is to provide loans, savings and other financial services particularly to women and low income families through its head office in Phnom Penh and its various branch offices in the Kingdom of Cambodia.

HKL operates in 177 offices (including 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 Company's registered office is located at No. 606, Street 271, Sansam Kosal 3 Village, Sangkat Boeung Tumpun I, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

Hattha Services Co., Ltd., the subsidiary, was incorporated on 8 October 2019 by the Company 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.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

2. BASIS OF ACCOUNTING

2.1 Basis of preparation

These condensed interim financial statements have been prepared in accordance with CIAS 34 Interim Financial Reporting, and should be read in conjunction with the Group and the Company's last annual consolidated and separate financial statements as at and for the year ended 31 December 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of CIFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group and the Company's financial position and performance since the last annual financial statements.

The condensed interim financial statements of the Group and the Company were authorised for issue by the Board of Directors on 15 June 2020.

2.2 Functional and presentation currency

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

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 Khmer Riel ("KHR") is presented in the condensed interim financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year and period/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 period then ended. All resulting exchange differences are recognised in other comprehensive income ("OCI").

The condensed interim 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 March 2020	4,070	4,064
31 March 2019	4,015	4,006
31 December 2019	<u>4,075</u>	<u>4,052</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The significant judgements made by the management in applying the Group's and the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated and separate financial statements.

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 condensed interim 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. The Group and the Company 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 Company 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 and the Company'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 of credit risk

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. In assessing whether the credit risk of an asset has significantly increased the Group and the Company take into account qualitative and quantitative reasonable and supportable forward-looking information.

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 Company 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.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

Establishing groups of assets with similar credit risk characteristics (continued)

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 Company 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.

Key sources of estimation uncertainty

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

Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario:

When measuring ECL the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Incorporation of forward-looking information

HKL analyses forward-looking information by using the statistical regression model to assess whether the credit risk of an instrument has increased significantly to measure ECL.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

Incorporation of forward-looking information (continued)

The Group and the Company formulate three economic scenarios: a base case, which is the median scenario assigned a 35% probability of occurring, and two less likely scenarios, one upside 25% and one downside assigned a 40% probability of occurring. The base case is aligned with information used by the Group and the Company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies (National Bank of Cambodia) and international bodies such as World Bank and Bloomberg.

Weightage scenario	Base	Bad	Good
	35%	40%	25%

Based on the forward-looking analysis, HKL applied the forward-looking scalar in year one (1.42) for 12-month and lifetime ECL.

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across mainland China, Cambodia and beyond, 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. Management estimates that the additional ECL of US\$2,196,564 recorded as at 31 March 2020 resulting from the overlay has been determined based on possible forward-looking scenarios, considering the facts, circumstances and forecast of the future economic conditions and supportable information that is available as at the reporting date.

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 Company, 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 Company.

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 Company 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.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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

Fair value of financial assets and liabilities (continued)

The fair value of the Group and the Company'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 banks, 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 and the Company'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).

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 Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4. BALANCES WITH THE NBC

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Statutory deposits				
Capital guarantee deposit	11,513,475	46,859,843	11,531,305	46,990,068
Reserve requirement	47,531,727	193,454,129	49,524,943	201,814,143
	59,045,202	240,313,972	61,056,248	248,804,211
Current accounts	1,537,504	6,257,641	30,652,582	124,909,272
Negotiable Certificate of Deposit ("NCD")	4,149,979	16,890,415	4,225,755	17,219,951
	64,732,685	263,462,028	95,934,585	390,933,434

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

5. BALANCE 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 and Company	31 March 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Balance with other banks at amortised cost	15,501,273	63,090,181	9,672,795	39,416,639
Impairment loss allowance	(25,881)	(105,336)	(14,992)	(61,092)
	<u>15,475,392</u>	<u>62,984,845</u>	<u>9,657,803</u>	<u>39,355,547</u>

The above amounts are analysed as follows:

As at 31 March 2020

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000 (Note 2.3)
Current accounts	7,143,422	(18,638)	7,124,784	28,997,870
Savings accounts	8,357,851	(7,243)	8,350,608	33,986,975
	<u>15,501,273</u>	<u>(25,881)</u>	<u>15,475,392</u>	<u>62,984,845</u>

As at 31 December 2019

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000 (Note 2.3)
Current accounts	4,505,799	(9,138)	4,496,661	18,323,893
Savings accounts	5,166,996	(5,854)	5,161,142	21,031,654
	<u>9,672,795</u>	<u>(14,992)</u>	<u>9,657,803</u>	<u>39,355,547</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

6. LOANS TO CUSTOMERS

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Loans to customers at amortised cost	1,094,401,923	4,454,215,826	1,041,441,228	4,243,873,004
Impairment loss allowance	(8,143,289)	(33,143,186)	(5,168,298)	(21,060,814)
	<u>1,086,258,634</u>	<u>4,421,072,640</u>	<u>1,036,272,930</u>	<u>4,222,812,190</u>

The above amounts are analysed as follows:

As at 31 March 2020

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000 (Note 2.3)
Individual loans				
External customers				
Mortgage lending	69,969,225	(656,012)	69,313,213	282,104,778
Personal lending	1,018,613,129	(7,473,894)	1,011,139,235	4,115,336,685
Staff loans	5,819,569	(13,383)	5,806,186	23,631,177
	<u>1,094,401,923</u>	<u>(8,143,289)</u>	<u>1,086,258,634</u>	<u>4,421,072,640</u>

As at 31 December 2019

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000 (Note 2.3)
Individual loans				
External customers				
Mortgage lending	70,231,258	(408,332)	69,822,926	284,528,424
Personal lending	965,340,346	(4,755,800)	960,584,546	3,914,382,025
Staff loans	5,869,624	(4,166)	5,865,458	23,901,741
	<u>1,041,441,228</u>	<u>(5,168,298)</u>	<u>1,036,272,930</u>	<u>4,222,812,190</u>

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.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**
6. LOANS TO CUSTOMERS (continued)

Group and Company	31 March 2020				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$	KHR'000
					(Note 2.3)
Loans to customers					
Normal	1,088,965,132	-	-	1,088,965,132	4,432,088,087
Special mention	1,009	1,874,653	-	1,875,662	7,633,944
Substandard	-	1,364	1,297,295	1,298,659	5,285,542
Doubtful	-	3,608	1,900,188	1,903,796	7,748,450
Loss	-	-	358,674	358,674	1,459,803
	1,088,966,141	1,879,625	3,556,157	1,094,401,923	4,454,215,826
Loss allowance	(3,256,282)	(1,330,850)	(3,556,157)	(8,143,289)	(33,143,186)
Carrying amount	1,085,709,859	548,775	-	1,086,258,634	4,421,072,640
Loan commitments					
Normal	968,111	-	-	968,111	3,940,212
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	1,683	1,683	6,850
Loss	-	-	-	-	-
	968,111	-	1,683	969,794	3,947,062
Loss allowance	(1,837)	-	(1,683)	(3,520)	(14,326)
Carrying amount	966,274	-	-	966,274	3,932,736

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**
6. LOANS TO CUSTOMERS (continued)

Group and Company	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Normal	1,036,773,314	-	-	1,036,773,314	4,224,851,255
Special mention	589	1,337,059	-	1,337,648	5,450,916
Substandard	-	241	1,263,955	1,264,196	5,151,599
Doubtful	-	4,814	1,886,674	1,891,488	7,707,813
Loss	-	-	174,582	174,582	711,421
	1,036,773,903	1,342,114	3,325,211	1,041,441,228	4,243,873,004
Loss allowance	(911,026)	(932,061)	(3,325,211)	(5,168,298)	(21,060,814)
Carrying amount	1,035,862,877	410,053	-	1,036,272,930	4,222,812,190
Loan commitments					
Normal	1,213,838	-	-	1,213,838	4,946,390
Special mention	-	-	-	-	-
Substandard	-	-	1,681	1,681	6,850
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	1,213,838	-	1,681	1,215,519	4,953,240
Loss allowance	(1,036)	-	(1,681)	(2,717)	(11,072)
Carrying amount	1,212,802	-	-	1,212,802	4,942,168

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

Group and Company	31 March 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Current	1,081,145,186	451,525	532,438	1,082,129,149	4,404,265,636
Overdue ≤ 30 days	7,820,955	355,226	55,783	8,231,964	33,504,093
Overdue > 30 days	-	1,072,874	2,967,936	4,040,810	16,446,097
Total	1,088,966,141	1,879,625	3,556,157	1,094,401,923	4,454,215,826
Loans to customers	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Current	1,036,407,510	664,633	566,285	1,037,638,428	4,228,376,594
Overdue ≤ 30 days	366,393	57,439	7,666	431,498	1,758,354
Overdue > 30 days	-	620,042	2,751,260	3,371,302	13,738,056
Total	1,036,773,903	1,342,114	3,325,211	1,041,441,228	4,243,873,004

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

6. LOANS TO CUSTOMERS (continued)

Group and Company	31 March 2020		31 December 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US\$	US\$	US\$	US\$
Loans to customers				
0-29 days	1,090,075,620	4,203,220	1,038,025,227	1,952,803
30-59 days	911,909	664,500	370,050	256,832
60-89 days	466,710	327,885	344,079	256,791
90-180 days	960,172	960,172	876,674	876,674
More than 180 days	1,987,512	1,987,512	1,825,198	1,825,198
Total	1,094,401,923	8,143,289	1,041,441,228	5,168,298
In KHR'000 equivalents (Note 2.3)	4,454,215,826	33,143,186	4,243,873,004	21,060,814

7. PROPERTY AND EQUIPMENT

During the three-month period ended 31 March 2020, the Group and the Company acquired property and equipment amounting to US\$405,933 and US\$404,915 (Group and Company: three-month period ended 31 March 2019: US\$535,179) respectively, and the depreciation expense amounting to US\$ 526,082 and US\$ 526,051 (Group and Company: three-month period ended 31 March 2019: US\$551,007) were charged to condensed consolidated and separate interim statement of profit or loss during the period.

8. RIGHT-OF-USE ASSETS

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

Group and Company	Buildings	ATM premises	Total	
	US\$	US\$	US\$	KHR'000
31 March 2020				(Note 2.3)
Cost				
At 1 January 2020	17,294,280	504,725	17,799,005	72,530,945
Additions	414,156	54,773	468,929	1,905,727
Reversals	(50,622)	(3,858)	(54,480)	(221,407)
Currency translation differences	-	-	-	(86,507)
At 31 March 2020	17,657,814	555,640	18,213,454	74,128,758
Less: Accumulated amortisation				
At 1 January 2020	5,246,053	271,695	5,517,748	22,484,823
Amortisation	693,540	43,275	736,815	2,994,416
Reversals	(23,746)	(1,929)	(25,675)	(104,343)
Currency translation differences	-	-	-	(23,322)
At 31 March 2020	5,915,847	313,041	6,228,888	25,351,574
Carrying amount				
At 31 March 2020	11,741,967	242,599	11,984,566	48,777,184

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

8. RIGHT-OF-USE ASSETS (continued)

Group and Company

31 December 2019	<u>Buildings</u> <u>US\$</u>	<u>ATM premises</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>	<u>KHR'000</u> (Note 2.3)
Cost				
At 1 January 2019	15,095,835	346,830	15,442,665	62,048,628
Additions				
1 January to 31 March	385,467	56,992	442,459	1,772,491
1 April to 31 December	1,848,648	128,716	1,977,364	8,032,632
Reversals	(35,670)	(27,813)	(63,483)	(257,233)
Currency translation differences	-	-	-	934,427
At 31 December 2019	<u>17,294,280</u>	<u>504,725</u>	<u>17,799,005</u>	<u>72,530,945</u>
Less: Accumulated amortisation				
At 1 January 2019	2,540,401	113,999	2,654,400	10,665,379
Amortisation				
1 January to 31 March	667,476	42,896	710,372	2,845,750
1 April to 31 December	2,051,150	134,772	2,185,922	8,890,033
Reversals	(12,974)	(19,972)	(32,946)	(133,497)
Currency translation differences	-	-	-	217,158
At 31 December 2019	<u>5,246,053</u>	<u>271,695</u>	<u>5,517,748</u>	<u>22,484,823</u>
Carrying amount				
At 31 December 2019	<u>12,048,227</u>	<u>233,030</u>	<u>12,281,257</u>	<u>50,046,122</u>

9. INTANGIBLE ASSETS

During the three-month period ended 31 March 2020, the Group and the Company acquired the intangible assets amounting to US\$106,445 (three-months period 31 March 2019: US\$445,885), and the amortisation expense amounting to US\$67,703 (three-months period ended 31 March 2019: US\$48,710) was charged to condensed consolidated and separate interim statement of profit or loss during the period.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

10 INCOME TAX

(a) Deferred tax assets, net

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 and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred tax assets	8,036,549	32,708,754	6,141,196	25,025,373
Deferred tax liabilities	(2,090,629)	(8,508,860)	(2,238,513)	(9,121,940)
Net deferred tax assets	5,945,920	24,199,894	3,902,683	15,903,433

The movement of net deferred tax assets was as follows:

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At the beginning of period	3,902,683	15,903,433	3,100,212	12,456,652
Credited to profit or loss				
1 January to 31 March	855,756	3,477,793	231,125	925,888
1 April to 31 December	-	-	571,346	2,325,725
Credited to other comprehensive income				
1 January to 31 March	1,187,481	4,825,923	-	-
1 April to 31 December	-	-	-	-
Currency translation differences	-	(7,255)	-	195,168
At the end of period	5,945,920	24,199,894	3,902,683	15,903,433

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

10. INCOME TAX (continued)

(b) Current income tax liabilities

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At the beginning of period	2,632,899	10,729,063	4,862,542	19,537,694
Current income tax expense				
1 January to 31 March	2,654,900	10,789,514	1,951,901	7,819,316
1 April to 31 December	-	-	2,227,058	9,113,826
Current income tax paid				
1 January to 31 March	(2,973,116)	(12,082,743)	(5,248,222)	(21,024,377)
1 April to 31 December	-	-	(1,160,380)	(4,943,278)
Currency translation differences	-	(15,074)	-	225,882
At the end of period	2,314,683	9,420,760	2,632,899	10,729,063

(c) Income tax expense

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current income tax	2,654,900	10,789,514	1,951,901	7,819,316
Deferred tax	(855,756)	(3,477,793)	(231,125)	(925,887)
Income tax expense	1,799,144	7,311,721	1,720,776	6,893,429

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

Based on ANUKRET on Tax Incentive in CSX, HKL is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, HKL needs to submit the request to the General Department of Taxation (GDT) through the Securities and Exchange Commission of Cambodia (SECC). On 20 December 2019, the Company received the letter from SECC informing that the request was submitted to GDT. The Company has issued a clarification letter to GDT regarding the approval on tax incentive. On 23 March 2020, the Company received the approval from the GDT on the tax incentives and thus reduced half of its tax on income for the fiscal year 2019.

For fiscal years 2020 and 2021, the Company shall implement new Prakas No. 183 on Implementation Guidelines on Tax Incentives on Tax on Income to New Securities Issuing Enterprises issued by the Ministry of Economy and Finance.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

11. OTHER ASSETS

Group	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits for purchase of land	17,661,416	71,881,963	17,661,416	71,970,270
Deferred employee expense	6,999,267	28,487,017	7,013,693	28,580,799
Deposits for leases of offices and ATM premises	1,383,853	5,632,282	1,356,808	5,528,993
Prepaid maintenance services	437,027	1,778,700	381,799	1,555,831
Other receivables	2,168,821	8,827,103	1,652,800	6,735,161
	<u>28,650,384</u>	<u>116,607,065</u>	<u>28,066,516</u>	<u>114,371,054</u>
Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due from related party	17,668,736	71,911,756	17,666,066	71,989,219
Deferred employee expense	6,999,267	28,487,017	7,013,693	28,580,799
Deposits for leases of offices and ATM premises	1,383,853	5,632,282	1,356,808	5,528,993
Prepaid maintenance services	437,027	1,778,700	381,799	1,555,831
Other receivables	2,169,331	8,829,178	1,653,310	6,737,239
	<u>28,658,214</u>	<u>116,638,933</u>	<u>28,071,676</u>	<u>114,392,081</u>

12. DEPOSITS FROM CUSTOMERS

Group	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost:				
Savings deposits	106,741,394	434,437,475	142,895,495	582,299,143
Term deposits	461,527,286	1,878,416,053	467,202,832	1,903,851,540
	<u>568,268,680</u>	<u>2,312,853,528</u>	<u>610,098,327</u>	<u>2,486,150,683</u>
Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost:				
Savings deposits	106,742,402	434,441,576	142,896,495	582,303,218
Term deposits	461,527,286	1,878,416,054	467,202,832	1,903,851,540
	<u>568,269,688</u>	<u>2,312,857,630</u>	<u>610,099,327</u>	<u>2,486,154,758</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020****13. DEBT SECURITIES ISSUED**

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Debt securities issued at amortised cost	<u>30,000,238</u>	<u>122,100,969</u>	<u>29,196,072</u>	<u>118,973,993</u>

On 1 August 2018, HKL obtained an approval letter from the NBC on the corporate bond issuance.

On 1 November 2018, HKL received a final approval and registration from the Securities and Exchange Commission of Cambodia ("SECC") on the Single Submission Form and the Disclosure Document for its Public Offering of HKL's Corporate Bond. The Bond was issued to the investors on 14 November 2018.

On 5 December 2018, HKL was successfully listed on the Cambodia Securities Exchange ("CSX"). It is the first company to list its corporate bond on the CSX.

The First Cambodian Corporate Bond issued by HKL offers in an aggregate total principal amount of KHR 120 billion. The Bonds have a tenor of 3 years with the coupon rate of 8.50% per annum.

HKL did not have any defaults of principal or interest or other breaches with respect to its debt securities during the period.

14. BORROWINGS

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
At amortised cost				
Floating rate	48,255,990	196,401,879	47,403,299	193,168,443
Fixed rate	<u>319,411,490</u>	<u>1,300,004,765</u>	<u>264,082,683</u>	<u>1,076,136,934</u>
	<u>367,667,480</u>	<u>1,496,406,644</u>	<u>311,485,982</u>	<u>1,269,305,377</u>

HKL did not have any defaults of principal or interest or other breaches with respect to its borrowings during the period.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

15. SUBORDINATED DEBTS

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	5,192,125	21,131,949	5,047,841	20,569,952
Fixed rate	5,606,142	22,816,998	6,927,080	28,227,851
	<u>10,798,267</u>	<u>43,948,947</u>	<u>11,974,921</u>	<u>48,797,803</u>

Repayment of subordinated debts shall be subject to prior approval from the National Bank of Cambodia.

16. DERIVATIVES HELD FOR RISK MANAGEMENT

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest rate designated in cash flow hedges	7,282,361	29,639,209	-	-
Interest rate swap at FVTPL	1,282,294	5,218,937	1,868,132	7,612,638
Foreign exchange	122,167	497,220	19,452	79,267
	<u>8,686,822</u>	<u>35,355,366</u>	<u>1,887,584</u>	<u>7,691,905</u>

HKL uses the above derivatives to manage its exposure to foreign currency and interest rate risk. The instruments used principally include interest rate swaps and currency swaps.

Interest rate designated in cash flow hedges was applied on 1 January 2020. The designated hedged exposure is \$80,000,000 layer of HKL's USD fixed deposits portfolio. The amount is exactly matched notional amount of the hedging instrument and this results in a hedge ratio of 1:1 or 100%. This ratio is consistent with the strategy to hedge the total exposure arising from refinancing of fixed deposits. Cash flows hedge reserves amounting to US\$5,937,403 and related deferred tax assets amounting US\$1,187,481 were recognised in OCI.

17. LEASE LIABILITIES

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Not later than 1 year	2,566,695	10,446,449	2,543,796	10,365,969
Later than 1 year and not later than 5 years	7,720,130	31,420,929	7,687,866	31,328,054
Later than 5 years	2,491,710	10,141,259	2,773,548	11,302,208
	<u>12,778,535</u>	<u>52,008,637</u>	<u>13,005,210</u>	<u>52,996,231</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**
18. PROVISIONS

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loan commitments	3,520	14,326	2,717	11,072

The amount in respect of loan commitments represents ECL provisions.

19. OTHER LIABILITIES

Group	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party (*)	69,235	281,786	40,080,966	163,329,936
Short-term employee benefits	2,979,934	12,128,331	4,767,591	19,427,933
Provident benefits	1,633,183	6,647,055	1,266,489	5,160,943
Creditors and accruals	499,714	2,033,836	526,472	2,145,373
Others	1,039,690	4,231,539	1,542,567	6,285,961
	6,221,756	25,322,547	48,184,085	196,350,146

Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party (*)	69,235	281,786	40,080,966	163,329,936
Short-term employee benefits	2,979,934	12,128,331	4,767,591	19,427,933
Provident benefits	1,633,183	6,647,055	1,266,489	5,160,943
Creditors and accruals	494,752	2,013,641	521,647	2,125,712
Others	1,039,685	4,231,518	1,542,567	6,285,961
	6,216,789	25,302,331	48,179,260	196,330,485

(*) During the three-month period ended 31 March 2020, the Group and the Company converted US\$40,000,000 to the share capital (Note 20).

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

20. SHARE CAPITAL

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Registered, issued and fully paid ordinary share of US\$1 each	115,000,000	468,050,000	75,000,000	305,625,000

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

On 10 May 2019, HKL requested for approval from the NBC for increasing new share capital by US\$40 million from US\$75 million to US\$115 million. This request was approved by the NBC on 07 October 2019.

On 11 February 2020, the Ministry of Commerce approved the amended Memorandum and Articles of Association of the Company with share capital of US\$115 million.

21. RESERVES

Group	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Legal reserves	682,459	2,777,608	682,459	2,781,020
Regulatory reserves	6,706,181	27,294,157	6,724,489	27,402,293
Other reserves	1,411,444	5,744,577	1,411,444	5,751,634
Cash flow hedge reserve	(4,749,922)	(19,303,683)	-	-
Currency translation differences	-	4,035,809	-	4,499,831
	4,050,162	20,548,468	8,818,392	40,434,778

Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Legal reserves	682,459	2,777,608	682,459	2,781,020
Regulatory reserves	6,706,181	27,294,157	6,724,489	27,402,293
Other reserves	1,411,444	5,744,577	1,411,444	5,751,634
Cash flow hedge reserve	(4,749,922)	(19,303,683)	-	-
Currency translation differences	-	4,035,991	-	4,500,049
	4,050,162	20,548,650	8,818,392	40,434,996

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

22. NET INTEREST INCOME

Group	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income				
Balances with the NBC	24,267	98,621	30,163	120,833
Balances with other banks	6,163	25,046	53,439	214,077
Loans to customers	42,654,935	173,349,656	31,668,929	126,865,729
	<u>42,685,365</u>	<u>173,473,323</u>	<u>31,752,531</u>	<u>127,200,639</u>
Interest expense				
Deposits from customers	9,357,383	38,028,404	8,217,964	32,921,164
Borrowings	769,311	3,126,480	704,472	2,822,115
Debt securities issued	6,486,654	26,361,762	3,685,256	14,763,136
Subordinated debts	329,703	1,339,913	670,359	2,685,458
Lease liabilities	240,902	979,026	241,435	967,188
	<u>17,183,953</u>	<u>69,835,585</u>	<u>13,519,486</u>	<u>54,159,061</u>
Net interest income	<u>25,501,412</u>	<u>103,637,738</u>	<u>18,233,045</u>	<u>73,041,578</u>
Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income				
Balances with the NBC	24,267	98,621	30,163	120,833
Balances with other banks	6,163	25,046	53,439	214,077
Loans to customers	42,654,935	173,349,656	31,668,929	126,865,729
	<u>42,685,365</u>	<u>173,473,323</u>	<u>31,752,531</u>	<u>127,200,639</u>
Interest expense				
Deposits from customers	9,357,391	38,028,437	8,217,964	32,921,164
Borrowings	769,311	3,126,480	704,472	2,822,115
Debt securities issued	6,486,654	26,361,762	3,685,256	14,763,136
Subordinated debts	329,703	1,339,913	670,359	2,685,458
Lease liabilities	240,902	979,026	241,435	967,188
	<u>17,183,961</u>	<u>69,835,618</u>	<u>13,519,486</u>	<u>54,159,061</u>
Net interest income	<u>25,501,404</u>	<u>103,637,705</u>	<u>18,233,045</u>	<u>73,041,578</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

23. NET FEE AND COMMISSION INCOME

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Fee and commission income				
Referral fees	415,168	1,687,243	357,128	1,430,655
Service charges on deposit accounts	63,022	256,121	62,401	249,978
Remittance fees	25,205	102,433	34,224	137,101
Other fees and commissions on loans	817,921	3,324,031	727,350	2,913,764
Other fee income	28,968	117,726	34,876	139,714
	<u>1,350,284</u>	<u>5,487,554</u>	<u>1,215,979</u>	<u>4,871,212</u>
Fee and commission expense				
Bank charges	71,183	289,287	55,359	221,767
Borrowing fees	60,560	246,116	106,153	425,249
Referral fees	13,370	54,336	14,802	59,297
Debt securities fees	5,067	20,592	4,454	17,843
Subordinated debts fees	1,306	5,308	1,292	5,176
	<u>151,486</u>	<u>615,639</u>	<u>182,060</u>	<u>729,332</u>
Net fee and commission income	<u>1,198,798</u>	<u>4,871,915</u>	<u>1,033,919</u>	<u>4,141,880</u>

24. NET LOSSES FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest rate	777,287	3,158,894	357,149	1,430,739
Foreign exchange	102,714	417,430	32,104	128,609
	<u>880,001</u>	<u>3,576,324</u>	<u>389,253</u>	<u>1,559,348</u>

25. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers (*)	3,242,397	13,177,101	127,015	508,822
Balances with other banks	10,894	44,273	29,469	118,053
Loan commitments	806	3,276	141	565
	<u>3,254,097</u>	<u>13,224,650</u>	<u>156,625</u>	<u>627,440</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

25. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS (continued)

(*) This includes the recoveries of loans previously written off amounting to US\$231,969 (31 March 2019: US\$128,333). During the period, the Group and the Company decided to provide an additional impairment amounting US\$2,196,564 against its loan's portfolio as a result of an unforeseen impact of COVID-19.

26. PERSONNEL EXPENSES

Group	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Salaries and bonuses	8,341,118	33,898,304	6,609,523	26,477,749
Provident benefits	367,546	1,493,707	298,598	1,196,184
Seniority payments	603,340	2,451,974	373,940	1,498,004
Other personnel expenses	900,909	3,661,294	658,474	2,637,846
	<u>10,212,913</u>	<u>41,505,279</u>	<u>7,940,535</u>	<u>31,809,783</u>
Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Salaries and bonuses	8,340,718	33,896,678	6,609,523	26,477,749
Provident benefits	367,546	1,493,707	298,598	1,196,184
Seniority payments	603,340	2,451,974	373,940	1,498,004
Other personnel expenses	900,909	3,661,294	658,474	2,637,846
	<u>10,212,513</u>	<u>41,503,653</u>	<u>7,940,535</u>	<u>31,809,783</u>

27. OTHER EXPENSES

Group	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Travelling and transportation	731,816	2,974,100	485,676	1,945,618
Repairs and maintenance	302,903	1,230,998	279,004	1,117,690
Office supplies and non-capitalised purchases	272,032	1,105,538	132,495	530,775
Utilities	192,185	781,040	176,467	706,927
Security	189,814	771,404	174,074	697,340
License fee, patent and other taxes	179,253	728,484	154,264	617,982
Communication	166,479	676,571	158,642	635,520
Professional services	128,074	520,493	55,185	221,071
Leases and rental	123,879	503,444	98,203	393,401
Marketing and advertising	60,663	246,534	121,649	487,326
Board fees and meetings	17,970	73,030	16,652	66,708
Others	70,466	286,374	60,157	240,989
	<u>2,435,534</u>	<u>9,898,010</u>	<u>1,912,468</u>	<u>7,661,347</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

27. OTHER EXPENSES (continued)

Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Travelling and transportation	731,816	2,974,100	485,676	1,945,618
Repairs and maintenance	302,903	1,230,998	279,004	1,117,690
Office supplies and non-capitalised purchases	272,032	1,105,538	132,495	530,775
Utilities	192,185	781,040	176,467	706,927
Security	189,814	771,404	174,074	697,340
License fee, patent and other taxes	178,958	727,285	154,264	617,982
Communication	166,479	676,571	158,642	635,520
Professional services	127,112	516,583	55,185	221,071
Leases and rental	123,879	503,444	98,203	393,401
Marketing and advertising	60,663	246,534	121,649	487,326
Board fees and meetings	17,970	73,030	16,652	66,708
Others	70,389	286,062	60,157	240,989
	<u>2,434,200</u>	<u>9,892,589</u>	<u>1,912,468</u>	<u>7,661,347</u>

28. CASH AND CASH EQUIVALENTS

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

Group and Company	31 March 2020		31 March 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash on hand	27,808,303	113,179,793	40,416,389	162,271,802
Balances with other banks	15,500,834	23,144,641	39,451,103	158,396,179
Balances with the NBC	5,686,644	63,088,395	12,850,854	51,596,179
	<u>48,995,781</u>	<u>199,412,829</u>	<u>92,718,346</u>	<u>372,264,160</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

(a) Related parties and relationships

Related parties	Relationship
Mitsubishi UFJ Financial Group, Inc.	Ultimate parent company
Bank of Ayudhya Public Company Limited ("Krungsri")	Immediate parent company/shareholder
Hattha Services Co., Ltd.	Subsidiary of HKL
Affiliates	All entities under the same ultimate parent company
Board of Directors	Persons overseeing the activities of the Group and the Company.
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 Company. The key management personnel of the Group and the Company include all EXCOM members appointed by the Board of Directors.

[illegible]

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

29. RELATED PARTIES (continued)

(c) Loans to key management and interest income

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans outstanding to key management	423,991	1,725,643	470,249	1,916,265

Loans are provided to key management of the Group and the Company with interest rate at 8% per annum (2019: 8% per annum).

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income from key management	9,995	40,620	8,722	34,940

(d) Deposits from and interest expense to key management

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from key management	2,257,814	9,189,303	2,054,009	8,370,087

Deposits from key management of the Group and the Company bear interest rates ranging from 2.5% to 10% per annum (2019: 2.5% to 10% per annum) depending on the terms and currency of the deposits.

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to key management	24,149	98,142	15,754	63,111

(e) Deposits from and interest expense to Directors

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from Board of Directors	3,510,253	14,286,730	4,607,061	18,773,774

Deposits from the Board of Directors of the Group and the Company bear interest rates ranging from 2.5% to 8.7% per annum (2019: from 2.5% to 8.7% per annum) depending on the terms and currency of deposits.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

29. RELATED PARTIES (continued)

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

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to the Board of Directors	66,982	272,215	49,201	197,099

(f) Office rental from key management

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Office rental expenses	16,980	69,007	16,980	68,022

(g) Transactions and balances with shareholder and affiliate

(i) Transactions with shareholder and affiliate

Group and Company	Three-month period ended 31 March 2020		Three-month period ended 31 March 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<i>Shareholder</i>				
Proceeds received for borrowings from Krungsri	(15,000,000)	(60,960,000)	-	-
Interest and fee expenses	(785,615)	(3,192,739)	(373,730)	(1,497,162)

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

29. RELATED PARTIES (continued)

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

(ii) Balances with shareholder and affiliate

Group and Company	31 March 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<i>Shareholder</i>				
Interest payable on interest rate SWAP	158,630	645,624	28,868	117,637
Interest receivable on interest rate SWAP	1,341	5,458	74	302
Amount payable on payment on behalf of HKL's expense	69,235	281,786	80,132	326,538
Amount payable for share capital injection	-	-	40,000,000	163,000,000
Borrowing via IFC (*)	8,571,429	34,885,716	8,571,429	34,928,573
Interest payable on borrowing via IFC	243,899	992,669	83,067	338,498
Commitment given on interest rate SWAP (**)	132,857,429	540,729,736	132,857,429	541,394,023
Commitment received on interest rate SWAP (**)	(132,857,429)	(540,729,736)	(132,857,429)	(541,394,023)
Borrowing	35,000,000	142,450,000	20,000,000	81,500,000
Interest and fee payable on borrowing	99,933	406,727	833	3,394
	<u>44,144,467</u>	<u>179,667,980</u>	<u>68,764,403</u>	<u>280,214,942</u>
<i>Affiliate:</i>				
Amount receivable from Hattha Services Co., Ltd (Note 11)	<u>17,668,736</u>	<u>71,911,756</u>	<u>17,666,066</u>	<u>71,989,219</u>
	<u>61,813,203</u>	<u>251,579,736</u>	<u>86,430,469</u>	<u>352,204,161</u>

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

(**) On 12 January 2017, the Group and the Company entered into agreements with Krungsri for interest rate swap totalling US\$54 million, effective from 15 May 2017. On 7 February 2018, the Group and the Company entered into another agreement with Krungsri for interest rate swap of US\$55 million, effective from 23 February 2018. On 24 December 2019, the Group and the Company entered into another agreement with Krungsri for interest swap of US\$80 million, effective from 27 December 2019. This is to manage the Group and the Company's exposure to interest rate risk of its funding.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

30. SEASONALITY

The principal businesses of the Group and the Company are mainly to provide banking and related financial services and other services.

There is no significant seasonality factor associated with these businesses except for the possible impact of the outbreak of Novel Coronavirus ("COVID-19"). Pending on the development and spread of COVID-19, further changes in economic conditions for the Group and the Company arising thereof may have impact on the financial results of the Group and the Company. The Group and the Company will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group and the Company.

31. FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

Group and Company

Fair value

Financial assets measured at fair value
Equity securities

fair value

Interest rate swaps	
Currency swaps	
Total	

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

31. FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2019	Carrying amount		Fair value			
	FVOCI – equity instruments US\$	FVTPL US\$	Total US\$		Level 1 US\$	
			US\$		US\$	
					Level 2 US\$	Level 3 US\$
						Total US\$
Financial assets measured at fair value						
Equity securities	20,000	-	20,000	-	-	20,000
Financial liabilities measured at fair value						
Interest rate swaps	-	1,868,131	1,868,131	-	1,868,131	-
Currency swaps	-	19,453	19,453	-	-	19,453
Total	-	1,887,584	1,887,584	-	1,868,131	19,453
						1,887,584

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

32. TAX CONTINGENCIES

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

On 11 April 2019, the Group and the Company filed a tax objection letter to the GDT protesting to the reassessed taxes. As a result, HKL 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 millions). The Group and the Company have not made provision at this stage as the Group and the Company believe that there are reasonable grounds to challenge the assessment as stated in the tax law and regulations mentioned in its objection letter.

The Group and the Company 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 Company have received a response to the 2nd protest letter from the GDT. There is no change in the reassessment amount. However, the Group and the Company have consulted with the tax advisor and it is believed that the Group and the Company would have reasonable grounds to challenge the case. Therefore, the Group and the Company decided to move on with 3rd protest requesting the GDT to transfer the case to litigation department. The letter was signed on 23 January 2020 and submitted to the tax agent for further process to the GDT. The Group and the Company have not recorded any contingent tax liability as at 31 March 2020. The outcome of the ultimate tax liabilities for this assessment is unknown.

33. SIGNIFICANT EVENT

Impact of COVID Outbreak to the Group and the Company

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has had an impact on the global business environment, including Cambodia. COVID-19 has resulted in a significant impact on some customers' repayment capacity. Further deterioration in economic conditions resulting from the continued spread of COVID-19 and government response to the disease may have a material impact on the financial results of the Group and the Company, the extent of which could not be estimated as at the date of this report. The Group and the Company will keep continuous attention on the situation of the COVID-19 and react actively to mitigate risks to the financial position and operating results of the Group and the Company.