

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

**CONSOLIDATED AND SEPARATE FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021
AND
REPORT OF THE INDEPENDENT AUDITORS**

HATTHA BANK PLC. AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

	Page (s)
Report of the Board of Directors	1 – 4
Report of the independent auditors	5 – 7
Consolidated statement of financial position	8
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11 – 12
Separate statement of financial position	13
Separate statement of profit or loss and other comprehensive income	14
Separate statement of changes in equity	15
Separate statement of cash flows	16 – 17
Notes to the financial statements	18 – 140



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

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 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is commercial bank.

FINANCIAL RESULTS

The financial results of the Group and the Bank for the year ended 31 December 2021 were as follows:

The Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	57,172,688	232,578,496	31,452,439	128,231,594
Income tax expense	(12,166,107)	(49,491,723)	(5,773,140)	(23,537,092)
Profit for the year	45,006,581	183,086,773	25,679,299	104,694,502

The Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	56,733,612	230,792,333	31,195,778	127,185,187
Income tax expense	(12,180,322)	(49,549,550)	(5,765,079)	(23,504,227)
Profit for the year	44,553,290	181,242,783	25,430,699	103,680,960

DIVIDENDS

No dividend was declared or paid and the BoD does not recommend any dividend to be paid for the year under audit (2020: nil).

SHARE CAPITAL

On 13 April 2021, the National Bank of Cambodia ("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 with the Ministry of Commerce ("MOC") on 9 June 2021. *aw*



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. *low W*

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
- Mr. Pairote Cheunkrut, Director, Chief Strategy Officer of Krungsri (effective from 9 June 2021)
- Mrs. Voranuch Dejakaisaya, Director, (retired on 9 June 2021)
- Ms. Duangdao Wongpanitkrit, Director, Chief Financial Officer of Krungsri
- Mr. Chandrashekar Subramanian Krishoolndmangalam, Director, Chief Risk Officer of Krungsri
- Mr. Wanchairabin Jitwattanatam, Director, Deputy Chief Executive Officer of HATTHA Bank Plc.
- Mr. Dy Davuth, Independent Director, Vice President of Build Bright University
- Mr. Lonh Hay, Independent Director
- Mr. Hout Ieng Tong, Director, President and Chief Executive Officer of HATTHA Bank Plc.
- 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 2021, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the BoD are 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 as set out on pages 8 to 140 present fairly, in all material respects, the consolidated and unconsolidated financial positions of the Group and of the Bank as at 31 December 2021, and their consolidated and unconsolidated financial performance and cash flows for the year then ended in accordance with CIFRSs. 

On behalf of the Board of Directors



MF. Hout Ieng Tong
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
28 February 2022



KPMG Cambodia Ltd
GIA Tower, Sopheak Mongkul Street, Phum 14
Sangkat Tonle Bassac, Khan Chamkar Mon
Phnom Penh, Cambodia
+ 855 (17) 666 537 / + 855 (81) 533 999 | kpmg.com.kh

REPORT OF THE INDEPENDENT AUDITORS

To the shareholder of HATTHA Bank Plc.

Opinion

We have audited the consolidated financial statements of HATTHA Bank Plc. and its subsidiaries (together referred to as “the Group”) and the separate financial statements of HATTHA Bank Plc. (“the Bank”), which comprise the consolidated and separate statements of financial position of the Group and the Bank as at 31 December 2021, and the consolidated and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 140 (hereafter referred to as “the financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial positions of the Group and the unconsolidated financial positions of the Bank as at 31 December 2021, and of their respective consolidated and unconsolidated financial performance and cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRS”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Report of the Board of Directors as set out on pages 1 to 4, and annual report, which is expected to be made available to us after that date.



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

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

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

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional 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 the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 auditors' 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 auditors' 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 subsidiaries within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

For KPMG Cambodia Ltd


Taing YoukFong
Partner



Phnom Penh, Kingdom of Cambodia

28 February 2022

HATTHA BANK PLC. AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	31 December 2021		31 December 2020	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
ASSETS					
Cash on hand		53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	5	222,244,286	905,423,221	135,341,678	547,457,088
Balances with other banks	6	36,409,433	148,332,030	41,729,838	168,797,195
Loans to customers	7	1,655,739,462	6,745,482,568	1,288,824,168	5,213,293,760
Investment securities	8	20,000	81,480	20,000	80,900
Derivatives held for risk management	18	21,421	87,269	242,274	979,998
Property and equipment	9	37,663,286	153,440,227	34,892,318	141,139,426
Right-of-use assets	10	10,951,197	44,615,177	11,357,556	45,941,314
Intangible assets	11	4,498,567	18,327,162	3,775,164	15,270,538
Deferred tax assets, net	12(a)	8,339,480	33,975,042	7,991,149	32,324,198
Other assets	13	26,153,107	106,547,757	13,659,106	55,251,084
TOTAL ASSETS		2,055,646,217	8,374,702,687	1,574,993,940	6,370,850,488
LIABILITIES					
Deposits from customers and financial institutions	14	1,039,798,652	4,236,139,708	803,893,453	3,251,749,017
Debt securities issued	15	-	-	29,767,039	120,407,673
Borrowings	16	588,064,151	2,395,773,351	431,708,838	1,746,262,250
Subordinated debts	17	44,106,167	179,688,524	11,895,729	48,118,224
Derivatives held for risk management	18	2,510,693	10,228,563	7,283,277	29,460,855
Current income tax liabilities	12(b)	12,908,783	52,590,382	8,492,313	34,351,406
Lease liabilities	19	12,089,132	49,251,124	12,325,496	49,856,631
Provisions	20	11,596	47,242	77,369	312,958
Other liabilities	21	23,103,208	94,122,469	9,914,890	40,105,731
TOTAL LIABILITIES		1,722,592,382	7,017,841,363	1,315,358,404	5,320,624,745
EQUITY					
Share capital	22	140,000,000	570,360,000	115,000,000	465,175,000
Share premium		19,082,502	77,742,113	19,082,502	77,188,721
Reserves	23	14,830,872	64,888,870	(1,968,634)	(6,393,069)
Non-distributable reserve	24	50,000,000	203,700,000	30,000,000	121,350,000
Retained earnings		109,140,461	440,170,341	97,521,668	392,905,091
TOTAL EQUITY		333,053,835	1,356,861,324	259,635,536	1,050,225,743
TOTAL LIABILITIES AND EQUITY		2,055,646,217	8,374,702,687	1,574,993,940	6,370,850,488

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 2021

	Notes	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
Interest income	25	216,772,100	881,828,903	173,550,241	707,564,333
Interest expense	25	(88,674,394)	(360,727,435)	(72,227,643)	(294,472,101)
Net interest income		128,097,706	521,101,468	101,322,598	413,092,232
Fee and commission income	26	7,716,353	31,390,124	5,686,130	23,182,352
Fee and commission expense	26	(1,028,991)	(4,185,935)	(713,035)	(2,907,044)
Net fee and commission income		6,687,362	27,204,189	4,973,095	20,275,308
Net losses from other financial instruments at FVTPL	27	(526,143)	(2,140,350)	(520,680)	(2,122,812)
Other income	28	262,186	1,066,573	305,734	1,246,478
Net impairment losses on financial instruments	29	(4,766,060)	(19,388,332)	(20,028,862)	(81,657,670)
Personnel expenses	30	(47,882,519)	(194,786,087)	(39,950,524)	(162,878,286)
Depreciation and amortisation	31	(5,902,578)	(24,011,687)	(5,265,714)	(21,468,316)
Other expenses	32	(18,797,266)	(76,467,278)	(9,383,208)	(38,255,340)
Profit before income tax		57,172,688	232,578,496	31,452,439	128,231,594
Income tax expense	12(c)	(12,166,107)	(49,491,723)	(5,773,140)	(23,537,092)
Profit for the year		45,006,581	183,086,773	25,679,299	104,694,502
Other comprehensive income/(loss)					
Cash flow hedge reserve		4,264,647	17,348,584	(5,504,733)	(22,442,796)
Income tax relating to components of other comprehensive income		(852,929)	(3,469,715)	1,100,948	4,488,565
Currency translation differences		-	4,488,367	-	1,710,977
		3,411,718	18,367,236	(4,403,785)	(16,243,254)
Total comprehensive income for the year		48,418,299	201,454,009	21,275,514	88,451,248
Profit attributable to shareholder		45,006,581	183,086,773	25,679,299	104,694,502
Total comprehensive income attributable to shareholder		48,418,299	201,454,009	21,275,514	88,451,248

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 2021**

	Attributable to shareholder					Total US\$
	Share capital	Share premium	Reserves	Non- distributabl e reserve	Retained earnings	
	US\$	US\$	US\$	US\$	US\$	
Year ended 31 December 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 year	-	-	-	-	25,679,299	25,679,299
Other comprehensive loss	-	-	(4,403,785)	-	-	(4,403,785)
Total comprehensive (loss)/income for the year	-	-	(4,403,785)	-	25,679,299	21,275,514
Transfers	-	-	(6,383,241)	30,000,000	(23,616,759)	-
At 31 December 2020	115,000,000	19,082,502	(1,968,634)	30,000,000	97,521,668	259,635,536
In KHR'000 equivalents (Note 2.3)	465,175,000	77,188,721	(6,393,069)	121,350,000	392,905,091	1,050,225,743
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 income	-	-	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 (Note 2.3)	570,360,000	77,742,113	64,888,870	203,700,000	440,170,341	1,356,861,324

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 2021

	Notes	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from operating activities					
Profit before income tax		57,172,688	232,578,496	31,452,439	128,231,594
<i>Adjustments for:</i>					
Net interest income	25	(128,097,706)	(521,101,468)	(101,322,598)	(413,092,232)
Net losses from other financial instruments at FVTPL	27	526,143	2,140,350	520,680	2,122,812
Dividends on equity securities at FVOCI		(15,577)	(63,366)	-	-
Net impairment losses on financial instruments	29	4,766,060	19,388,332	20,028,862	81,657,670
Depreciation and amortisation	31	5,902,578	24,011,687	5,265,714	21,468,316
Provision for employee benefits		1,815,546	7,385,641	1,498,174	6,108,055
(Gains)/losses on disposals of property and equipment		(260)	(1,058)	3,783	15,423
Written-off of property and equipment and intangible asset		94,701	385,244	6,600	26,908
Effect of currency translation of monetary items		(4,461,439)	(18,149,134)	1,138,169	4,640,315
		(62,297,266)	(253,425,276)	(41,408,177)	(168,821,139)
<i>Changes in:</i>					
Balances with the NBC		(4,336,988)	(17,642,867)	(33,447,996)	(136,367,480)
Balances with other banks		(304,513)	(1,238,759)	(29,450,000)	(120,067,650)
Loans to customers		(371,196,243)	(1,510,026,317)	(273,853,395)	(1,116,500,291)
Other assets		(4,285,259)	(17,432,434)	15,584,070	63,536,253
Deposits from customers and financial institutions		233,905,161	951,526,195	191,235,755	779,668,173
Other liabilities		13,188,318	53,650,078	(38,269,195)	(156,023,508)
Cash used in operations		(195,326,790)	(794,589,380)	(209,608,938)	(854,575,642)
Interest received		213,397,584	868,101,372	172,276,911	702,372,966
Interest paid		(87,343,647)	(355,313,956)	(68,672,472)	(279,977,668)
Income tax paid	12(b)	(8,951,148)	(36,413,270)	(2,901,244)	(11,828,372)
Net cash used in operating activities		(78,224,001)	(318,215,234)	(108,905,743)	(444,008,716)
Cash flows from investing activities					
Purchases of property and equipment	9	(4,946,287)	(20,121,496)	(32,668,347)	(133,188,851)
Purchases of intangible assets	11	(1,381,020)	(5,617,989)	(1,783,371)	(7,270,804)
Placement of capital guarantee		(2,500,000)	(10,170,000)	(4,000,000)	(16,308,000)
Prepayment of building construction		(7,061,522)	(28,726,271)	-	-
Proceeds from disposals of property and equipment		1,736	7,062	1,988	8,105
Dividend received		15,577	63,366	-	-
Net cash used in investing activities		(15,871,516)	(64,565,328)	(38,449,730)	(156,759,550)

HATTHA BANK PLC. AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Notes	Year ended 31 December 2021		Year ended 30 December 2020	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from financing activities				
	336,316,042	1,368,133,659	335,201,615	1,366,616,984
	35,000,000	142,380,000	7,000,000	28,539,000
	(175,805,653)	(715,177,396)	(216,483,947)	(882,605,052)
	(2,000,000)	(8,136,000)	(7,000,000)	(28,539,000)
	(29,666,255)	(120,682,325)	-	-
	(3,915,300)	(15,927,440)	(3,702,421)	(15,094,770)
	25,000,000	101,700,000	40,000,000	163,080,000
	184,928,834	752,290,498	155,015,247	631,997,162
	Net increase in cash and cash equivalents			
	90,833,317	369,509,936	7,659,774	31,228,896
	Cash and cash equivalents at the beginning of the year			
	86,360,404	349,327,834	78,700,630	320,705,067
	-	3,049,449	-	(2,606,129)
	Cash and cash equivalents at the end of year			
33	177,193,721	721,887,219	86,360,404	349,327,834
Significant non-cash transaction:				
	-	-	40,000,000	163,080,000

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

HATTHA BANK PLC.

**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	31 December 2021		31 December 2020	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
ASSETS					
Cash on hand		53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	5	222,244,286	905,423,221	135,341,678	547,457,088
Balances with other banks	6	36,358,121	148,122,985	41,656,629	168,501,064
Loans to customers	7	1,655,739,462	6,745,482,568	1,288,824,168	5,213,293,760
Investment securities	8	20,000	81,480	20,000	80,900
Investment in subsidiary		490	1,996	490	1,982
Derivatives held for risk management	18	21,421	87,269	242,274	979,998
Property and equipment	9	8,233,488	33,543,230	5,462,161	22,094,441
Right-of-use assets	10	21,038,360	85,710,279	21,706,157	87,801,405
Intangible assets	11	4,498,567	18,327,162	3,775,164	15,270,538
Deferred tax assets, net	12(a)	8,249,769	33,609,559	7,976,643	32,265,521
Other assets	13	26,651,875	108,579,738	14,156,297	57,262,221
TOTAL ASSETS		<u>2,036,661,817</u>	<u>8,297,360,241</u>	<u>1,556,322,350</u>	<u>6,295,323,905</u>
LIABILITIES					
Deposits from customers and financial institutions	14	1,040,432,277	4,238,721,096	804,484,026	3,254,137,885
Debt securities issued	15	-	-	29,767,039	120,407,673
Borrowings	16	558,563,432	2,275,587,422	402,208,119	1,626,931,841
Subordinated debts	17	44,106,167	179,688,524	11,895,729	48,118,224
Derivatives held for risk management	18	2,510,693	10,228,563	7,283,277	29,460,855
Current income tax liabilities	12(b)	12,856,311	52,376,611	8,472,025	34,269,341
Lease liabilities	19	22,725,395	92,583,259	22,833,647	92,362,102
Provisions	20	11,596	47,242	77,369	312,958
Other liabilities	21	23,094,527	94,087,103	9,904,708	40,064,544
TOTAL LIABILITIES		<u>1,704,300,398</u>	<u>6,943,319,820</u>	<u>1,296,925,939</u>	<u>5,246,065,423</u>
EQUITY					
Share capital	22	140,000,000	570,360,000	115,000,000	465,175,000
Share premium		19,082,502	77,742,113	19,082,502	77,188,721
Reserves	23	14,830,872	64,887,106	(1,968,634)	(6,385,180)
Non-distributable reserve	24	50,000,000	203,700,000	30,000,000	121,350,000
Retained earnings		108,448,045	437,351,202	97,282,543	391,929,941
TOTAL EQUITY		<u>332,361,419</u>	<u>1,354,040,421</u>	<u>259,396,411</u>	<u>1,049,258,482</u>
TOTAL LIABILITIES AND EQUITY		<u>2,036,661,817</u>	<u>8,297,360,241</u>	<u>1,556,322,350</u>	<u>6,295,323,905</u>

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 2021**

	Notes	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	25	216,772,100	881,828,903	173,550,241	707,564,333
Interest expense	25	(88,905,833)	(361,668,929)	(72,407,610)	(295,205,826)
Net interest income		127,866,267	520,159,974	101,142,631	412,358,507
Fee and commission income	26	7,716,353	31,390,124	5,686,130	23,182,352
Fee and commission expense	26	(1,028,991)	(4,185,935)	(713,035)	(2,907,044)
Net fee and commission income		6,687,362	27,204,189	4,973,095	20,275,308
Net losses from other financial instruments at FVTPL	27	(526,143)	(2,140,350)	(520,680)	(2,122,812)
Other income	28	302,720	1,231,465	319,080	1,300,889
Net impairment losses on financial instruments	29	(4,766,060)	(19,388,332)	(20,028,862)	(81,657,670)
Personnel expenses	30	(47,877,616)	(194,766,142)	(39,944,710)	(162,854,583)
Depreciation and amortisation	31	(6,163,657)	(25,073,757)	(5,374,346)	(21,911,209)
Other expenses	32	(18,789,261)	(76,434,714)	(9,370,430)	(38,203,243)
Profit before income tax		56,733,612	230,792,333	31,195,778	127,185,187
Income tax expense	12(c)	(12,180,322)	(49,549,550)	(5,765,079)	(23,504,227)
Profit for the year		44,553,290	181,242,783	25,430,699	103,680,960
Other comprehensive income/(loss)					
Cash flow hedge reserve		4,264,647	17,348,584	(5,504,733)	(22,442,796)
Income tax relating to components of other comprehensive income		(852,929)	(3,469,715)	1,100,948	4,488,565
Currency translation differences		-	4,486,603	-	1,718,866
		3,411,718	18,365,472	(4,403,785)	(16,235,365)
Total comprehensive income for the year		47,965,008	199,608,255	21,026,914	87,445,595
Profit attributable to shareholder		44,553,290	181,242,783	25,430,699	103,680,960
Total comprehensive income attributable to shareholder		47,965,008	199,608,255	21,026,914	87,445,595

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 2021**

	Attributable to shareholder					Total US\$
	Share capital	Share premium	Reserves	Non- distributable reserve	Retained earnings	
	US\$	US\$	US\$	US\$	US\$	
Year ended 31 December 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 year	-	-	-	-	25,430,699	25,430,699
Other comprehensive loss	-	-	(4,403,785)	-	-	(4,403,785)
Total comprehensive (loss)/income for the year	-	-	(4,403,785)	-	25,430,699	21,026,914
Transfers	-	-	(6,383,241)	30,000,000	(23,616,759)	-
At 31 December 2020	115,000,000	19,082,502	(1,968,634)	30,000,000	97,282,543	259,396,411
In KHR'000 equivalents (Note 2.3)	465,175,000	77,188,721	(6,385,180)	121,350,000	391,929,941	1,049,258,482
Year ended 31 December 2021						
At 1 January 2021	115,000,000	19,082,502	(1,968,634)	30,000,000	97,282,543	259,396,411
Issuance of share capital	25,000,000	-	-	-	-	25,000,000
Profit for the year	-	-	-	-	44,553,290	44,553,290
Other comprehensive income	-	-	3,411,718	-	-	3,411,718
Total comprehensive income for the year	-	-	3,411,718	-	44,553,290	47,965,008
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	332,361,419
In KHR'000 equivalents (Note 2.3)	570,360,000	77,742,113	64,887,106	203,700,000	437,351,202	1,354,040,421

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 2021

	Notes	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from operating activities					
Profit before income tax		56,733,612	230,792,333	31,195,778	127,185,187
<i>Adjustments for:</i>					
Net interest income	25	(127,866,267)	(520,159,974)	(101,142,631)	(412,358,507)
Net losses from other financial instruments at FVTPL	27	526,143	2,140,350	520,680	2,122,812
Dividends on equity securities at FVOCI		(15,577)	(63,366)	-	-
Net impairment losses on financial instruments	29	4,766,060	19,388,332	20,028,862	81,657,670
Depreciation and amortisation	31	6,163,657	25,073,757	5,374,346	21,911,209
Provision for employee benefits (Gains)/Losses on disposals of property and equipment		(260)	(1,058)	3,783	15,423
Written-off of property and equipment and intangible asset		94,701	385,244	6,600	26,908
Effect of currency translation of monetary items		(4,461,439)	(18,149,134)	1,138,169	4,640,315
		(62,243,824)	(253,207,875)	(41,376,239)	(168,690,928)
<i>Changes in:</i>					
Balances with the NBC		(4,336,988)	(17,642,867)	(33,447,996)	(136,367,480)
Balances with other banks		(304,513)	(1,238,759)	(29,450,000)	(120,067,650)
Loans to customers		(371,196,243)	(1,510,026,317)	(273,853,395)	(1,116,500,291)
Other assets		(4,286,836)	(17,438,849)	15,092,039	61,530,243
Deposits from customers and financial institutions		233,948,213	951,701,330	191,825,328	782,071,862
Other liabilities		13,189,819	53,656,184	(38,274,552)	(156,045,349)
Cash used in operations		(195,230,372)	(794,197,153)	(209,484,815)	(854,069,593)
Interest received		213,361,420	867,954,257	172,275,485	702,367,152
Interest paid		(86,746,466)	(352,884,624)	(68,523,586)	(279,370,660)
Income tax paid	12(b)	(8,922,342)	(36,296,087)	(2,898,965)	(11,819,080)
Net cash used in operating activities		(77,537,760)	(315,423,607)	(108,631,881)	(442,892,181)
Cash flows from investing activities					
Purchases of property and equipment	9	(4,946,287)	(20,121,496)	(3,237,889)	(13,200,873)
Purchases of intangible assets	11	(1,381,020)	(5,617,989)	(1,783,371)	(7,270,804)
Placement of capital guarantee		(2,500,000)	(10,170,000)	(4,000,000)	(16,308,000)
Prepayment of building construction		(7,061,522)	(28,726,271)	-	-
Proceeds from disposals of property and equipment		1,736	7,062	1,988	8,105
Dividend received		15,577	63,366	-	-
Net cash used in investing activities		(15,871,516)	(64,565,328)	(9,019,272)	(36,771,572)

HATTHA BANK PLC.

**SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from financing activities					
Proceeds from borrowings		336,316,042	1,368,133,659	305,700,896	1,246,342,553
Proceeds from subordinated debts		35,000,000	142,380,000	7,000,000	28,539,000
Repayments of borrowings		(175,805,653)	(715,177,396)	(216,483,947)	(882,605,052)
Repayments of subordinated debts		(2,000,000)	(8,136,000)	(7,000,000)	(28,539,000)
Repayments of debt securities issuance		(29,666,255)	(120,682,325)	-	-
Principal elements of lease payments		(4,579,644)	(18,629,992)	(3,979,231)	(16,223,325)
Issuance of share capital		25,000,000	101,700,000	40,000,000	163,080,000
Net cash generated from financing activities		184,264,490	749,587,946	125,237,718	510,594,176
Net increase in cash and cash equivalents		90,855,214	369,599,011	7,586,565	30,930,423
Cash and cash equivalents at the beginning of the year		86,287,195	349,031,704	78,700,630	320,705,067
Currency translation differences		-	3,047,459	-	(2,603,786)
Cash and cash equivalents at the end of year	33	177,142,409	721,678,174	86,287,195	349,031,704
Significant non-cash transaction:					
Conversion of amount due to shareholder to share capital		-	-	40,000,000	163,080,000

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 2021

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.

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 permits the Bank to carry out bancassurance business as referral model for Sovannaphum Life Assurance Plc., Forte Insurance (Cambodia) Plc., and Cambodia Life Micro Insurance (Camlife) Plc. on 12 January 2022.

The principal activity of the Bank includes commercial bank activities.

The Bank 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 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 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.

2. BASIS OF ACCOUNTING

2.1 Basis of preparation and measurement

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 for the Derivatives held for risk management (see Note 3.8), that are measured on a fair value basis.

The financial statements of the Group and the Bank were authorised for issue by the Board of Directors on 28 February 2022.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 have 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.

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.

2.3 Presentation in Khmer Riel

The financial statements are expressed in United States Dollars ("USD") which is the Group and the Bank's functional currency. The translations of USD amounts into Khmer Riel ("KHR") meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS21 – *The Effects of Changes in Foreign Exchange Rates*.

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

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

	Closing rate	Average rate
31 December 2021	4,074	4,068
31 December 2020	<u>4,045</u>	<u>4,077</u>

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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% in the shareholding of 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

Provident benefits

The Group and the Bank provide its employees upon completion of probationary period with provident benefits, 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 provident funds are maintained at saving accounts under the name of each employee with the Bank and the withdrawal can only be made upon resignation, dead or retirement. Upon resignation or retirement, an employee who has worked for the Group and the Bank for three years or more is entitled to provident fund accumulated and interest earned in their saving 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 changes 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

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.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Modification and derecognition (continued)

Financial assets (continued)

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 and the Bank's procedures for recovery of amounts due.

3.7 Cash and cash equivalents

Cash and cash equivalents consist 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 its short-term commitments.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 designates 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 documents 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 makes 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 designates a portion of the cash flows of a financial instrument for cash flow 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 represents equity investment securities designated as at FVOCI. Changes in the fair value of investments in equity instruments are presented in OCI.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss in the 'Other income' line item, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI (if any) are transferred to retained earnings on disposal of an investment.

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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
Premise and building improvement	10 – 50 years
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

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
----------------------	-------------

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Leases as lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies CIFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in CIFRS 9 to the net investment in the lease (see Note 3.6). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

3.14 Impairment of non-financial assets

The carrying amounts of the Group 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 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 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 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 Krungsri, the Bank's Articles of Incorporation required to 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 reserve 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, the 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 regulatory reserve of shareholder's equity. ^[A1] ^[A2]

[A1] If provision under CIFRS is less than NBC provision, excess amount of provision has to be transferred from retained earnings to regulatory reserve of shareholder's equity.

[A2] If provision under CIFRS is greater than NBC provision, prior year regulatory reserve will be reversed to zero.

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

The allowance is calculated as a percentage of the facility amount outstanding at the time the facility is classified, excluding accrued interest.

Non-distributable reserve

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

Others reserves

From 9 December 2010, the Group and the Bank are required to set up a reserve by a lender, Instituto de Credito Oficial ("ICO") of the Kingdom of Spain, in accordance with the requirement set out in the loan agreement under Spanish Microfinance Program. The reserve is transferred annually from the retained earnings based on the rate of 3.5% of the outstanding loan 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Change of ECL methodology

The Group and the Bank has changed the ECL methodology from Proxy Model to their own model which implemented from September 2021 onward. This own model was estimated by using the Group and the Bank historical data in developing the Expected Credit Loss modelling in accordance to CIFRS 9 requirements, and it is changed from the Proxy Model to reflect the situation and risk profile of the Group and the Bank.

The impact comparing between previous model (Proxy) to the own model development as at 31 December 2021 is stated in the below table :

Description	ECL_Proxy (US\$)	ECL_Own model (US\$)	Variance (US\$)
Balance with other banks	159,589	93,461	66,128
Loans to customers	45,963,727	25,347,374	20,616,353
Loan commitments	18,309	11,596	6,713

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 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.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

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.

To monitor and identify the Significant Increase in Credit Risk for impairment, the Group and the Bank applied below approaches and criteria:

1. Quantitative criteria: compare the Change in PD at reporting date from the origination date (Change in cumulative residual unbiased PD, or Change in unbiased PD comparing 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 has enough data.
2. Qualitative criteria: the Group and the Bank has established the procedure of 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 National Bank of Cambodia.

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

4.2 Key sources of estimation uncertainty (continued)

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. Directors believe 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 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Statutory deposits				
Capital guarantee deposit	14,002,823	57,047,501	11,500,877	46,521,047
Reserve requirement	91,210,835	371,592,942	86,972,939	351,805,538
	105,213,658	428,640,443	98,473,816	398,326,585
Current accounts	116,931,469	476,378,804	32,706,758	132,298,837
Negotiable Certificate of Deposit ("NCD")	99,159	403,974	4,161,104	16,831,666
	222,244,286	905,423,221	135,341,678	547,457,088

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 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Balance with other banks at amortised cost	36,502,894	148,712,790	41,896,868	169,472,831
Impairment loss allowance	(93,461)	(380,760)	(167,030)	(675,636)
	36,409,433	148,332,030	41,729,838	168,797,195

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. BALANCES WITH OTHER BANKS (continued)

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Balance with other banks at amortised cost	36,451,582	148,503,745	41,823,659	169,176,700
Impairment loss allowance	(93,461)	(380,760)	(167,030)	(675,636)
	<u>36,358,121</u>	<u>148,122,985</u>	<u>41,656,629</u>	<u>168,501,064</u>

The movement of impairment loss allowance is presented in N38.1.2.

The above amounts are analysed as follows:

As at 31 December 2021

Group	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
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>

Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
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>

As at 31 December 2020

Group	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Current accounts	11,338,931	(20,247)	11,318,684	45,784,077
Savings accounts	1,023,621	(2,065)	1,021,556	4,132,194
Term deposits	29,534,316	(144,718)	29,389,598	118,880,924
	<u>41,896,868</u>	<u>(167,030)</u>	<u>41,729,838</u>	<u>168,797,195</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. BALANCES WITH OTHER BANKS (continued)

As at 31 December 2020

Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Current accounts	11,338,931	(20,247)	11,318,684	45,784,077
Savings accounts	950,412	(2,065)	948,347	3,836,063
Term deposits	29,534,316	(144,718)	29,389,598	118,880,924
	<u>41,823,659</u>	<u>(167,030)</u>	<u>41,656,629</u>	<u>168,501,064</u>

7. LOANS TO CUSTOMERS

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers at amortised cost	1,680,030,619	6,844,444,742	1,312,160,841	5,307,690,602
Impairment loss allowance	(24,291,157)	(98,962,174)	(23,336,673)	(94,396,842)
	<u>1,655,739,462</u>	<u>6,745,482,568</u>	<u>1,288,824,168</u>	<u>5,213,293,760</u>

The movement of impairment loss allowance is presented in N38.1.2.

The above amounts are analysed as follows:

As at 31 December 2021

Group and Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
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
Overdraft	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>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. LOANS TO CUSTOMERS (continued)

As at 31 December 2020

Group and Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Individual loans				
External customers				
Mortgage lending	76,232,794	(2,071,819)	74,160,975	299,981,145
Personal lending	1,229,618,894	(21,255,185)	1,208,363,709	4,887,831,202
Staff loans	6,309,153	(9,669)	6,299,484	25,481,413
	<u>1,312,160,841</u>	<u>(23,336,673)</u>	<u>1,288,824,168</u>	<u>5,213,293,760</u>

8. INVESTMENT SECURITIES

The Group and the Bank have designated investment in Cambodia Microfinance Association ("CMA") as equity instrument at fair value through OCI ("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.

Fair value

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Investment in CMA Investment	<u>20,000</u>	<u>81,480</u>	<u>20,000</u>	<u>80,900</u>

Dividend income

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Investment in CMA Investment (Note 28)	<u>15,577</u>	<u>63,367</u>	<u>23,311</u>	<u>95,039</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. PROPERTY AND EQUIPMENT

Group	Freehold Land	Leasehold improvement	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
									(Note 2.3)
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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. PROPERTY AND EQUIPMENT (continued)

Bank	Leasehold improvement	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
								(Note 2.3)
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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. PROPERTY AND EQUIPMENT (continued)

Group	Freehold Land	Leasehold improvement	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
									(Note 2.3)
Cost									
At 1 January 2020	-	2,243,262	3,168,755	6,040,869	6,025,221	805,818	27,732	18,311,657	74,620,003
Additions	29,429,380	458,688	429,000	353,123	234,904	73,185	1,690,067	32,668,347	133,188,851
Disposals	-	(62,280)	(3,040)	(158,416)	(202,457)	(226)	-	(426,419)	(1,738,510)
Transfers	-	33,426	105,000	1,044,101	44,713	-	(1,227,240)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(1,581,093)
At 31 December 2020	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
Less: Accumulated depreciation									
At 1 January 2020	-	1,831,593	2,308,481	4,473,916	4,837,539	658,999	-	14,110,528	57,500,402
Depreciation	-	186,620	366,449	812,962	530,665	74,691	-	1,971,387	8,037,345
Disposals	-	(59,106)	(3,040)	(155,819)	(202,457)	(226)	-	(420,648)	(1,714,982)
Currency translation differences	-	-	-	-	-	-	-	-	(472,940)
At 31 December 2020	-	1,959,107	2,671,890	5,131,059	5,165,747	733,464	-	15,661,267	63,349,825
Carrying amounts									
At 31 December 2020	29,429,380	713,989	1,027,825	2,148,618	936,634	145,313	490,559	34,892,318	141,139,426

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. PROPERTY AND EQUIPMENT (continued)

Bank	Leasehold improvement	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
								(Note 2.3)
Cost								
At 1 January 2020	2,243,262	3,168,755	6,040,869	6,025,221	805,818	27,732	18,311,657	74,620,003
Additions	458,688	429,000	352,045	234,904	73,185	1,690,067	3,237,889	13,200,873
Disposals	(62,280)	(3,040)	(158,416)	(202,457)	(226)	-	(426,419)	(1,738,510)
Transfers	33,426	105,000	1,044,101	44,713	-	(1,227,240)	-	-
Currency translation differences	-	-	-	-	-	-	-	(639,318)
At 31 December 2020	<u>2,673,096</u>	<u>3,699,715</u>	<u>7,278,599</u>	<u>6,102,381</u>	<u>878,777</u>	<u>490,559</u>	<u>21,123,127</u>	<u>85,443,048</u>
Less: Accumulated depreciation								
At 1 January 2020	1,831,593	2,308,481	4,473,916	4,837,539	658,999	-	14,110,528	57,500,402
Depreciation	186,620	366,449	812,661	530,665	74,691	-	1,971,086	8,036,118
Disposals	(59,106)	(3,040)	(155,819)	(202,457)	(226)	-	(420,648)	(1,714,982)
Currency translation differences	-	-	-	-	-	-	-	(472,931)
At 31 December 2020	<u>1,959,107</u>	<u>2,671,890</u>	<u>5,130,758</u>	<u>5,165,747</u>	<u>733,464</u>	<u>-</u>	<u>15,660,966</u>	<u>63,348,607</u>
Carrying amounts								
At 31 December 2020	<u>713,989</u>	<u>1,027,825</u>	<u>2,147,841</u>	<u>936,634</u>	<u>145,313</u>	<u>490,559</u>	<u>5,462,161</u>	<u>22,094,441</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

10. RIGHT-OF-USE ASSETS

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

Group

31 December 2021	Buildings	ATM	Total	
	US\$	premises US\$	US\$	KHR'000
				(Note 2.3)
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

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

Bank

31 December 2021	Land (*)	Buildings	ATM	Total	
	US\$	US\$	premises US\$	US\$	KHR'000
	(Note 34)				(Note 2.3)
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

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. RIGHT-OF-USE ASSETS (continued)

Group

	Buildings	ATM premises	Total	
31 December 2020	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Cost				
At 1 January 2020	17,294,280	504,725	17,799,005	72,530,945
Additions	1,935,686	181,561	2,117,247	8,632,016
Reversals	(50,622)	(27,673)	(78,295)	(319,209)
Currency translation differences	-	-	-	(599,216)
At 31 December 2020	<u>19,179,344</u>	<u>658,613</u>	<u>19,837,957</u>	<u>80,244,536</u>
Less: Accumulated amortisation				
At 1 January 2020	5,246,053	271,695	5,517,748	22,484,823
Amortisation	2,821,040	171,209	2,992,249	12,199,399
Reversals	(15,759)	(13,837)	(29,596)	(120,663)
Currency translation differences	-	-	-	(260,337)
At 31 December 2020	<u>8,051,334</u>	<u>429,067</u>	<u>8,480,401</u>	<u>34,303,222</u>
Carrying amounts				
At 31 December 2020	<u>11,128,010</u>	<u>229,546</u>	<u>11,357,556</u>	<u>45,941,314</u>

Bank

	Land (*)	Buildings	ATM premises	Total	
31 December 2020	US\$	US\$	US\$	US\$	KHR'000
	(Note 34)				(Note 2.3)
Cost					
At 1 January 2020	-	17,294,280	504,725	17,799,005	72,530,945
Additions	10,457,534	1,935,686	181,561	12,574,781	51,267,382
Reversals	-	(50,622)	(27,673)	(78,295)	(319,209)
Currency translation differences	-	-	-	-	(933,857)
At 31 December 2020	<u>10,457,534</u>	<u>19,179,344</u>	<u>658,613</u>	<u>30,295,491</u>	<u>122,545,261</u>
Less: Accumulated amortisation					
At 1 January 2020	-	5,246,053	271,695	5,517,748	22,484,823
Amortisation	108,933	2,821,040	171,209	3,101,182	12,643,519
Reversals	-	(15,759)	(13,837)	(29,596)	(120,663)
Currency translation differences	-	-	-	-	(263,823)
At 31 December 2020	<u>108,933</u>	<u>8,051,334</u>	<u>429,067</u>	<u>8,589,334</u>	<u>34,743,856</u>
Carrying amounts					
At 31 December 2020	<u>10,348,601</u>	<u>11,128,010</u>	<u>229,546</u>	<u>21,706,157</u>	<u>87,801,405</u>

(*) The subsidiary leases the land to the Bank for a period of 20 years with an option to renew the lease of another 20 years after the expiry date. From the period from 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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. INTANGIBLE ASSETS

Group and Bank	Software and licenses	Work in progress	Total	
31 December 2021	US\$	US\$	US\$	KHR'000
				(Note 2.3)
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	<u>7,237,568</u>	<u>996,354</u>	<u>8,233,922</u>	<u>33,544,998</u>
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	<u>3,735,355</u>	<u>-</u>	<u>3,735,355</u>	<u>15,217,836</u>
Carrying amounts				
At 31 December 2021	<u>3,502,213</u>	<u>996,354</u>	<u>4,498,567</u>	<u>18,327,162</u>
Group and Bank	Software and licenses	Work in progress	Total	
31 December 2020	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Cost				
At 1 January 2020	3,780,168	1,377,359	5,157,527	21,016,923
Additions	182,618	1,600,753	1,783,371	7,270,804
Written-off	-	(6,600)	(6,600)	(26,743)
Transfers	856,910	(856,910)	-	-
Currency translation differences	-	-	-	(211,749)
At 31 December 2020	<u>4,819,696</u>	<u>2,114,602</u>	<u>6,934,298</u>	<u>28,049,235</u>
Less: Accumulated amortisation				
At 1 January 2020	2,857,056	-	2,857,056	11,642,504
Amortisation	302,078	-	302,078	1,231,572
Currency translation differences	-	-	-	(95,379)
At 31 December 2020	<u>3,159,134</u>	<u>-</u>	<u>3,159,134</u>	<u>12,778,697</u>
Carrying amounts				
At 31 December 2020	<u>1,660,562</u>	<u>2,114,602</u>	<u>3,775,164</u>	<u>15,270,538</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12. 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	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred tax assets	12,596,941	51,319,938	12,340,473	49,917,213
Deferred tax liabilities	(4,257,461)	(17,344,896)	(4,349,324)	(17,593,015)
Net deferred tax assets	<u>8,339,480</u>	<u>33,975,042</u>	<u>7,991,149</u>	<u>32,324,198</u>
Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred tax assets	12,245,324	49,887,450	12,255,863	49,574,966
Deferred tax liabilities	(3,995,555)	(16,277,891)	(4,279,220)	(17,309,445)
Net deferred tax assets	<u>8,249,769</u>	<u>33,609,559</u>	<u>7,976,643</u>	<u>32,265,521</u>

The movement of net deferred tax assets was as follows:

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At 1 January	7,991,149	32,324,198	3,902,683	15,903,433
Credited to profit or loss	1,201,260	4,886,726	2,987,518	12,180,111
Credited to other comprehensive income	(852,929)	(3,469,715)	1,100,948	4,488,565
Currency translation differences	-	233,833	-	(247,911)
At 31 December	<u>8,339,480</u>	<u>33,975,042</u>	<u>7,991,149</u>	<u>32,324,198</u>
Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At 1 January	7,976,643	32,265,521	3,902,683	15,903,433
Credited to profit or loss	1,126,055	4,580,792	2,973,012	12,120,970
Credited to other comprehensive income	(852,929)	(3,469,715)	1,100,948	4,488,565
Currency translation differences	-	232,961	-	(247,447)
At 31 December	<u>8,249,769</u>	<u>33,609,559</u>	<u>7,976,643</u>	<u>32,265,521</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. INCOME TAX (continued)

(a) Deferred tax assets, net (continued)

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

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Depreciation and amortisation	(3,856,430)	(15,711,096)	(4,113,634)	(16,639,650)
Unrealised exchange gains/(loss)	166,642	678,900	(79,158)	(320,194)
Lease liabilities	4,505,617	18,355,883	4,566,729	18,472,419
Deferred fee income	2,895,878	11,797,807	2,455,819	9,933,788
Impairment loss allowances	3,002,414	12,231,835	3,128,699	12,655,587
Unearned Referral Fee Income	169,697	691,346	-	-
Interest expense	56,227	229,069	-	-
Fair value losses	18,752	76,396	122,435	495,250
Provident benefits	866,166	3,528,760	542,358	2,193,838
Bonuses and unused leaves	28,360	115,539	28,798	116,488
Unused tax credits	15,587	63,501	15,587	63,049
Fair Value through OCI	470,570	1,917,102	1,323,516	5,353,623
	<u>8,339,480</u>	<u>33,975,042</u>	<u>7,991,149</u>	<u>32,324,198</u>

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Depreciation and amortisation	(3,993,298)	(16,268,697)	(4,198,244)	(16,981,897)
Unrealised exchange gains/(loss)	166,642	678,900	(79,158)	(320,194)
Lease liabilities	4,545,079	18,516,652	4,566,729	18,472,419
Deferred fee income	2,959,800	12,058,225	2,525,923	10,217,359
Impairment loss allowances	3,002,414	12,231,835	3,128,699	12,655,587
Unearned Referral Fee Income	169,697	691,346	-	-
Fair value losses	18,752	76,396	122,435	495,250
Provident benefits	866,166	3,528,760	542,358	2,193,838
Bonuses and unused leaves	28,360	115,539	28,798	116,488
Unused tax credits	15,587	63,501	15,587	63,049
Fair Value through OCI	470,570	1,917,102	1,323,516	5,353,622
	<u>8,249,769</u>	<u>33,609,559</u>	<u>7,976,643</u>	<u>32,265,521</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. INCOME TAX (continued)

(b) Current income tax liabilities

The movement of current income tax liabilities was as follow:

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At 1 January	8,492,313	34,351,406	2,632,899	10,729,063
Current income tax expense	13,367,367	54,378,449	8,760,658	35,717,203
Current income tax paid	(8,951,148)	(36,413,270)	(2,901,244)	(11,828,372)
Currency translation differences	251	273,797	-	(266,488)
At 31 December	12,908,783	52,590,382	8,492,313	34,351,406

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At 1 January	8,472,025	34,269,341	2,632,899	10,729,063
Current income tax expense	13,306,377	54,130,342	8,738,091	35,625,197
Current income tax paid	(8,922,342)	(36,296,087)	(2,898,965)	(11,819,080)
Currency translation differences	251	273,015	-	(265,839)
At 31 December	12,856,311	52,376,611	8,472,025	34,269,341

(c) Income tax expense

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current income tax	13,367,367	54,378,449	8,760,658	35,717,203
Deferred tax	(1,201,260)	(4,886,726)	(2,987,518)	(12,180,111)
Income tax expense	12,166,107	49,491,723	5,773,140	23,537,092

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current income tax	13,306,377	54,130,342	8,738,091	35,625,197
Deferred tax	(1,126,055)	(4,580,792)	(2,973,012)	(12,120,970)
Income tax expense	12,180,322	49,549,550	5,765,079	23,504,227

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021		Year ended 31 December 2020	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Profit before income tax	57,172,688	232,578,496	31,452,439	128,231,594
Income tax using statutory rate 20%	11,332,579	46,100,931	6,249,112	25,477,630
Tax effect of:				
Non-deductible expenses	1,591,467	6,474,088	40,251	164,103
Taxable losses of subsidiary	-	-	(1,895)	(7,726)
Under/(over) provision in prior year	(62,004)	(252,232)	40,817	166,411
Impact of tax incentive	(695,935)	(2,831,064)	(555,145)	(2,263,326)
	12,166,107	49,491,723	5,773,140	23,537,092

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Profit before income tax	56,733,612	230,792,333	31,195,778	127,185,187
Income tax using statutory rate 20%	11,346,722	46,158,465	6,239,156	25,437,039
Tax effect of:				
Non-deductible expenses	1,591,522	6,474,312	40,251	164,103
Under/(over) provision in prior year	(61,987)	(252,163)	40,817	166,411
Impact of tax incentive	(695,935)	(2,831,064)	(555,145)	(2,263,326)
	12,180,322	49,549,550	5,765,079	23,504,227

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12. INCOME TAX (continued)

(c) Income tax expense (continued)

Starting from fiscal year 2020, the Bank has implemented the 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 on 25 February 2020. According to the Prakas, the enterprise issuing debt securities equal to or less than 20% of its total assets is granted tax incentives on tax on income over 3 years by reducing the amount of tax on income based on the pro-rata percentage of value of debt securities over total assets, dividing by base 20.001% and multiplying by 50%.

On 6 April 2021, the Bank received the approval from the GDT on tax incentive based on the new Prakas for the fiscal years 2020 and 2021 and the prepayment tax on income 1% for 2021. However, since the Bank issues debt securities less than 20% of its total assets based on the Prakas, the Bank accrued the tax incentive by reducing 5% and 6% of tax on income as of 31 December 2021 and 31 December 2020, respectively.

On 4 November 2021, the Bank submitted the request letter to the Securities and Exchange Regulator of Cambodia ("SERC") for a higher tax incentive. The SERC responded to the Bank's request by sending the letter to GDT to seek for the approval for the Bank on 17 December 2021. On 3 February 2022, the Bank received the clarification letter from the GDT on tax incentive based on the new Prakas for the fiscal year 2021 which applicable for 5% tax incentive.

13. OTHER ASSETS

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred employee expense	9,337,573	38,041,272	8,190,353	33,129,978
Prepaid construction building	7,061,522	28,768,641	-	-
Deposits for leases	1,596,509	6,504,178	1,444,375	5,842,497
Prepaid maintenance services	695,519	2,833,544	526,076	2,127,977
Other receivables	7,461,984	30,400,122	3,498,302	14,150,632
	<u>26,153,107</u>	<u>106,547,757</u>	<u>13,659,106</u>	<u>55,251,084</u>
Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred employee expense	9,337,573	38,041,272	8,190,353	33,129,978
Prepaid construction building	7,061,522	28,768,641	-	-
Deposits for leases	2,094,767	8,534,081	1,942,633	7,857,950
Prepaid maintenance services	695,519	2,833,544	526,076	2,127,977
Other receivables	7,462,494	30,402,200	3,497,235	14,146,316
	<u>26,651,875</u>	<u>108,579,738</u>	<u>14,156,297</u>	<u>57,262,221</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14. DEPOSITS FROM CUSTOMERS AND FINANCIAL INSTITUTIONS

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Current deposits	713,761	2,907,862	3,792	15,339
Savings deposits	237,680,971	968,312,276	156,079,132	631,340,088
Term deposits	801,403,920	3,264,919,570	647,810,529	2,620,393,590
	<u>1,039,798,652</u>	<u>4,236,139,708</u>	<u>803,893,453</u>	<u>3,251,749,017</u>
Bank				
		(Note 2.3)		(Note 2.3)
At amortised cost				
Current deposits	713,761	2,907,862	3,792	15,339
Savings deposits	237,733,172	968,524,943	156,669,705	633,728,956
Term deposits	801,985,344	3,267,288,291	647,810,529	2,620,393,590
	<u>1,040,432,277</u>	<u>4,238,721,096</u>	<u>804,484,026</u>	<u>3,254,137,885</u>

15. DEBT SECURITIES ISSUED

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Debt securities issued at amortised cost	-	-	29,767,039	120,407,673

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

On 1 November 2018, the Bank 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 the Bank's Corporate Bond. The Bond was issued to the investors on 14 November 2018.

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

The First Cambodian Corporate Bond issued by the Bank 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. The bonds were expired on 14 November 2021.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. BORROWINGS

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	77,419,848	315,408,461	26,153,300	105,790,099
Fixed rate	510,644,303	2,080,364,890	405,555,538	1,640,472,151
	<u>588,064,151</u>	<u>2,395,773,351</u>	<u>431,708,838</u>	<u>1,746,262,250</u>
Bank				
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	77,419,848	315,408,461	26,153,300	105,790,099
Fixed rate	481,143,584	1,960,178,961	376,054,819	1,521,141,742
	<u>558,563,432</u>	<u>2,275,587,422</u>	<u>402,208,119</u>	<u>1,626,931,841</u>

The borrowings from related party and other lenders bear interest rates ranging from nil to 8.31% (2020: nil to 8.31%) per annum.

17. SUBORDINATED DEBTS

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	24,288,468	98,951,219	-	-
Fixed rate	19,817,699	80,737,305	11,895,729	48,118,224
	<u>44,106,167</u>	<u>179,688,524</u>	<u>11,895,729</u>	<u>48,118,224</u>

During the year, subordinated debt amounting to US\$1,000,000 and another US\$1,000,000 were repaid to the lender with the approval from the National Bank of Cambodia on 24 February 2021 and 16 June 2021 respectively. In addition, subordinated debts amounting to US\$10,000,000 was received from the Deutsche Investitions-und Entwicklungsgesellschaft mbH ("DEG") on 29 January 2021 for a period of seven years with the maturity date on 15 December 2027 and bear interest rate of 7.56% per annum following the approval by the National Bank of Cambodia on 28 December 2020. Moreover, subordinated debts amounting to US\$25,000,000 was received from International Finance Corporation on 28 December 2021 for the period of seven years with the maturity date on 15 July 2028 and bear interest rate of 6.80% plus 6month LIBOR following the approval by the National Bank of Cambodia on 21 December 2021.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

18. DERIVATIVES HELD FOR RISK MANAGEMENT

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Derivative assets				
Interest rate swap designated in cash flow hedges – Note 37	A	21,421	87,269	-
Foreign exchange swap – Note 37	C	-	-	242,274
		<u>21,421</u>	<u>87,269</u>	<u>242,274</u>
				<u>979,998</u>
Derivative liabilities				
Interest rate swap designated in cash flow hedges – Note 37	A	2,407,265	9,807,198	6,632,592
Interest rate swap not designated in cash flow hedges – Note 37	B	103,428	421,365	650,685
		<u>2,510,693</u>	<u>10,228,563</u>	<u>7,283,277</u>
				<u>29,460,855</u>

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 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 US\$80,000,000 layer of the Bank's US\$ fixed deposits portfolio and the additional US\$25,000,000 and US\$70,000,000 layer of the Bank new borrowing with floating interest rate executed in 2021. 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 fixed deposits. Cash flows hedge reserves amounting to US\$4,264,647 and its related deferred tax assets amounting US\$852,929 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 fixed deposits and from borrowing with floating interest rate from lender. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

The Group's and the Bank's approach to managing market risk, including interest rate risk and foreign exchange risk is discussed in Note 38.3.2.

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 USDLIBOR 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 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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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:

	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\$)	-	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	<u>-</u>	<u>175,000,000</u>		<u>(3,972,756)</u>	<u>4,264,647</u>	<u>-</u>
In KHR'000 equivalents (Note 2.3)	<u>-</u>	<u>712,950,000</u>		<u>(16,185,008)</u>	<u>17,374,172</u>	<u>-</u>

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

	Maturity 2021		
	Less than 1 year US\$	1 – 5 years US\$	More than 5 years US\$
Group and Bank			
Interest rate risk			
<i>Interest rate swap</i>			
Notional amount	-	150,000,000	25,000,000
In KHR'000 equivalents (Note 2.3)	<u>-</u>	<u>611,100,000</u>	<u>101,850,000</u>
Average fixed interest rate	<u>-</u>	<u>1.94%/0.895%</u>	<u>1.51%</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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\$			US\$
Interest rate risk						
Interest rate swap	70,000,000	21,590	-			21,590
Interest rate swap	80,000,000	-	2,325,511	Derivatives held for risk	1:1	4,289,987
Interest rate swap	25,000,000	-	78,265	management		(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 (Note 2.3)	<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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	Gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in PL	PL line item that includes hedge ineffectiveness	Amounts reclassified from reserves to PL as		PL line item that includes reclassified amount
				Hedge cash flows will no longer occur	Hedged item affected PL	
				US\$	US\$	
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>-</u>	<u>(32,992)</u>	Interest expense
In KHR'000 equivalents (Note 2.3)	<u>17,214,373</u>	<u>6,737</u>		<u>-</u>	<u>(134,211)</u>	

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 interest rate swap totalling 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 interest rate swap of US\$55 million, effective from 23 February 2018 to 15 June 2022. This is to manage the Group and the Bank's exposure to interest rate risk of its funding.

C. Foreign exchange swap

On 29 June 2020, the Group and the Bank entered into Foreign exchange swap agreements with J Trust Royal Bank with the amount of US\$5 million, effective from 29 June 2020 to 29 March 2021 and US\$5 million, effective from 30 June 2020 to 30 March 2021. On 11 August 2020, the Group and the Bank entered into Foreign exchange swap agreement with J Trust Royal Bank with the amount of US\$10 million, effective from 12 August 2020 to 12 March 2021. On 6 September 2021, the Group and the Bank entered into foreign exchange agreement with J Trust Royal Bank with the amount of US\$15 million, effective from 6 September to 8 November 2021.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. LEASE LIABILITIES

Maturity analysis:

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Not later than 1 year	3,714,429	15,132,584	3,500,976	14,161,448
Later than 1 year and not later than 5 years	9,249,497	37,682,451	9,440,148	38,185,399
Later than 5 years	1,309,375	5,334,394	1,982,417	8,018,877
	14,273,301	58,149,429	14,923,541	60,365,724
Less: unearned interest	(2,184,169)	(8,898,305)	(2,598,045)	(10,509,093)
	12,089,132	49,251,124	12,325,496	49,856,631

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Not later than 1 year	4,378,773	17,839,121	4,165,320	16,848,719
Later than 1 year and not later than 5 years	12,034,898	49,030,174	12,177,799	49,259,197
Later than 5 years	36,867,571	150,198,485	38,252,707	154,732,200
	53,281,242	217,067,780	54,595,826	220,840,116
Less: unearned interest	(30,555,847)	(124,484,521)	(31,762,179)	(128,478,014)
	22,725,395	92,583,259	22,833,647	92,362,102

Analysed as:

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current	2,952,430	12,028,200	2,681,850	10,848,083
Non-Current	9,136,702	37,222,924	9,643,646	39,008,548
	12,089,132	49,251,124	12,325,496	49,856,631

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current	2,814,373	11,465,756	2,553,738	10,329,870
Non-Current	19,911,022	81,117,503	20,279,909	82,032,232
	22,725,395	92,583,259	22,833,647	92,362,102

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. LEASE LIABILITIES (continued)

Amounts recognised in profit or loss:

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest on lease liabilities (Note 25)	919,476	3,740,429	954,159	3,890,106

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest on lease liabilities	1,711,932	6,964,140	1,281,586	5,225,026

Amounts recognised in statement of cash flows:

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Total cash outflow for leases	3,915,300	15,927,440	3,702,421	15,094,770

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Total cash outflow for leases	4,579,644	18,629,992	3,979,231	16,223,325

20. PROVISIONS

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Impairment loss allowance on Loan commitments	11,596	47,242	77,369	312,958

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. OTHER LIABILITIES

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party	123,335	502,467	52,492	212,330
Tax provision (Note 36)	7,599,141	30,958,900	-	-
Short-term employee benefits	6,868,032	27,980,362	4,784,270	19,352,372
Provident benefits	4,510,652	18,376,396	2,786,304	11,270,600
Creditors and accruals	474,157	1,931,716	675,601	2,732,806
Others	3,527,891	14,372,628	1,616,223	6,537,623
	<u>23,103,208</u>	<u>94,122,469</u>	<u>9,914,890</u>	<u>40,105,731</u>
Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party	123,335	502,467	52,492	212,330
Tax provision (Note 36)	7,599,141	30,958,900	-	-
Short-term employee benefits	6,868,032	27,980,362	4,783,344	19,348,626
Provident benefits	4,510,652	18,376,396	2,786,137	11,269,924
Creditors and accruals	470,657	1,917,457	671,751	2,717,233
Others	3,522,710	14,351,521	1,610,984	6,516,431
	<u>23,094,527</u>	<u>94,087,103</u>	<u>9,904,708</u>	<u>40,064,544</u>

22. SHARE CAPITAL

Group and Bank	Number of share capital	
	2021	2020
At 1 January	115,000,000	75,000,000
Additional share capital issued during the year	25,000,000	40,000,000
At 31 December	<u>140,000,000</u>	<u>115,000,000</u>
	31 December 2021	
	US\$	KHR'000
		(Note 2.3)
Registered, issued and fully paid ordinary share of US\$1 each	<u>140,000,000</u>	<u>570,360,000</u>
	31 December 2020	
	US\$	KHR'000
		(Note 2.3)
	<u>115,000,000</u>	<u>465,175,000</u>

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

22. SHARE CAPITAL (continued)

On 10 May 2019, the Bank 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 7 October 2019.

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

On 3 March 2021, the Bank requested for approval from the NBC for increasing 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.

23. RESERVES

Group	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Legal reserves	682,459	2,780,338	682,459	2,760,547
Regulatory reserves	13,576,650	55,311,272	250,847	1,014,676
Other reserves	1,563,830	6,371,044	1,501,845	6,074,962
Cash flow hedge reserve	(992,067)	(4,062,151)	(4,403,785)	(17,954,231)
Currency translation differences	-	4,488,367	-	1,710,977
	<u>14,830,872</u>	<u>64,888,870</u>	<u>(1,968,634)</u>	<u>(6,393,069)</u>

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Legal reserves	682,459	2,780,338	682,459	2,760,547
Regulatory reserves	13,576,650	55,311,272	250,847	1,014,676
Other reserves	1,563,830	6,371,044	1,501,845	6,074,962
Cash flow hedge reserve	(992,067)	(4,062,151)	(4,403,785)	(17,954,231)
Currency translation differences	-	4,486,603	-	1,718,866
	<u>14,830,872</u>	<u>64,887,106</u>	<u>(1,968,634)</u>	<u>(6,385,180)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23. 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
		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
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 retained earnings to regulatory reserves	-	-	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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. 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
		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
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 retained earnings to regulatory reserves	-	-	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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. 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
		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
1 January 2020	682,459	2,781,020	6,724,489	27,402,293	1,411,444	5,751,634	-	-	4,500,049	8,818,392	40,434,996
Comprehensive income:											
Other comprehensive income	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Total comprehensive income for the year	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Transfers from regulatory reserves to retained earnings	-	-	(6,473,642)	(26,393,038)	-	-	-	-	-	(6,473,642)	(26,393,038)
Transfer to other reserve	-	-	-	-	90,401	368,565	-	-	-	90,401	368,565
Currency translation differences	-	(20,473)	-	5,421	-	(45,237)	-	(1,718,866)	(2,789,072)	-	(4,568,227)
	-	(20,473)	(6,473,642)	(26,387,617)	90,401	323,328	-	(1,718,866)	(2,789,072)	(6,383,241)	(30,592,700)
31 December 2020	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)

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. 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
		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
1 January 2020	682,459	2,781,020	6,724,489	27,402,293	1,411,444	5,751,634	-	-	4,500,049	8,818,392	40,434,996
Comprehensive income:											
Other comprehensive income	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Total comprehensive income for the year	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Transfers from regulatory reserves to retained earnings	-	-	(6,473,642)	(26,393,038)	-	-	-	-	-	(6,473,642)	(26,393,038)
Transfer to other reserve	-	-	-	-	90,401	368,565	-	-	-	90,401	368,565
Currency translation differences	-	(20,473)	-	5,421	-	(45,237)	-	(1,718,866)	(2,781,183)	-	(4,560,338)
	-	(20,473)	(6,473,642)	(26,387,617)	90,401	323,328	-	(1,718,866)	(2,781,183)	(6,383,241)	(30,584,811)
31 December 2020	<u>682,459</u>	<u>2,760,547</u>	<u>250,847</u>	<u>1,014,676</u>	<u>1,501,845</u>	<u>6,074,962</u>	<u>(4,403,785)</u>	<u>(17,954,231)</u>	<u>1,718,866</u>	<u>(1,968,634)</u>	<u>(6,385,180)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

24. NONE-DISTRIBUTABLE RESERVE

Non-distributable reserve is set up to strengthen Tier 1 capital and to manage solvency ratio to be in compliance with NBC's requirement. 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 NBC.

On 23 March 2021, the NBC approved the Group and the Bank to transfer from retained earnings to non-distributable reserve amounting to US\$20,000,000 (2020: US\$30,000,000 on 7 May 2020).

25. NET INTEREST INCOME

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income				
Loans to customers	216,283,181	879,839,981	173,288,917	706,498,915
Balances with other banks	478,519	1,946,615	205,877	839,361
Balances with the NBC	10,400	42,307	55,447	226,057
	<u>216,772,100</u>	<u>881,828,903</u>	<u>173,550,241</u>	<u>707,564,333</u>
Interest expense				
Deposits from customers and financial institutions	53,376,689	217,136,371	41,159,077	167,805,557
Borrowings	30,312,946	123,313,064	26,285,217	107,164,830
Debt securities issued	2,399,840	9,762,549	2,866,711	11,687,581
Subordinated debts	1,665,443	6,775,022	962,479	3,924,027
Lease liabilities (Note 19)	919,476	3,740,429	954,159	3,890,106
	<u>88,674,394</u>	<u>360,727,435</u>	<u>72,227,643</u>	<u>294,472,101</u>
Net interest income	<u>128,097,706</u>	<u>521,101,468</u>	<u>101,322,598</u>	<u>413,092,232</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

25. NET INTEREST INCOME (continued)

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income				
Loans to customers	216,283,181	879,839,981	173,288,917	706,498,915
Balances with other banks	478,519	1,946,615	205,877	839,361
Balances with the NBC	10,400	42,307	55,447	226,057
	<u>216,772,100</u>	<u>881,828,903</u>	<u>173,550,241</u>	<u>707,564,333</u>
Interest expense				
Deposits from customers and financial institutions	53,412,853	217,283,486	41,160,503	167,811,371
Borrowings	29,715,765	120,883,732	26,136,331	106,557,821
Debt securities issued	2,399,840	9,762,549	2,866,711	11,687,581
Lease liabilities	1,711,932	6,964,140	1,281,586	5,225,026
Subordinated debts	1,665,443	6,775,022	962,479	3,924,027
	<u>88,905,833</u>	<u>361,668,929</u>	<u>72,407,610</u>	<u>295,205,826</u>
Net interest income	<u>127,866,267</u>	<u>520,159,974</u>	<u>101,142,631</u>	<u>412,358,507</u>

26. NET FEE AND COMMISSION INCOME

Group and Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Fee and commission income				
Other fees and commissions on loans	3,191,519	12,983,099	2,942,003	11,994,546
Referral fees	4,046,157	16,459,767	2,270,670	9,257,522
Service charges on deposit accounts	272,498	1,108,522	250,941	1,023,086
Remittance fees	56,685	230,595	84,744	345,501
Other fee income	149,494	608,141	137,772	561,697
	<u>7,716,353</u>	<u>31,390,124</u>	<u>5,686,130</u>	<u>23,182,352</u>
Fee and commission expense				
Borrowing fees	572,174	2,327,604	344,347	1,403,903
Bank charges	416,482	1,694,248	300,465	1,224,996
Referral fees	47,319	192,494	44,237	180,354
Debt securities fees	22,278	90,627	19,393	79,065
Subordinated debts fees	(29,262)	(119,038)	4,593	18,726
	<u>1,028,991</u>	<u>4,185,935</u>	<u>713,035</u>	<u>2,907,044</u>
Net fee and commission income	<u>6,687,362</u>	<u>27,204,189</u>	<u>4,973,095</u>	<u>20,275,308</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

27. NET LOSSES FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL

Group and Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest rate	283,869	1,154,779	782,407	3,189,873
Foreign exchange	242,274	985,571	(261,727)	(1,067,061)
	<u>526,143</u>	<u>2,140,350</u>	<u>520,680</u>	<u>2,122,812</u>

28. OTHER INCOME

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Foreign exchange	79,513	323,459	185,602	756,699
Dividend on equity securities measured at FVOCI (Note 8)	15,577	63,367	23,311	95,039
Other income	167,096	679,747	96,821	394,740
	<u>262,186</u>	<u>1,066,573</u>	<u>305,734</u>	<u>1,246,478</u>

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Foreign exchange	79,054	321,592	185,638	756,846
Dividend on equity securities measured at FVOCI (Note 8)	15,577	63,367	23,311	95,039
Other income	208,089	846,506	110,131	449,004
	<u>302,720</u>	<u>1,231,465</u>	<u>319,080</u>	<u>1,300,889</u>

29. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Group and Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers (*)	4,905,258	19,954,590	19,802,290	80,733,936
Balances with other banks	(73,467)	(298,864)	151,954	619,516
Loan commitments	(65,731)	(267,394)	74,618	304,218
	<u>4,766,060</u>	<u>19,388,332</u>	<u>20,028,862</u>	<u>81,657,670</u>

(*) This includes the recoveries of loans previously written off amounting to US\$1,296,191 (2020: US\$785,574).

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

30. PERSONNEL EXPENSES

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Salaries and bonuses	40,285,945	163,883,224	33,551,892	136,791,064
Provident benefits	1,755,660	7,142,025	1,517,632	6,187,386
Seniority payments	1,835,589	7,467,176	1,583,790	6,457,112
Other personnel expenses	4,005,325	16,293,662	3,297,210	13,442,724
	<u>47,882,519</u>	<u>194,786,087</u>	<u>39,950,524</u>	<u>162,878,286</u>
Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Salaries and bonuses	40,281,692	163,865,923	33,546,708	136,769,929
Provident benefits	1,755,827	7,142,704	1,517,465	6,186,705
Seniority payments	1,835,402	7,466,415	1,583,517	6,455,999
Other personnel expenses	4,004,695	16,291,100	3,297,020	13,441,950
	<u>47,877,616</u>	<u>194,766,142</u>	<u>39,944,710</u>	<u>162,854,583</u>

31. DEPRECIATION AND AMORTISATION

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Right-of-use assets	3,165,819	12,878,551	2,992,249	12,199,399
Property and equipment	2,160,538	8,789,069	1,971,387	8,037,345
Intangible assets	576,221	2,344,067	302,078	1,231,572
	<u>5,902,578</u>	<u>24,011,687</u>	<u>5,265,714</u>	<u>21,468,316</u>
Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Right-of-use assets	3,427,257	13,942,081	3,101,182	12,643,519
Property and equipment	2,160,179	8,787,609	1,971,086	8,036,118
Intangible assets	576,221	2,344,067	302,078	1,231,572
	<u>6,163,657</u>	<u>25,073,757</u>	<u>5,374,346</u>	<u>21,911,209</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

32. OTHER EXPENSES

Group	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
License fee, patent and other taxes	5,600,966	22,784,730	753,324	3,071,302
Travelling and transportation	2,536,328	10,317,782	2,307,507	9,407,706
Repairs and maintenance	1,897,942	7,720,828	1,325,642	5,404,642
Professional services	574,930	2,338,815	484,919	1,977,015
Utilities	881,567	3,586,215	818,891	3,338,619
Security	788,585	3,207,964	760,170	3,099,213
Communication	737,661	3,000,805	696,848	2,841,049
Office supplies and non-capitalised purchases	722,216	2,937,975	839,323	3,421,920
Marketing and advertising	614,968	2,501,690	357,725	1,458,445
Leases and rental	575,618	2,341,614	515,189	2,100,426
Board fees and meetings	81,554	331,762	83,736	341,392
Others	3,784,931	15,397,098	439,934	1,793,611
	<u>18,797,266</u>	<u>76,467,278</u>	<u>9,383,208</u>	<u>38,255,340</u>

Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
License fee, patent and other taxes	5,600,671	22,783,530	753,029	3,070,099
Travelling and transportation	2,536,328	10,317,782	2,307,507	9,407,706
Repairs and maintenance	1,897,942	7,720,828	1,325,642	5,404,642
Professional services	571,760	2,325,920	475,914	1,940,301
Utilities	881,567	3,586,215	818,891	3,338,619
Security	788,585	3,207,964	760,170	3,099,213
Communication	737,661	3,000,805	696,848	2,841,049
Office supplies and non-capitalised purchases	722,216	2,937,975	839,323	3,421,920
Marketing and advertising	614,968	2,501,690	357,725	1,458,445
Leases and rental	575,618	2,341,614	515,189	2,100,426
Board fees and meetings	81,554	331,762	83,736	341,392
Others	3,780,391	15,378,629	436,456	1,779,431
	<u>18,789,261</u>	<u>76,434,714</u>	<u>9,370,430</u>	<u>38,203,243</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

33. 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 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Cash on hand	53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	116,931,469	476,378,804	36,856,202	149,083,337
Balances with other banks	6,656,274	27,117,661	12,343,513	49,929,510
	<u>177,193,721</u>	<u>721,887,219</u>	<u>86,360,404</u>	<u>349,327,834</u>

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Cash on hand	53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	116,931,469	476,378,804	36,856,202	149,083,337
Balances with other banks	6,604,962	26,908,616	12,270,304	49,633,380
	<u>177,142,409</u>	<u>721,678,174</u>	<u>86,287,195</u>	<u>349,031,704</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

(b) Changes in liabilities arising from financing activities

Group	At the beginning of the year	Proceeds from issuance	Repayments	Accrued interest	Interest paid	Other non-cash items	Currency translation differences	At the end of the year
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	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 (Note 2.3)	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 the beginning of the year	Proceeds from issuance	Repayments	Accrued interest	Interest paid	Other non-cash items	Currency translation differences	At the end of the year
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
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 (Note 2.3)	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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

Group	At the beginning of the year	Proceeds from issuance	Repayments	Accrued interest	Interest paid	Other non-cash items	Currency translation differences	At the end of the year
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2020								
Debt securities issued	29,196,072	-	-	2,866,711	(2,514,146)	218,402	-	29,767,039
Borrowings	311,485,982	335,150,896	(216,483,947)	24,199,294	(23,062,437)	419,050	-	431,708,838
Subordinated debts	11,974,921	7,000,000	(7,000,000)	892,301	(1,041,671)	70,178	-	11,895,729
Lease liabilities	13,005,210	-	(3,682,422)	-	-	3,002,708	-	12,325,496
Total	365,662,185	342,150,896	(227,166,369)	27,958,306	(26,618,254)	3,710,338	-	485,697,102
In KHR'000 equivalents (Note 2.3)	<u>1,490,073,404</u>	<u>1,384,000,374</u>	<u>(918,887,963)</u>	<u>113,091,348</u>	<u>(107,670,837)</u>	<u>15,008,317</u>	<u>(10,969,865)</u>	<u>1,964,644,778</u>
Bank	At the beginning of the year	Proceeds from issuance	Repayments	Accrued interest	Interest paid	Other non-cash items	Currency translation differences	At the end of the year
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2020								
Debt securities issued	29,196,072	-	-	2,508,367	(2,514,146)	576,746	-	29,767,039
Borrowings	311,485,982	305,700,896	(216,483,947)	24,148,575	(23,062,437)	419,050	-	402,208,119
Subordinated debts	11,974,921	7,000,000	(7,000,000)	892,301	(1,041,671)	70,178	-	11,895,729
Lease liabilities	13,005,210	-	(3,959,232)	-	-	13,787,669	-	22,833,647
Total	365,662,185	312,700,896	(227,443,179)	27,549,243	(26,618,254)	14,853,643	-	466,704,534
In KHR'000 equivalents (Note 2.3)	<u>1,490,073,404</u>	<u>1,264,875,124</u>	<u>(920,007,659)</u>	<u>111,436,688</u>	<u>(107,670,837)</u>	<u>60,082,985</u>	<u>(10,969,865)</u>	<u>1,887,819,840</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

34. 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 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
Board of Directors				
Fees and related expenses	<u>81,554</u>	<u>331,762</u>	<u>83,736</u>	<u>341,392</u>
Key management				
Salaries and short-term benefits	2,528,609	10,286,381	2,235,038	9,112,250
Provident benefits	<u>116,362</u>	<u>473,361</u>	<u>101,526</u>	<u>413,922</u>
	<u>2,644,971</u>	<u>10,759,742</u>	<u>2,336,564</u>	<u>9,526,172</u>
Provident benefits payable	<u>333,808</u>	<u>1,359,934</u>	<u>200,255</u>	<u>810,031</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

34. RELATED PARTIES (continued)

(c) Loans to key management and interest income

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans outstanding to key management	<u>554,083</u>	<u>2,257,334</u>	<u>449,004</u>	<u>1,816,221</u>

Loans are provided to key management of the Group and the Bank with contractual interest rate ranging from 7% to 8% per annum (2020: 7% to 8% per annum).

Group and Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income from key management	<u>43,231</u>	<u>175,864</u>	<u>37,050</u>	<u>151,053</u>

(d) Deposits from and interest expense to key management

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from key management	<u>3,346,985</u>	<u>13,635,617</u>	<u>2,828,058</u>	<u>11,439,495</u>

Deposits from key management of the Group and the Bank bear interest rates ranging from 0% to 8.25% per annum (2020: 1.75% to 8.25% per annum) depending on the terms and currency of the deposits.

Group and Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to key management	<u>189,400</u>	<u>770,479</u>	<u>165,082</u>	<u>673,039</u>

(e) Deposits from and interest expense to Directors

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from Board of Directors	<u>589,797</u>	<u>2,402,833</u>	<u>625,520</u>	<u>2,530,228</u>

Deposits from the Board of Directors of the Group and the Bank bear interest rates ranging from 1.75% to 8% per annum (2020: from 2.5% to 8% per annum) depending on the terms and currency of deposits.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

34. RELATED PARTIES (continued)

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

Group and Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to the Board of Directors	45,912	186,770	42,166	171,911

(f) Office rental from key management

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Right-of-use assets	327,182	1,332,939	215,640	872,264
Lease liabilities	356,142	1,450,923	222,417	899,677

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense	13,392	54,479	19,406	79,118
Depreciation	61,518	250,255	55,114	224,700
Lease payment	69,724	283,637	67,920	276,910

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

34. RELATED PARTIES (continued)

(g) Transactions and balances with shareholder and subsidiary

(i) Transactions with shareholder and subsidiary

Group and Bank	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<i>Shareholder</i>				
Proceeds received for capital injection	25,000,000	101,700,000	-	-
Proceeds received for borrowings from Krungsri	80,000,000	325,440,000	15,000,000	61,155,000
Repayments of borrowing via IFC (*)	2,857,143	11,622,858	5,714,286	23,297,144
Repayment of borrowings from Krungsri	55,000,000	223,740,000	35,000,000	142,695,000
Interest and fee expenses	3,184,632	12,955,083	1,718,837	7,007,698
Net loss from other financial instruments at FVTPL	283,868	1,154,775	782,407	3,189,873
Other comprehensive income of cash flow hedge	4,264,647	17,348,584	5,504,733	22,442,796
Other expenses related to IT	2,988	12,155	432	1,761
Money transfer fee income	10	41	-	-
<i>Subsidiary</i>				
Interest expense on land lease	36,164	147,115	327,427	1,334,920
Depreciation on right-of-use of land	261,438	1,063,530	108,933	444,120
Lease payment	664,344	2,702,551	276,810	1,128,554
Management fee	40,994	166,764	13,310	54,265
<i>Other related party</i>				
Interest expense on borrowing	616,233	2,506,836	64,054	261,148
Secundee expense with MUFG	109,538	445,601	-	-
Interest expense on deposit	24,818	100,960	-	-

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

34. RELATED PARTIES (continued)

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

(ii) Balances with shareholder and subsidiary

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<i>Shareholder</i>				
Derivative liabilities on interest rate SWAP	2,510,693	10,228,563	7,283,277	29,460,855
Amount payable on payment on behalf of the Bank's expense	28,577	116,423	50,548	204,467
Borrowing via IFC (*)	-	-	2,857,143	11,557,143
Interest payable on borrowing via IFC	-	-	20,999	84,941
Commitment given on interest rate SWAP (**)	182,857,857	744,962,909	106,429,143	430,505,883
Commitment received on interest rate SWAP (**)	182,857,857	744,962,909	106,429,143	430,505,883
Borrowing (***)	25,000,000	101,850,000	-	-
Interest and fee payable on borrowing	12,100	49,295	1,944	7,863
Deposit to shareholder	85,651	348,942	-	-
Derivative assets on interest rate SWAP	21,421	87,269	-	-
Other payables	276	1,124	-	-
<i>Subsidiary</i>				
Right-of-use asset (Note 10)	10,087,163	41,095,102	10,348,601	41,860,091
Lease liability	10,636,263	43,332,135	10,508,151	42,505,471
Deposit from Hattha Services Co., Ltd	633,625	2,581,388	590,573	2,388,868
Refundable deposit to Hattha Services Co., Ltd	498,258	2,029,903	498,258	2,015,454
<i>Other related party</i>				
Amount payable on MUFG Bank's payment on behalf of the Bank	94,203	383,783	-	-
Borrowing	7,729,319	31,489,246	7,729,319	31,265,095
Accrued interest payable for borrowing	52,207	212,691	13,851	56,027
Deposit from MITSUBISHI UFJ TRUST AND BANKING CORPORATION	43,550,327	177,424,032	-	-
Accrued interest payable for deposit	24,818	101,109	-	-

(*) 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. This is to manage the Group and the Bank's exposure to interest rate risk of its funding.

(***) 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.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

35. COMMITMENTS

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Unused portion of loan and overdraft	2,761,166	11,248,990	3,677,514	14,875,544
Capital expenditures	39,152,991	159,509,285	1,130,649	4,573,475
Others	-	-	15,800	63,911
	<u>41,914,157</u>	<u>170,758,275</u>	<u>4,823,963</u>	<u>19,512,930</u>

Commitments pertains to off-balance sheet, property and equipment and intangible assets.

36. 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 millions) 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 millions).

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 Group and the Bank are working with the tax advisor to get further clarification from the MoEF regarding their resolution and the provision of USD7,599,141 for these tax liabilities have been recognised in the financial statements as at 31 December 2021 (Note 21).

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

37. 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 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 rate swaps – Note 18	-	21,421	-	21,421	-	21,421	-	21,421
Equity securities	20,000	-	-	20,000	-	-	20,000	20,000
Total	20,000	21,421	-	41,421	-	21,421	20,000	41,421
In KHR'000 equivalents (Note 2.3)	81,480	87,269	-	168,749	-	87,269	81,480	168,749
<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 (Note 2.3)	-	9,807,198	421,365	10,228,563	-	10,228,563	-	10,228,563

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL INSTRUMENTS (continued)

a. Financial instruments measured at fair value (continued)

Group and Bank
31 December 2020

	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								
Equity securities	20,000	-	-	20,000	-	-	20,000	20,000
Currency swap – Note 18	-	-	242,274	242,274	-	242,274	-	242,274
Total	20,000	-	242,274	262,274	-	242,274	20,000	262,274
In KHR'000 equivalents (Note 2.3)	80,900	-	979,998	1,060,898	-	979,998	80,900	1,060,898
Financial liabilities measured at fair value								
Interest rate swaps – Note 18	-	6,632,592	650,685	7,283,277	-	7,283,277	-	7,283,277
In KHR'000 equivalents (Note 2.3)	-	26,828,835	2,632,020	29,460,855	-	29,460,855	-	29,460,855

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

37. FINANCIAL INSTRUMENTS (continued)

b. 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. *Other assets and other liabilities*

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

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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT

The Group and the Bank's BoD have overall responsibility for the establishment and oversight of the Group 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 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 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:

38.1 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.

38.1.1 Credit risk management

Credit and Market Risk Department is responsible for managing the Group 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 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.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.2 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 2021				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT

38.1 Credit risk (continued)

38.1.2 Credit quality analysis (continued)

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. (continued)

Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.2 Credit quality analysis (continued)

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. (continued)

Group	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Balances with other banks					
Normal	41,896,868	-	-	41,896,868	169,472,831
Loss allowance	(167,030)	-	-	(167,030)	(675,636)
Carrying amounts	<u>41,729,838</u>	<u>-</u>	<u>-</u>	<u>41,729,838</u>	<u>168,797,195</u>
Loans to customers					
Normal	1,288,642,232	-	-	1,288,642,232	5,212,557,828
Special mention	466	5,743,769	-	5,744,235	23,235,431
Substandard	-	5,597	7,112,774	7,118,371	28,793,811
Doubtful	-	76	10,231,881	10,231,957	41,388,266
Loss	-	-	424,046	424,046	1,715,266
	<u>1,288,642,698</u>	<u>5,749,442</u>	<u>17,768,701</u>	<u>1,312,160,841</u>	<u>5,307,690,602</u>
Loss allowance	(2,288,173)	(3,279,799)	(17,768,701)	(23,336,673)	(94,396,842)
Carrying amounts	<u>1,286,354,525</u>	<u>2,469,643</u>	<u>-</u>	<u>1,288,824,168</u>	<u>5,213,293,760</u>
Loan commitments					
Normal	3,606,317	-	-	3,606,317	14,587,552
Special mention	-	1,049	-	1,049	4,243
Substandard	-	-	1,693	1,693	6,848
Doubtful	-	-	68,800	68,800	278,296
Loss	-	-	-	-	-
	<u>3,606,317</u>	<u>1,049</u>	<u>70,493</u>	<u>3,677,859</u>	<u>14,876,939</u>
Loss allowance	(6,276)	(600)	(70,493)	(77,369)	(312,958)
Carrying amounts	<u>3,600,041</u>	<u>449</u>	<u>-</u>	<u>3,600,490</u>	<u>14,563,981</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.2 Credit quality analysis (continued)

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. (continued)

Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Balances with other banks					
Normal	41,823,659	-	-	41,823,659	169,176,700
Loss allowance	(167,030)	-	-	(167,030)	(675,636)
Carrying amounts	<u>41,656,629</u>	<u>-</u>	<u>-</u>	<u>41,656,629</u>	<u>168,501,064</u>
Loans to customers					
Normal	1,288,642,232	-	-	1,288,642,232	5,212,557,828
Special mention	466	5,743,769	-	5,744,235	23,235,431
Substandard	-	5,597	7,112,774	7,118,371	28,793,811
Doubtful	-	76	10,231,881	10,231,957	41,388,266
Loss	-	-	424,046	424,046	1,715,266
	<u>1,288,642,698</u>	<u>5,749,442</u>	<u>17,768,701</u>	<u>1,312,160,841</u>	<u>5,307,690,602</u>
Loss allowance	(2,288,173)	(3,279,799)	(17,768,701)	(23,336,673)	(94,396,842)
Carrying amounts	<u>1,286,354,525</u>	<u>2,469,643</u>	<u>-</u>	<u>1,288,824,168</u>	<u>5,213,293,760</u>
Loan commitments					
Normal	3,606,317	-	-	3,606,317	14,587,552
Special mention	-	1,049	-	1,049	4,243
Substandard	-	-	1,693	1,693	6,848
Doubtful	-	-	68,800	68,800	278,296
Loss	-	-	-	-	-
	<u>3,606,317</u>	<u>1,049</u>	<u>70,493</u>	<u>3,677,859</u>	<u>14,876,939</u>
Loss allowance	(6,276)	(600)	(70,493)	(77,369)	(312,958)
Carrying amounts	<u>3,600,041</u>	<u>449</u>	<u>-</u>	<u>3,600,490</u>	<u>14,563,981</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.2 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 2021				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
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

Group and Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Current	1,287,496,425	4,417,486	9,650,450	1,301,564,361	5,264,827,840
Overdue ≤ 30 days	1,146,273	47,487	44,864	1,238,624	5,010,234
Overdue > 30 days	-	1,284,469	8,073,387	9,357,856	37,852,528
Total	1,288,642,698	5,749,442	17,768,701	1,312,160,841	5,307,690,602

38.1.3 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.

38.1.4. 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4. 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

HATTHA 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
- Hattha Bank expects, 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)

HATTHA Bank assesses 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, Hattha Bank applied below approaches and criteria:

1. Quantitative criteria: This is supposed to compare the Change in PD at reporting date from the origination date (Change in cumulative residual unbiased PD, or Change in unbiased PD comparing origination unbiased PD expected at the reporting date with the current PD at reporting). However, these quantitative criteria will be incorporated when Hattha Bank has enough data.
2. Qualitative criteria: Hattha Bank has established the procedure of 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 National Bank of Cambodia.

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.
- 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.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4. Amounts arising from ECL (continued)

Credit impaired financial instruments (Stage 3) (continued)

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 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 HATTHA 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:

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 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.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 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 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	(Note 2.3)
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)	3,988
Expected credit loss					
At 31 December 2021	93,461	-	-	93,461	380,760

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 Amounts arising from ECL (continued)

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

Group and Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR'000
	US\$	US\$	US\$		(Note 2.3)
Expected credit loss					
At 1 January 2020	14,992	-	-	14,992	61,092
<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	151,187	-	-	151,187	616,389
New financial assets originated	767	-	-	767	3,127
Foreign exchange	84	-	-	84	(4,972)
Expected credit loss					
At 31 December 2020	167,030	-	-	167,030	675,636

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

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR'000
	US\$	US\$	US\$		(Note 2.3)
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)	53,341
Expected credit loss					
At 31 December 2021	18,776,667	2,890,132	2,624,358	24,291,157	98,962,174

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 Amounts arising from ECL (continued)

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

Group and Bank	31 December 2020				
	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 2020	911,026	932,061	3,325,211	5,168,298	21,060,814
<i>Change in the expected credit loss</i>					
Transfer to stage 1	4,714	(4,714)	-	-	-
Transfer to stage 2	(4,496)	13,451	(8,955)	-	-
Transfer to stage 3	(13,572)	(316,810)	330,382	-	-
Net remeasurement of loss allowance and other movements	322,855	2,562,143	14,819,533	17,704,531	72,181,373
New financial assets originated	1,356,905	572,985	1,679,680	3,609,570	14,716,217
Financial assets that have been derecognised	(263,948)	(82,033)	(380,256)	(726,237)	(2,960,868)
Unwinds	-	-	342,748	342,748	1,397,384
Write-offs	(30,239)	(407,457)	(2,401,102)	(2,838,798)	(11,573,779)
Foreign exchange	4,928	10,173	61,460	76,561	(424,299)
Expected credit loss At 31 December 2020	2,288,173	3,279,799	17,768,701	23,336,673	94,396,842

(iii) Loss allowance – Loan commitments:

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)	(75,478)	(307,044)
New loan commitments issued	11,109	-	-	11,109	45,191
Foreign exchange	(29)	(4)	(10)	(42)	1,678
Expected credit loss At 31 December 2021	11,465	-	131	11,596	47,242

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 Amounts arising from ECL (continued)

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

Group and Bank	31 December 2020				
	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 2020	1,036	-	1,681	2,717	11,072
<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	92	594	2,797	3,483	14,200
Loan commitments transferred to loans to customers	(941)	-	-	(941)	(3,841)
New loan commitments issued	6,076	-	66,000	72,076	293,854
Foreign exchange	13	6	15	34	(2,327)
Expected credit loss At 31 December 2020	6,276	600	70,493	77,369	312,958

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 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	41,896,868	-	-	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)	1,023,879
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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 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
					(Note 2.3)
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)	1,021,884
Gross carrying amount At 31 December 2021	36,451,582	-	-	36,451,582	148,503,745
Group	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2020	9,672,795	-	-	9,672,795	39,416,639
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	32,030,059	-	-	32,030,059	130,586,551
New financial assets originated	156,553	-	-	156,553	638,267
Foreign exchange	37,461	-	-	37,461	(1,168,626)
Gross carrying amount At 31 December 2020	41,896,868	-	-	41,896,868	169,472,831

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 Amounts arising from ECL (continued)

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

Bank	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2020	9,672,795	-	-	9,672,795	39,416,639
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	31,956,850	-	-	31,956,850	130,288,077
New financial assets originated	156,553	-	-	156,553	638,267
Foreign exchange	37,461	-	-	37,461	(1,166,283)
Gross carrying amount At 31 December 2020	41,823,659	-	-	41,823,659	169,176,700

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

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
					(Note 2.3)
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)	13,358,772
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

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 Amounts arising from ECL (continued)

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

Group and Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime ECL	Lifetime ECL		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	
Gross carrying amount					
At 1 January 2020	1,036,773,903	1,342,114	3,325,211	1,041,441,228	4,243,873,004
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	6,929	(6,929)	-	-	-
Transfer to stage 2	(5,074,717)	5,083,672	(8,955)	-	-
Transfer to stage 3	(15,637,311)	(455,735)	16,093,046	-	-
Net movements	(491,572,753)	(828,802)	(1,019,166)	(493,420,721)	(2,011,676,280)
New financial assets originated	762,242,675	1,003,877	1,717,640	764,964,192	3,118,759,011
Write-offs	(30,239)	(407,312)	(2,400,536)	(2,838,087)	(11,570,881)
Foreign exchange	1,934,211	18,557	61,461	2,014,229	(31,694,252)
Gross carrying amount					
At 31 December 2020	1,288,642,698	5,749,442	17,768,701	1,312,160,841	5,307,690,602

(vi) Loan commitments:

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime ECL	Lifetime ECL		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	
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	2,371,599	-	-	2,371,599	9,647,665
Foreign exchange	(14,031)	(6)	(12)	(14,049)	42,249
Gross carrying amount					
At 31 December 2021	2,466,624	-	1,681	2,468,305	10,055,874

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 Amounts arising from ECL (continued)

(vi) Loan commitments (continued)

Group and Bank	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2020	1,213,838	-	1,681	1,215,519	4,953,240
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	(3,841)	1,041	2,800	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Loan commitments transferred to loans to customers	(1,105,197)	-	-	(1,105,197)	(4,505,888)
New loan commitments issued	3,491,649	-	66,000	3,557,649	14,504,535
Foreign exchange	9,868	8	12	9,888	(74,948)
Gross carrying amount At 31 December 2020	<u>3,606,317</u>	<u>1,049</u>	<u>70,493</u>	<u>3,677,859</u>	<u>14,876,939</u>

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

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
					(Note 2.3)
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)	<u>(73,467)</u>	<u>4,905,258</u>	<u>(65,731)</u>	<u>4,766,060</u>	<u>19,388,332</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.4 Amounts arising from ECL (continued)

31 December 2020

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
					(Note 2.3)
Net remeasurement of loss allowance	151,187	17,704,531	3,483	17,859,201	72,811,962
New financial assets originated	767	3,609,570	72,076	3,682,413	15,013,198
Financial assets that have been derecognised	-	(726,237)	(941)	(727,178)	(2,964,709)
Recoveries of amounts previously written off	-	(785,574)	-	(785,574)	(3,202,781)
Impairment losses on financial instrument recognised in profit or loss (Note 29)	151,954	19,802,290	74,618	20,028,862	81,657,670

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

Group and Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loss allowance by classes				
Balances with other banks	93,461	380,760	167,030	675,636
Loans to customers	24,291,157	98,962,174	23,336,673	94,396,842
Loan commitments	11,596	47,242	77,369	312,958
	24,396,214	99,390,176	23,581,072	95,385,436

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is US\$4,664,218 at 31 December 2021 and US\$2,838,799 at 31 December 2020.

Under the Group 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.

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.5 Concentration of credit risk

Group and Bank	31 December 2021		31 December 2020	
	Gross carrying amounts	Loss allowance	Gross carrying amounts	Loss allowance
	US\$	US\$	US\$	US\$
Loans to customers				
0-29 days	1,671,518,346	23,403,630	1,302,778,328	14,516,247
30-59 days	2,181,823	223,259	692,086	411,414
60-89 days	1,671,204	170,775	735,585	454,170
90-180 days	2,460,290	252,739	1,806,188	1,806,188
More than 180 days	2,198,956	240,754	6,148,654	6,148,654
Total	1,680,030,619	24,291,157	1,312,160,841	23,336,673
In KHR'000 equivalents (Note 2.3)	<u>6,844,444,742</u>	<u>98,962,174</u>	<u>5,307,690,602</u>	<u>94,396,842</u>

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 2021				
	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	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	-	1,538,827,028	2,070,768	1,540,897,796	6,277,617,621
Overdraft	-	447,140	292,860	740,000	3,014,760
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 (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

38.1.5 Concentration of credit risk (continued)

31 December 2021					
Bank	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	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	2,070,767	1,541,344,935	6,279,439,265
Staff loans	-	6,804,946	-	6,804,946	27,723,350
	-	1,680,030,619	2,468,305	1,682,498,924	6,854,500,616
31 December 2020					
Group	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
Carrying amounts	41,729,838	1,288,824,168	(77,369)	1,330,476,637	5,381,777,997
Amount committed	-	-	3,677,859	3,677,859	14,876,940
Concentration by sector					
External customers					
Mortgages loans	-	76,232,794	541,576	76,774,370	310,552,327
Personal loans	-	1,229,618,894	3,136,283	1,232,755,177	4,986,494,691
Staff loans	-	6,309,153	-	6,309,153	25,520,524
	-	1,312,160,841	3,677,859	1,315,838,700	5,322,567,542
31 December 2020					
Bank	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
Carrying amounts	41,656,629	1,288,824,168	(77,369)	1,330,403,428	5,381,481,866
Amount committed	-	-	3,677,859	3,677,859	14,876,940
Concentration by sector					
External customers					
Mortgages loans	-	76,232,794	541,576	76,774,370	310,552,327
Personal loans	-	1,229,618,894	3,136,283	1,232,755,177	4,986,494,691
Staff loans	-	6,309,153	-	6,309,153	25,520,524
	-	1,312,160,841	3,677,859	1,315,838,700	5,322,567,542

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk

Liquidity risk refer 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 and the Bank's operations and investments.

38.2.1 Liquidity risk management

The Group and the Bank's BoD set the Group 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 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 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 and the Bank's reputation. The key elements of the Group 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 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 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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.1 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).

38.2.2 Exposure to liquidity risk

Group and Bank	<u>31 December 2021</u>	<u>31 December 2020</u>
At end of year	164.27%	131.00%
Average for the year	161.70%	186.22%
Maximum for the year	234.79%	299.66%
Minimum for the year	141.78%	111.60%

38.2.3 Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Group 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 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 (Note 2.3)	<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 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 (Note 2.3)	<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 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 2020								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	803,893,453	(836,844,252)	(207,574,430)	(159,409,329)	(366,736,176)	(102,350,694)	(773,623)	-
Debt securities issued	29,767,039	(32,162,670)	-	-	(32,162,670)	-	-	-
Borrowings	431,708,838	(484,520,944)	(2,220,649)	(23,270,604)	(124,578,326)	(280,700,078)	(52,908,085)	(843,202)
Subordinated debts	11,895,729	(18,208,736)	(267,851)	(1,099,362)	(1,622,203)	(4,620,345)	(10,598,975)	-
Lease liabilities	12,325,496	(14,923,541)	(303,840)	(600,298)	(2,596,837)	(9,440,148)	(1,982,418)	-
Other liabilities	6,332,359	(6,332,359)	(143,671)	(1,006,627)	(5,019,518)	(152,361)	-	(10,182)
	<u>1,295,922,914</u>	<u>(1,392,992,502)</u>	<u>(210,510,441)</u>	<u>(185,386,220)</u>	<u>(532,715,730)</u>	<u>(397,263,626)</u>	<u>(66,263,101)</u>	<u>(853,384)</u>
Derivative liabilities								
Risk management	7,283,277	-	-	-	-	-	-	-
Outflow	-	(11,269,348)	-	(392,311)	(2,716,592)	(6,582,578)	(1,577,867)	-
Inflow	-	2,378,747	-	50,758	1,130,767	993,633	203,589	-
	<u>7,283,277</u>	<u>(8,890,601)</u>	<u>-</u>	<u>(341,553)</u>	<u>(1,585,825)</u>	<u>(5,588,945)</u>	<u>(1,374,278)</u>	<u>-</u>
Loan and other commitments	-	(4,823,962)	-	(1,146,449)	(27,348)	(381,916)	(3,268,249)	-
In US\$ equivalents	<u>1,303,206,191</u>	<u>(1,406,707,065)</u>	<u>(210,510,441)</u>	<u>(186,874,222)</u>	<u>(534,328,903)</u>	<u>(403,234,487)</u>	<u>(70,905,628)</u>	<u>(853,384)</u>
In KHR'000 equivalents (Note 2.3)	<u>5,271,469,043</u>	<u>(5,690,130,077)</u>	<u>(851,514,734)</u>	<u>(755,906,228)</u>	<u>(2,161,360,412)</u>	<u>(1,631,083,500)</u>	<u>(286,813,265)</u>	<u>(3,451,938)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 2020								
Financial assets by type								
Non-derivative assets								
Cash on hand	37,160,689	37,160,689	37,160,689	-	-	-	-	-
Balances with the NBC	135,341,678	135,345,667	32,706,758	4,114,688	51,282	-	98,472,939	-
Balances with other banks	41,729,838	42,136,502	12,362,552	-	323,950	-	29,450,000	-
Loans to customers	1,288,824,168	1,787,818,174	40,829,068	82,960,488	348,995,315	1,145,731,371	152,029,064	17,272,868
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Other assets	1,306,217	1,306,217	-	359,033	-	945,607	-	1,577
	<u>1,504,382,590</u>	<u>2,003,787,249</u>	<u>123,059,067</u>	<u>87,434,209</u>	<u>349,370,547</u>	<u>1,146,676,978</u>	<u>279,952,003</u>	<u>17,294,445</u>
Derivative assets								
Risk management	242,274	-	-	-	-	-	-	-
Outflow	-	(20,000,000)	-	(20,000,000)	-	-	-	-
Inflow	-	20,242,274	-	20,242,274	-	-	-	-
	<u>242,274</u>	<u>242,274</u>	<u>-</u>	<u>242,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowing commitments	-	85,049,444	35,000,000	49,444	15,000,000	-	35,000,000	-
In US\$ equivalents	<u>1,504,624,864</u>	<u>2,089,078,967</u>	<u>158,059,067</u>	<u>87,725,927</u>	<u>364,370,547</u>	<u>1,146,676,978</u>	<u>314,952,003</u>	<u>17,294,445</u>
In KHR'000 equivalents (Note 2.3)	<u>6,086,207,575</u>	<u>8,450,324,422</u>	<u>639,348,926</u>	<u>354,851,375</u>	<u>1,473,878,863</u>	<u>4,638,308,376</u>	<u>1,273,980,852</u>	<u>69,956,030</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

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

Bank	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	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	(53,281,243)	(386,612)	(763,877)	(3,228,284)	(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>(1,837,759,793)</u>	<u>(303,288,685)</u>	<u>(190,061,644)</u>	<u>(676,847,543)</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>(1,889,376,887)</u>	<u>(303,380,409)</u>	<u>(229,530,178)</u>	<u>(678,855,873)</u>	<u>(604,207,242)</u>	<u>(72,358,025)</u>	<u>(1,045,160)</u>
In KHR'000 equivalents								
(Note 2.3)	<u>6,868,695,956</u>	<u>(7,697,321,438)</u>	<u>(1,235,971,786)</u>	<u>(935,105,945)</u>	<u>(2,765,658,827)</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 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

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

Bank	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	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 (Note 2.3)	<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 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 2020								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	804,484,026	(837,434,825)	(208,165,003)	(159,409,329)	(366,736,176)	(102,350,694)	(773,623)	-
Debt securities issued	29,767,039	(32,162,670)	-	-	(32,162,670)	-	-	-
Borrowings	402,208,119	(449,195,669)	(2,169,930)	(23,174,073)	(124,128,395)	(278,309,720)	(20,570,349)	(843,202)
Subordinated debts	11,895,729	(18,208,736)	(267,851)	(1,099,362)	(1,622,203)	(4,620,345)	(10,598,975)	-
Lease liabilities	22,833,647	(54,595,825)	(359,202)	(711,022)	(3,095,095)	(12,177,799)	(38,252,707)	-
Other liabilities	6,322,177	(6,322,177)	(143,671)	(1,006,627)	(5,019,518)	(152,361)	-	-
	<u>1,277,510,737</u>	<u>(1,397,919,902)</u>	<u>(211,105,657)</u>	<u>(185,400,413)</u>	<u>(532,764,057)</u>	<u>(397,610,919)</u>	<u>(70,195,654)</u>	<u>(843,202)</u>
Derivative liabilities								
Risk management	7,283,277	-	-	-	-	-	-	-
Outflow	-	(11,269,348)	-	(392,311)	(2,716,592)	(6,582,578)	(1,577,867)	-
Inflow	-	2,378,747	-	50,758	1,130,767	993,633	203,589	-
	<u>7,283,277</u>	<u>(8,890,601)</u>	<u>-</u>	<u>(341,553)</u>	<u>(1,585,825)</u>	<u>(5,588,945)</u>	<u>(1,374,278)</u>	<u>-</u>
Loan and other commitments	-	(4,823,962)	-	(1,146,449)	(27,348)	(381,916)	(3,268,249)	-
In US\$ equivalents	<u>1,284,794,014</u>	<u>(1,411,634,465)</u>	<u>(211,105,657)</u>	<u>(186,888,415)</u>	<u>(534,377,230)</u>	<u>(403,581,780)</u>	<u>(74,838,181)</u>	<u>(843,202)</u>
In KHR'000 equivalents (Note 2.3)	<u>5,196,991,787</u>	<u>(5,710,061,411)</u>	<u>(853,922,383)</u>	<u>(755,963,639)</u>	<u>(2,161,555,895)</u>	<u>(1,632,488,300)</u>	<u>(302,720,442)</u>	<u>(3,410,752)</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 2020								
Financial assets by type								
Non-derivative assets								
Cash on hand	37,160,689	37,160,689	37,160,689	-	-	-	-	-
Balances with the NBC	135,341,678	135,345,667	32,706,758	4,114,688	51,282	-	98,472,939	-
Balances with other banks	41,656,629	42,063,293	12,289,343	-	323,950	-	29,450,000	-
Loans to customers	1,288,824,168	1,787,818,174	40,829,068	82,960,488	348,995,315	1,145,731,371	152,029,064	17,272,868
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	490	-	-	-	-	-	490
Other assets	1,803,408	1,803,408	-	359,033	-	1,444,375	-	-
	<u>1,504,807,062</u>	<u>2,004,211,721</u>	<u>122,985,858</u>	<u>87,434,209</u>	<u>349,370,547</u>	<u>1,147,175,746</u>	<u>279,952,003</u>	<u>17,293,358</u>
Derivative assets								
Risk management	242,274	-	-	-	-	-	-	-
Outflow	-	(20,000,000)	-	(20,000,000)	-	-	-	-
Inflow	-	20,242,274	-	20,242,274	-	-	-	-
	<u>242,274</u>	<u>242,274</u>	<u>-</u>	<u>242,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowing commitments	-	85,049,444	35,000,000	49,444	15,000,000	-	35,000,000	-
In US\$ equivalents	<u>1,505,049,336</u>	<u>2,089,503,439</u>	<u>157,985,858</u>	<u>87,725,927</u>	<u>364,370,547</u>	<u>1,147,175,746</u>	<u>314,952,003</u>	<u>17,293,358</u>
In KHR'000 equivalents (Note 2.3)	<u>6,087,924,564</u>	<u>8,452,041,411</u>	<u>639,052,795</u>	<u>354,851,375</u>	<u>1,473,878,863</u>	<u>4,640,325,893</u>	<u>1,273,980,852</u>	<u>69,951,633</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Financial assets				
Cash on hand	53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	3,760,567	15,320,550	36,872,728	149,150,185
Balances with other banks	6,990,493	28,479,268	12,686,502	51,316,901
Loans to customers	558,739,413	2,276,304,369	472,784,871	1,912,414,803
Other assets	984,427	4,010,556	359,033	1,452,288
	<u>624,080,878</u>	<u>2,542,505,497</u>	<u>559,863,823</u>	<u>2,264,649,164</u>
Borrowing commitments	<u>15,099,092</u>	<u>61,513,701</u>	<u>50,049,444</u>	<u>202,450,001</u>
	<u>639,179,970</u>	<u>2,604,019,198</u>	<u>609,913,267</u>	<u>2,467,099,165</u>
Financial liabilities				
Deposits from customers	917,883,825	3,739,458,703	733,719,935	2,967,897,137
Debt securities issued	-	-	32,162,670	130,098,000
Borrowings	226,735,992	923,722,431	150,069,579	607,031,447
Subordinated debts	4,494,883	18,312,153	2,989,416	12,092,188
Lease liabilities	3,714,429	15,132,584	3,500,975	14,161,444
Other liabilities	16,671,455	67,919,508	6,169,816	24,956,906
	<u>1,169,500,584</u>	<u>4,764,545,379</u>	<u>928,612,391</u>	<u>3,756,237,122</u>
Loan commitments	<u>39,465,240</u>	<u>160,781,388</u>	<u>1,173,797</u>	<u>4,748,009</u>
	<u>1,208,965,824</u>	<u>4,925,326,767</u>	<u>929,786,188</u>	<u>3,760,985,131</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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. (continued)

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Financial assets				
Cash on hand	53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	3,760,567	15,320,550	36,872,728	149,150,185
Balances with other banks	6,939,181	28,270,223	12,613,293	51,020,770
Loans to customers	558,739,413	2,276,304,369	472,784,871	1,912,414,803
Other assets	984,937	4,012,633	359,033	1,452,288
	<u>624,030,076</u>	<u>2,542,298,529</u>	<u>559,790,614</u>	<u>2,264,353,033</u>
Borrowing commitments	15,099,092	61,513,701	50,049,444	202,450,001
	<u>639,129,168</u>	<u>2,603,812,230</u>	<u>609,840,058</u>	<u>2,466,803,034</u>
Financial liabilities				
Deposits from customers	918,517,450	3,742,040,091	734,310,508	2,970,286,005
Debt securities issued	-	-	32,162,670	130,098,000
Borrowings	226,138,811	921,289,516	149,472,398	604,615,850
Subordinated debts	4,494,883	18,312,153	2,989,416	12,092,188
Lease liabilities	4,378,773	17,839,121	4,165,319	16,848,715
Other liabilities	16,667,955	67,905,249	6,169,816	24,956,906
	<u>1,170,197,872</u>	<u>4,767,386,130</u>	<u>929,270,127</u>	<u>3,758,897,664</u>
Loan commitments	39,465,240	160,781,388	1,173,797	4,748,009
	<u>1,209,663,112</u>	<u>4,928,167,518</u>	<u>930,443,924</u>	<u>3,763,645,673</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Financial assets				
Balances with the NBC	218,484,720	890,106,749	98,472,939	398,323,038
Balances with other banks	29,754,513	121,219,886	29,450,000	119,125,250
Loans to customers	1,756,422,362	7,155,664,703	1,315,033,303	5,319,309,711
Investment securities	20,000	81,480	20,000	80,900
Other assets	8,658,031	35,272,818	947,184	3,831,359
	<u>2,013,339,626</u>	<u>8,202,345,636</u>	<u>1,443,923,426</u>	<u>5,840,670,258</u>
Borrowing commitments	60,000,000	244,440,000	35,000,000	141,575,000
	<u>2,073,339,626</u>	<u>8,446,785,636</u>	<u>1,478,923,426</u>	<u>5,982,245,258</u>
Financial liabilities				
Deposits from customers	173,904,749	708,487,947	103,124,317	417,137,862
Debt securities issued	-	-	-	-
Borrowings	421,352,373	1,716,589,568	334,451,365	1,352,855,771
Subordinated debts	56,555,864	230,408,590	15,219,320	61,562,149
Lease liabilities	10,558,873	43,016,849	11,422,566	46,204,279
Other liabilities	977,379	3,981,842	162,543	657,486
	<u>663,349,238</u>	<u>2,702,484,796</u>	<u>464,380,111</u>	<u>1,878,417,547</u>
Loan commitments	2,461,877	10,029,687	3,650,165	14,764,917
	<u>665,811,115</u>	<u>2,712,514,483</u>	<u>468,030,276</u>	<u>1,893,182,464</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.3 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 2021		31 December 2020	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Financial assets				
Balances with the NBC	218,484,720	890,106,749	98,472,939	398,323,038
Balances with other banks	29,754,513	121,219,886	29,450,000	119,125,250
Loans to customers	1,756,422,362	7,155,664,703	1,315,033,303	5,319,309,711
Investment securities	20,000	81,480	20,000	80,900
Investment in subsidiary	490	1,996	490	1,982
Other assets	9,156,289	37,302,721	1,444,375	5,842,497
	<u>2,013,838,374</u>	<u>8,204,377,535</u>	<u>1,444,421,107</u>	<u>5,842,683,378</u>
Borrowing commitments	60,000,000	244,440,000	35,000,000	141,575,000
	<u>2,073,838,374</u>	<u>8,448,817,535</u>	<u>1,479,421,107</u>	<u>5,984,258,378</u>
Financial liabilities				
Deposits from customers	173,904,749	708,487,947	103,124,317	417,137,862
Debt securities issued	-	-	-	-
Borrowings	387,221,459	1,577,540,224	299,723,271	1,212,380,631
Subordinated debts	56,555,864	230,408,590	15,219,320	61,562,149
Lease liabilities	48,902,470	199,228,663	50,430,506	203,991,397
Other liabilities	977,379	3,981,842	152,361	616,300
	<u>667,561,921</u>	<u>2,719,647,266</u>	<u>468,649,775</u>	<u>1,895,688,339</u>
Loan commitments	2,461,877	10,029,687	3,650,165	14,764,917
	<u>670,023,798</u>	<u>2,729,676,953</u>	<u>472,299,940</u>	<u>1,910,453,256</u>

38.2.4 Liquidity reserves

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

Group	31 December 2021		31 December 2020	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	53,605,978	53,605,978	37,160,689	37,160,689
Balances with the NBC	222,244,286	222,244,286	135,341,678	135,341,678
Balances with other banks	36,409,433	36,409,433	41,729,838	41,729,838
Undrawn credit lines	60,099,092	60,099,092	35,049,444	35,049,444
Total liquidity reserves	<u>372,358,789</u>	<u>372,358,789</u>	<u>249,281,649</u>	<u>249,281,649</u>
In KHR'000 equivalents (Note 2.3)	<u>1,516,989,706</u>	<u>1,516,989,706</u>	<u>1,008,344,270</u>	<u>1,008,344,270</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.4 Liquidity reserves (continued)

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

Bank	31 December 2021		31 December 2020	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	53,605,978	53,605,978	37,160,689	37,160,689
Balances with the NBC	222,244,286	222,244,286	135,341,678	135,341,678
Balances with other banks	36,358,121	36,358,121	41,656,629	41,656,629
Undrawn credit lines	60,099,092	60,099,092	35,049,444	35,049,444
Total liquidity reserves	372,307,477	372,307,477	249,208,440	249,208,440
In KHR'000 equivalents (Note 2.3)	1,516,780,661	1,516,780,661	1,008,048,140	1,008,048,140

38.2.5 Financial assets available to support future funding

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

Group	Encumbered		Unencumbered		Total	KHR'000
	Pledged as collateral	Other*	Available as collateral	Other**		
	US\$	US\$	US\$	US\$		
						(Note 2.3)
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
31 December 2020						
Cash on hand	-	-	-	37,160,689	37,160,689	150,314,987
Balances with the NBC	4,165,093	11,500,877	-	119,679,697	135,345,667	547,473,223
Balances with other banks	29,773,950	-	-	42,136,502	71,910,452	290,877,778
Loans to customers	-	-	-	1,787,818,174	1,787,818,174	7,231,724,514
Investment securities	-	-	-	20,000	20,000	80,900
Other assets	-	-	-	1,306,217	1,306,217	5,283,648
	33,939,043	11,500,877	-	1,988,121,279	2,033,561,199	8,225,755,050

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

38.2.5 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
						(Note 2.3)
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>
31 December 2020						
Cash on hand	-	-	-	37,160,689	37,160,689	150,314,987
Balances with the NBC	4,165,093	11,500,877	-	119,679,697	135,345,667	547,473,223
Balances with other banks	29,773,950	-	-	42,063,293	71,837,243	290,581,648
Loans to customers	-	-	-	1,787,818,174	1,787,818,174	7,231,724,514
Investment securities	-	-	-	20,000	20,000	80,900
Investment in subsidiary	-	-	-	490	490	1,982
Other assets	-	-	-	1,803,408	1,803,408	7,294,785
	<u>33,939,043</u>	<u>11,500,877</u>	<u>-</u>	<u>1,988,545,751</u>	<u>2,033,985,671</u>	<u>8,227,472,039</u>

(*) Represents assets that are not pledged but that the Group and the Bank believe it is restricted from using to secure funding, for legal or other reasons.

(**) Represents assets that are not restricted for use as collateral, but that the Group and the Bank would not consider readily available to secure funding in the normal course of business.

38.3 Market risk

'Market risk' is the risk that changes in market prices – e.g. interest rates and foreign exchange rates – will affect the Group and the Bank's income or the value of its holdings of financial instruments. The objective of the Group and the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group and the Bank's solvency while optimising the return on risk. During COVID-19, there is no significant impact on market risk as the Group and the Bank uses derivatives to manage market risk.

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.1. 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 2021		31 December 2020	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Assets subject to market risk				
Cash on hand	53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	222,244,286	905,423,221	135,341,678	547,457,088
Balances with other banks	36,409,433	148,332,030	41,729,838	168,797,195
Loans to customers	1,655,739,462	6,745,482,568	1,288,824,168	5,213,293,760
Investment securities	20,000	81,480	20,000	80,900
Derivative assets held for risk management	21,421	87,269	242,274	979,998
Other assets	9,642,458	39,283,374	1,306,217	5,283,648
	<u>1,977,683,038</u>	<u>8,057,080,696</u>	<u>1,504,624,864</u>	<u>6,086,207,576</u>
Liabilities subject to market risk				
Deposits from customers	1,039,798,652	4,236,139,708	803,893,453	3,251,749,017
Debt securities issued	-	-	29,767,039	120,407,673
Borrowings	588,064,151	2,395,773,351	431,708,838	1,746,262,250
Subordinated debts	44,106,167	179,688,524	11,895,729	48,118,224
Lease liabilities	12,089,132	49,251,124	12,325,496	49,856,631
Other liabilities	17,648,834	71,901,350	6,332,359	25,614,392
Derivative liabilities held for risk management	2,510,693	10,228,563	7,283,277	29,460,855
	<u>1,704,217,629</u>	<u>6,942,982,620</u>	<u>1,303,206,191</u>	<u>5,271,469,042</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.1. Market risk management (continued)

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Assets subject to market risk				
Cash on hand	53,605,978	218,390,754	37,160,689	150,314,987
Balances with the NBC	222,244,286	905,423,221	135,341,678	547,457,088
Balances with other banks	36,358,121	148,122,985	41,656,629	168,501,064
Loans to customers	1,655,739,462	6,745,482,568	1,288,824,168	5,213,293,760
Investment securities	20,000	81,480	20,000	80,900
Investment in subsidiary	490	1,996	490	1,982
Derivative assets held for risk management	21,421	87,269	242,274	979,998
Other assets	10,141,226	41,315,355	1,803,408	7,294,785
	<u>1,978,130,984</u>	<u>8,058,905,628</u>	<u>1,505,049,336</u>	<u>6,087,924,564</u>
Liabilities subject to market risk				
Deposits from customers	1,040,432,277	4,238,721,096	804,484,026	3,254,137,885
Debt securities issued	-	-	29,767,039	120,407,673
Borrowings	558,563,432	2,275,587,422	402,208,119	1,626,931,841
Subordinated debts	44,106,167	179,688,524	11,895,729	48,118,224
Lease liabilities	22,725,395	92,583,259	22,833,647	92,362,102
Other liabilities	17,645,334	71,887,091	6,322,177	25,573,206
Derivative liabilities held for risk management	2,510,693	10,228,563	7,283,277	29,460,855
	<u>1,685,983,298</u>	<u>6,868,695,955</u>	<u>1,284,794,014</u>	<u>5,196,991,786</u>

38.3.2 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 and the Bank's interest rate exposures, which include the impact of the Group 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 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 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 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 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
	<u>1,977,661,617</u>	<u>3,406,246</u>	<u>17,624,029</u>	<u>15,930,690</u>	<u>754,463,150</u>	<u>919,157,989</u>	<u>267,079,513</u>
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
	<u>1,701,706,936</u>	<u>420,615,063</u>	<u>176,696,163</u>	<u>490,654,780</u>	<u>446,756,828</u>	<u>119,791,775</u>	<u>47,192,327</u>
Derivative liabilities held for risk management	2,510,693	-	2,510,693	-	-	-	-
Total	<u>273,465,409</u>	<u>(417,208,817)</u>	<u>(161,582,827)</u>	<u>(474,724,090)</u>	<u>307,706,322</u>	<u>799,366,214</u>	<u>219,908,607</u>
In KHR'000 equivalents (Note 2.3)	<u>1,114,098,076</u>	<u>(1,699,708,720)</u>	<u>(658,288,437)</u>	<u>(1,934,025,943)</u>	<u>1,253,595,556</u>	<u>3,256,617,956</u>	<u>895,907,664</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 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 2020							
Financial assets							
Cash on hand	37,160,689	-	-	-	-	-	37,160,689
Balances with the NBC	135,341,678	4,100,000	11,500,000	49,444	-	-	119,692,234
Balances with other banks	41,729,838	4,297,435	-	-	-	29,450,001	7,982,402
Loans to customers	1,288,824,168	561,631	2,044,420	20,311,663	701,378,925	581,159,501	(16,631,972)
Investment securities	20,000	-	-	-	-	-	20,000
Other assets	1,306,217	-	-	-	-	-	1,306,217
	<u>1,504,382,590</u>	<u>8,959,066</u>	<u>13,544,420</u>	<u>20,361,107</u>	<u>701,378,925</u>	<u>610,609,502</u>	<u>149,529,570</u>
Derivative assets held for risk management	242,274	-	-	-	-	-	242,274
Financial liabilities							
Deposits from customers	803,893,453	357,609,161	111,312,941	230,625,221	89,600,974	712,321	14,032,835
Debt securities issued	29,767,039	-	-	29,666,255	-	-	100,784
Borrowings	431,708,838	3,955,501	55,668,903	15,041,342	256,288,168	70,172,361	30,582,563
Subordinated debts	11,895,729	-	-	-	4,000,000	7,729,319	166,410
Lease liabilities	12,325,496	-	-	-	-	-	12,325,496
Other liabilities	6,332,359	-	-	-	-	-	6,332,359
	<u>1,295,922,914</u>	<u>361,564,662</u>	<u>166,981,844</u>	<u>275,332,818</u>	<u>349,889,142</u>	<u>78,614,001</u>	<u>63,540,447</u>
Derivative liabilities held for risk management	7,283,277	-	7,283,277	-	-	-	-
Total	<u>201,418,673</u>	<u>(352,605,596)</u>	<u>(160,720,701)</u>	<u>(254,971,711)</u>	<u>351,489,783</u>	<u>531,995,501</u>	<u>86,231,397</u>
In KHR'000 equivalents (Note 2.3)	<u>814,738,534</u>	<u>(1,426,289,636)</u>	<u>(650,115,236)</u>	<u>(1,031,360,571)</u>	<u>1,421,776,172</u>	<u>2,151,921,802</u>	<u>348,806,003</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 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 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
	<u>1,978,109,563</u>	<u>3,354,934</u>	<u>17,624,029</u>	<u>15,930,690</u>	<u>754,463,150</u>	<u>919,157,989</u>	<u>267,578,771</u>
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
	<u>1,683,472,605</u>	<u>420,667,264</u>	<u>176,696,163</u>	<u>491,204,780</u>	<u>446,756,828</u>	<u>90,341,775</u>	<u>57,805,795</u>
Derivative liabilities held for risk management	2,510,693	-	2,510,693	-	-	-	-
Total	<u><u>292,147,686</u></u>	<u><u>(417,312,330)</u></u>	<u><u>(161,582,827)</u></u>	<u><u>(475,274,090)</u></u>	<u><u>307,706,322</u></u>	<u><u>828,816,214</u></u>	<u><u>209,794,397</u></u>
In KHR'000 equivalents (Note 2.3)	<u>1,190,209,673</u>	<u>(1,700,130,432)</u>	<u>(658,288,437)</u>	<u>(1,936,266,643)</u>	<u>1,253,595,556</u>	<u>3,376,597,256</u>	<u>854,702,373</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 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 2020							
Financial assets							
Cash on hand	37,160,689	-	-	-	-	-	37,160,689
Balances with the NBC	135,341,678	4,100,000	11,500,000	49,444	-	-	119,692,234
Balances with other banks	41,656,629	4,297,435	-	-	-	29,450,001	7,909,193
Loans to customers	1,288,824,168	561,631	2,044,420	20,311,663	701,378,925	581,159,501	(16,631,972)
Investment securities	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	-	-	-	-	-	490
Other assets	1,803,408	-	-	-	-	-	1,803,408
	<u>1,504,807,062</u>	<u>8,959,066</u>	<u>13,544,420</u>	<u>20,361,107</u>	<u>701,378,925</u>	<u>610,609,502</u>	<u>149,954,042</u>
Derivative assets held for risk management	242,274	-	-	-	-	-	242,274
Financial liabilities							
Deposits from customers	804,484,026	357,609,161	111,312,941	230,625,221	89,600,974	712,321	14,623,408
Debt securities issued	29,767,039	-	-	29,666,255	-	-	100,784
Borrowings	402,208,119	3,955,501	55,668,903	15,041,342	256,288,168	70,172,361	1,081,844
Subordinated debts	11,895,729	-	-	-	4,000,000	7,729,319	166,410
Lease liabilities	22,833,647	-	-	-	-	-	22,833,647
Other liabilities	6,322,177	-	-	-	-	-	6,322,177
	<u>1,277,510,737</u>	<u>361,564,662</u>	<u>166,981,844</u>	<u>275,332,818</u>	<u>349,889,142</u>	<u>78,614,001</u>	<u>45,128,270</u>
Derivative liabilities held for risk management	7,283,277	-	7,283,277	-	-	-	-
Total	<u>220,255,322</u>	<u>(352,605,596)</u>	<u>(160,720,701)</u>	<u>(254,971,711)</u>	<u>351,489,783</u>	<u>531,995,501</u>	<u>105,068,046</u>
In KHR'000 equivalents (Note 2.3)	<u>890,932,778</u>	<u>(1,426,289,636)</u>	<u>(650,115,236)</u>	<u>(1,031,360,571)</u>	<u>1,421,776,172</u>	<u>2,151,921,802</u>	<u>425,000,247</u>

HATTHA BANK PLC. AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 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 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 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 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
31 December 2020				
As at 31 December	(2,773,053)	2,773,053	(1,386,526)	1,386,526
Average for the year	(1,385,179)	1,391,817	(699,228)	695,909
Maximum for the year	(2,773,053)	2,773,053	(1,386,526)	1,386,526
Minimum for the year	(773,938)	773,938	(386,969)	386,969
Sensitivity of reported equity to interest rate movements				
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
31 December 2020				
As at 31 December	(15,127,694)	15,127,694	(7,563,847)	7,563,847
Average for the year	(9,690,275)	9,714,350	(4,869,213)	4,857,175
Maximum for the year	(15,127,694)	15,127,694	(7,563,847)	7,563,847
Minimum for the year	(6,905,093)	6,905,093	(3,452,546)	3,452,546

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 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 Exposure to market risk (continued)

(i) *Interest rate risk (continued)*

Interest rate 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.

Group and Bank	Contract floating interest rate		Notional principal value		Fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	%	%	US\$	US\$	US\$	US\$
Outstanding receive floating pay fixed contracts						
Less than 1 year		-		-		-
1 to 2 years		-		-		-
2 to 5 years	0.33%-4.55%	4.499% - 5.74613%	77,858,000	26,429,143	(82,006)	(650,686)
5 years +	0.10%-0.22%	0.251%	105,000,000	80,000,000	(2,407,266)	(6,632,591)
Total			182,858,000	106,429,143	(2,489,272)	(7,283,277)
In KHR'000 equivalents (Note 2.3)			744,963,492	430,505,883	(10,141,294)	(29,460,855)

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 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 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 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
					(Note 2.3)
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>

HATTHA BANK PLC. AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 Exposure to market risk (continued)

(ii) *Foreign exchange risk (continued)*

Group	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
(Note 2.3)					
31 December 2020					
Financial assets					
Cash on hand	26,981,947	9,039,792	1,138,950	37,160,689	150,314,987
Balances with the NBC	107,163,400	28,178,278	-	135,341,678	547,457,088
Balances with other banks	37,765,771	3,722,055	242,012	41,729,838	168,797,195
Loans to customers	1,034,138,267	215,811,113	38,874,788	1,288,824,168	5,213,293,760
Investment securities	20,000	-	-	20,000	80,900
Derivative assets held for risk management	242,274	-	-	242,274	979,998
Other assets	1,132,028	174,189	-	1,306,217	5,283,648
	<u>1,207,443,687</u>	<u>256,925,427</u>	<u>40,255,750</u>	<u>1,504,624,864</u>	<u>6,086,207,576</u>
Financial liabilities					
Deposits from customers	721,668,239	70,850,823	11,374,391	803,893,453	3,251,749,017
Debt securities issued	(95,364)	29,862,403	-	29,767,039	120,407,673
Borrowings	239,122,096	161,442,139	31,144,603	431,708,838	1,746,262,250
Subordinated debts	11,895,729	-	-	11,895,729	48,118,224
Derivative liabilities held for risk management	7,283,277	-	-	7,283,277	29,460,855
Lease liabilities	12,325,496	-	-	12,325,496	49,856,631
Other liabilities	5,880,218	370,424	81,717	6,332,359	25,614,392
	<u>998,079,691</u>	<u>262,525,789</u>	<u>42,600,711</u>	<u>1,303,206,191</u>	<u>5,271,469,042</u>
Bank					
	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
(Note 2.3)					
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>

HATTHA BANK PLC. AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 Exposure to market risk (continued)

(ii) *Foreign exchange risk (continued)*

Bank	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
(Note 2.3)					
31 December 2020					
Financial assets					
Cash on hand	26,981,947	9,039,792	1,138,950	37,160,689	150,314,987
Balances with the NBC	107,163,400	28,178,278	-	135,341,678	547,457,088
Balances with other banks	37,692,562	3,722,055	242,012	41,656,629	168,501,064
Loans to customers	1,034,138,267	215,811,113	38,874,788	1,288,824,168	5,213,293,760
Investment securities	20,000	-	-	20,000	80,900
Investment in subsidiary	490	-	-	490	1,982
Derivative assets held for risk management	242,274	-	-	242,274	979,998
Other assets	1,629,219	174,189	-	1,803,408	7,294,785
	<u>1,207,868,159</u>	<u>256,925,427</u>	<u>40,255,750</u>	<u>1,505,049,336</u>	<u>6,087,924,564</u>
Financial liabilities					
Deposits from customers	722,258,812	70,850,823	11,374,391	804,484,026	3,254,137,885
Debt securities issued	(95,364)	29,862,403	-	29,767,039	120,407,673
Borrowings	209,621,377	161,442,139	31,144,603	402,208,119	1,626,931,841
Subordinated debts	11,895,729	-	-	11,895,729	48,118,224
Derivative liabilities held for risk management	7,283,277	-	-	7,283,277	29,460,855
Lease liabilities	22,833,647	-	-	22,833,647	92,362,102
Other liabilities	5,870,036	370,424	81,717	6,322,177	25,573,206
	<u>979,667,514</u>	<u>262,525,789</u>	<u>42,600,711</u>	<u>1,284,794,014</u>	<u>5,196,991,786</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 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 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.4 Operational risk

38.4.1 Operational risk management

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

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

38.5 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 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 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 2021

38. FINANCIAL RISK MANAGEMENT (continued)

38.5 Capital risk (continued)

38.5.1 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 7 March 2019, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

The 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 2021.

Bank	31 December 2021		31 December 2020	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Tier 1 Capital				
Share capital	140,000,000	570,360,000	115,000,000	465,175,000
Share premium	19,082,502	77,742,113	19,082,502	77,188,721
Retained earnings (*)	108,275,794	441,115,585	72,254,129	292,267,952
General reserves (**)	51,254,222	208,809,700	27,780,518	112,372,195
Less: Intangible assets	(4,498,567)	(18,327,162)	(3,775,164)	(15,270,538)
Less: Loan to related parties	(8,399,826)	(34,220,891)	(7,616,191)	(30,807,493)
	<u>305,714,125</u>	<u>1,245,479,345</u>	<u>222,725,794</u>	<u>900,925,837</u>
Tier 2 complementary capital				
General provision	16,713,135	68,089,312	13,414,493	54,261,624
Subordinated debts (***)	44,729,319	182,227,246	11,729,319	47,445,095
Less: equity participation in banking or financial institutions	(20,490)	(83,476)	(20,490)	(82,882)
	<u>61,421,964</u>	<u>250,233,082</u>	<u>25,123,322</u>	<u>101,623,837</u>
	<u>367,136,089</u>	<u>1,495,712,427</u>	<u>247,849,116</u>	<u>1,002,549,674</u>

(*) Retained earnings is only up to 20% of sub-total A in according with Prakas No B7-010-182 Prokor.

(**) Regulatory Reserve shall not be allowed to compute institution's net worth in according with Prakas No B7-017-344 Prokor (Credit Risk Grading and Impairment Provisioning).

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

HATTHA BANK PLC. AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

39. 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.

40. NEW AND REVISED CIFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group and the Bank have not early adopted them in preparing these financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group and the Bank account for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. There will be no impact on retained earnings on adoption of the amendments.

B. Other standards

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

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

The management does 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.