

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

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STATEMENT BY BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting the condensed interim financial information of LOLC (Cambodia) Plc. ("the Company") for the twelve-month period ended 31 December 2020.

BOARD OF DIRECTORS

The Board of Directors of the Company during the period and up to the date of this report are:

- | | |
|--|----------|
| 1. Mr. Brindley Chrishantha Gajanayake de Zylva | Chairman |
| 2. Mr. Indrajith Wijesiriwardana | Member |
| 3. Mr. Hans Michael Theodor Moormann | Member |
| 4. Mr. Dulip Rasika Samaraweera | Member |
| 5. Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias | Member |

In the opinion of the Board of Directors, the condensed interim financial information of the Company is prepared, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance for the three-month and twelve-month periods then ended, changes in equity and cash flows of the Company for the twelve-month period then ended, in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting".

On behalf of the Board of Directors



Mr. Sok Voeun
Chief Executive Officer

12 FEB 2021



Report on review of condensed interim financial information

To the Shareholders of LOLC (Cambodia) Plc.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of LOLC (Cambodia) Plc. ("the Company") as at 31 December 2020, the related condensed interim statements of profit or loss and other comprehensive income for the three-month and twelve-month periods then ended, the related condensed interim statements of changes in equity and cash flows for the twelve-month period then ended and the condensed notes to the interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with Cambodian International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

We draw attention to Note 33 to the condensed interim financial information, which describes the adjustments of prior period balances related to understatement of impairment loss on loans and advances for the three-month period ended 31 December 2020, overstatement of impairment loss on loans and advances for the twelve month period ended 31 December 2020, and overstatement of income tax expenses for the three-month period ended 31 December 2020. Our conclusion is not modified in respect of this matter.



Other matter

The condensed interim financial information of the Company for the three-month and twelve-month period ended 31 December 2019 was reviewed by another firm of auditors whose report, dated 14 February 2020, expressed an unmodified conclusion on this condensed interim financial information.

For PricewaterhouseCoopers (Cambodia) Ltd.




By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
12 February 2021

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

		31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Notes	KHR'000	KHR'000	US\$	US\$
ASSETS					
Cash on hand	6	89,631,890	105,185,581	22,158,687	25,812,413
Deposits and placements with the central bank	7	322,627,715	570,920,007	79,759,633	140,103,069
Deposits and placements with banks	8	235,909,185	77,291,436	58,321,183	18,967,224
Financial assets at fair value through other comprehensive income		60,675	61,125	15,000	15,000
Loans and advances at amortised cost	9	3,394,874,917	3,115,481,925	839,276,865	764,535,442
Statutory deposits with the central bank	10	217,819,305	187,099,453	53,849,025	45,913,976
Property and equipment	11	7,540,158	7,841,251	1,864,069	1,924,233
Right-of-use assets	12	20,687,945	19,667,508	5,114,449	4,826,382
Intangible assets	13	6,109,699	5,100,225	1,510,432	1,251,589
Deferred tax assets	14	25,449,305	9,127,261	6,291,546	2,239,819
Other assets	15	13,623,985	15,331,602	3,368,105	3,762,357
TOTAL ASSETS		<u>4,334,334,779</u>	<u>4,113,107,374</u>	<u>1,071,528,994</u>	<u>1,009,351,504</u>
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	16	134,232,604	93,135,131	33,184,822	22,855,247
Deposits from customers	17	2,033,967,962	1,771,835,361	502,835,096	434,806,223
Borrowings	18	1,083,286,330	1,426,459,591	267,808,734	350,051,433
Debt securities	19	81,350,297	81,755,899	20,111,322	20,062,797
Lease liabilities	12	18,229,165	18,602,031	4,506,592	4,564,916
Current income tax liabilities		47,899,684	13,621,187	11,841,702	3,342,623
Employee benefits	20	2,650,325	2,850,672	655,210	699,551
Other liabilities	21	34,299,188	30,852,745	8,479,403	7,571,227
Subordinated debts	22	165,561,432	120,587,586	40,929,897	29,592,046
TOTAL LIABILITIES		<u>3,601,476,987</u>	<u>3,559,700,203</u>	<u>890,352,778</u>	<u>873,546,063</u>
EQUITY					
Share capital		224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings		298,065,276	107,919,895	73,379,198	26,740,647
General reserves		210,415,116	210,415,116	51,979,374	51,979,374
Regulatory reserves	23	-	10,694,760	-	2,645,229
Other reserves		-	-	356,794	(1,020,659)
TOTAL EQUITY		<u>732,857,792</u>	<u>553,407,171</u>	<u>181,176,216</u>	<u>135,805,441</u>
TOTAL LIABILITIES AND EQUITY		<u>4,334,334,779</u>	<u>4,113,107,374</u>	<u>1,071,528,994</u>	<u>1,009,351,504</u>

The accompanying notes on pages 8 to 41 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020

	Notes	Three-month period ended				Twelve-month period ended			
		31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
		KHR'000	KHR'000 <i>(Restated)</i>	US\$	US\$ <i>(Restated)</i>	KHR'000	KHR'000 <i>(Restated)</i>	US\$	US\$ <i>(Restated)</i>
Interest income	24	167,573,411	150,118,884	41,233,615	36,947,793	665,618,450	522,750,976	163,261,822	129,010,606
Interest expense	24	(62,965,909)	(67,340,985)	(15,493,580)	(16,574,203)	(269,689,816)	(215,485,800)	(66,149,084)	(53,180,109)
Net interest income	24	<u>104,607,502</u>	<u>82,777,899</u>	<u>25,740,035</u>	<u>20,373,590</u>	<u>395,928,634</u>	<u>307,265,176</u>	<u>97,112,738</u>	<u>75,830,497</u>
Fee and commission income	25	5,911,033	3,189,550	1,454,486	785,024	19,548,817	12,614,519	4,794,902	3,113,158
Fee and commission expense	25	(139,932)	(162,093)	(34,432)	(39,895)	(698,829)	(1,118,386)	(171,408)	(276,008)
Net fee and commission income	25	<u>5,771,101</u>	<u>3,027,457</u>	<u>1,420,054</u>	<u>745,129</u>	<u>18,849,988</u>	<u>11,496,133</u>	<u>4,623,494</u>	<u>2,837,150</u>
Other operating income		1,931,715	881,289	475,324	216,906	6,250,418	4,424,027	1,533,092	1,091,813
Other (losses)/gains – net		1,309,288	193,750	322,167	47,686	(539,199)	1,584,730	(132,254)	391,099
Total other operating income		<u>3,241,003</u>	<u>1,075,039</u>	<u>797,491</u>	<u>264,592</u>	<u>5,711,219</u>	<u>6,008,757</u>	<u>1,400,838</u>	<u>1,482,912</u>
Credit impairment losses	26	2,011,354	(7,224,867)	494,920	(1,778,210)	(43,357,901)	(17,236,608)	(10,634,756)	(4,253,852)
Net other operating loss		<u>5,252,357</u>	<u>(6,149,828)</u>	<u>1,292,411</u>	<u>(1,513,618)</u>	<u>(37,646,682)</u>	<u>(11,227,851)</u>	<u>(9,233,918)</u>	<u>(2,770,940)</u>
Personnel expenses	27	(29,240,350)	(28,530,892)	(7,194,968)	(7,022,125)	(115,708,934)	(100,060,719)	(28,380,901)	(24,694,156)
Depreciation and amortisation charges		(2,435,029)	(2,756,159)	(599,171)	(678,356)	(10,243,616)	(10,307,083)	(2,512,538)	(2,543,703)
Other operating expenses	28	(11,103,375)	(10,421,787)	(2,732,130)	(2,565,047)	(39,841,017)	(36,166,742)	(9,772,141)	(8,925,652)
Profit before income tax		<u>72,852,206</u>	<u>37,946,690</u>	<u>17,926,231</u>	<u>9,339,573</u>	<u>211,338,373</u>	<u>160,998,914</u>	<u>51,836,734</u>	<u>39,733,196</u>
Income tax expense	29	(4,581,842)	(5,287,275)	(1,127,422)	(1,301,323)	(31,887,752)	(17,266,072)	(7,821,377)	(4,261,123)
Profit for the period		<u>68,270,364</u>	<u>32,659,415</u>	<u>16,798,809</u>	<u>8,038,250</u>	<u>179,450,621</u>	<u>143,732,842</u>	<u>44,015,357</u>	<u>35,472,073</u>
Other comprehensive income: <i>Items that will not reclassified to profit or loss</i>									
Currency translation differences		-	-	2,062,057	(280,981)	-	-	1,377,453	(1,443,052)
Other comprehensive income for the period, net of tax		-	-	2,062,057	(280,981)	-	-	1,377,453	(1,443,052)
Total comprehensive income for the period		<u>68,270,364</u>	<u>32,659,415</u>	<u>18,860,866</u>	<u>7,757,269</u>	<u>179,450,621</u>	<u>143,732,842</u>	<u>45,392,810</u>	<u>34,029,021</u>
Profit attributable to:									
Owners of the Company		<u>68,270,364</u>	<u>32,659,415</u>	<u>16,798,809</u>	<u>8,038,250</u>	<u>179,450,621</u>	<u>143,732,842</u>	<u>44,015,357</u>	<u>35,472,073</u>
Total comprehensive income attributable to:									
Owners of the Company		<u>68,270,364</u>	<u>32,659,415</u>	<u>18,860,866</u>	<u>7,757,269</u>	<u>179,450,621</u>	<u>143,732,842</u>	<u>45,392,810</u>	<u>34,029,021</u>

The accompanying notes on pages 8 to 41 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020

	Attributable to owners of the Company													
	Share capital KHR'000	Retained earnings KHR'000	General reserves KHR'000	Advance capital contribution KHR'000	Regulatory reserves KHR'000	Other reserves KHR'000	Total KHR'000	Share capital US\$	Retained earnings US\$	General reserves US\$	Advance capital contribution US\$	Regulatory reserves US\$	Other reserves US\$	Total US\$
Balance at 1 January 2019	120,000,000	66,497,044	110,415,116	20,846,600	8,384,769	-	326,143,529	29,701,373	16,517,832	27,300,203	5,153,671	2,075,142	422,393	81,170,614
Profit for the period (<i>Restated</i>)	-	143,732,842	-	-	-	-	143,732,842	-	35,472,073	-	-	-	-	35,472,073
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(1,443,052)	(1,443,052)
Total comprehensive income the period	-	<u>143,732,842</u>	-	-	-	-	<u>143,732,842</u>	-	<u>35,472,073</u>	-	-	-	<u>(1,443,052)</u>	<u>34,029,021</u>
Transactions with owners in their capacity as owners:														
Issue of share capital	83,530,800	-	-	-	-	-	83,530,800	20,614,709	-	-	-	-	-	20,614,709
Transfer to share capital	20,846,600	-	-	(20,846,600)	-	-	-	5,144,768	-	-	(5,144,768)	-	-	-
Transfer to general reserves	-	(100,000,000)	100,000,000	-	-	-	-	-	(24,679,171)	24,679,171	-	-	-	-
Transfer to regulatory reserves	-	(2,309,991)	-	-	2,309,991	-	-	-	(570,087)	-	-	570,087	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-	(8,903)	-	-	(8,903)
Total transactions with owners in their capacity as owners:	<u>104,377,400</u>	<u>(102,309,991)</u>	<u>100,000,000</u>	<u>(20,846,600)</u>	<u>2,309,991</u>	<u>-</u>	<u>83,530,800</u>	<u>25,759,477</u>	<u>(25,249,258)</u>	<u>24,679,171</u>	<u>(5,153,671)</u>	<u>570,087</u>	<u>-</u>	<u>20,605,806</u>
Balance at 31 December 2019 (Restated)	<u>224,377,400</u>	<u>107,919,895</u>	<u>210,415,116</u>	<u>-</u>	<u>10,694,760</u>	<u>-</u>	<u>553,407,171</u>	<u>55,460,850</u>	<u>26,740,647</u>	<u>51,979,374</u>	<u>-</u>	<u>2,645,229</u>	<u>(1,020,659)</u>	<u>135,805,441</u>
Balance at 1 January 2020	224,377,400	107,919,895	210,415,116	-	10,694,760	-	553,407,171	55,460,850	26,740,647	51,979,374	-	2,645,229	(1,020,659)	135,805,441
Profit for the period	-	179,450,621	-	-	-	-	179,450,621	-	44,015,357	-	-	-	-	44,015,357
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	1,377,453	1,377,453
Total comprehensive income for the period	-	<u>179,450,621</u>	-	-	-	-	<u>179,450,621</u>	-	<u>44,015,357</u>	-	-	-	<u>1,377,453</u>	<u>45,392,810</u>
Transactions with owners in their capacity as owners:														
Transfer to regulatory reserves	-	10,694,760	-	-	(10,694,760)	-	-	-	2,623,194	-	-	(2,623,194)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(22,035)	-	(22,035)
Total transactions with owners	-	<u>10,694,760</u>	-	-	<u>(10,694,760)</u>	-	-	-	<u>2,623,194</u>	-	-	<u>(2,645,229)</u>	-	<u>(22,035)</u>
Balance at 31 December 2020	<u>224,377,400</u>	<u>298,065,276</u>	<u>210,415,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>732,857,792</u>	<u>55,460,850</u>	<u>73,379,198</u>	<u>51,979,374</u>	<u>-</u>	<u>-</u>	<u>356,794</u>	<u>181,176,216</u>

The accompanying notes on pages 8 to 41 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

	Notes	Twelve-month period ended			
		31 December 2020 KHR'000	31 December 2019 KHR'000 <i>(Restated)</i>	31 December 2020 US\$	31 December 2019 US\$ <i>(Restated)</i>
Cash flows from operating activities					
Cash used in operations	30	(183,343,949)	(523,012,828)	(44,970,310)	(129,075,229)
Interest received		665,080,424	533,933,978	163,129,856	131,770,478
Interest paid		(260,578,434)	(190,443,622)	(63,914,259)	(46,999,907)
Income tax paid		(13,931,299)	(25,714,185)	(3,417,047)	(6,346,048)
Employee benefits paid		(5,456,971)	-	(1,338,477)	-
Cash generated from/(used in) operating activities		201,769,771	(205,236,657)	49,489,763	(50,650,706)
Cash flows from investing activities					
Capital guarantee deposits		-	(10,437,740)	-	(2,575,948)
Deposits and placements with the central bank - maturity more than three months		1,217,390	-	298,599	-
Purchases of property and equipment	11	(3,931,514)	(5,685,615)	(964,315)	(1,403,163)
Purchases of intangible assets	13	(1,643,662)	(988,478)	(403,155)	(243,948)
Proceeds from disposals of property and equipment		80,691	16,135	19,792	3,982
Cash used in investing activities		(4,277,095)	(17,095,698)	(1,049,079)	(4,219,077)
Cash flows from financing activities					
Proceeds from issuance of share capital		-	83,530,800	-	20,614,709
Proceeds from borrowings		249,905,071	696,881,531	61,296,314	171,984,583
Repayments of borrowings		(591,773,591)	(284,976,489)	(145,149,274)	(70,329,834)
Proceeds from subordinated debts		60,169,299	40,680,000	14,758,229	10,039,487
Repayments of subordinated debts		(14,602,000)	(5,264,400)	(3,581,555)	(1,299,210)
Proceeds from issuance of corporate bonds		-	80,000,000	-	19,743,337
Principal element of lease payment		(4,781,532)	(5,624,871)	(1,172,806)	(1,388,172)
Cash (used in)/generated from financing activities		(301,082,753)	605,226,571	(73,849,092)	149,364,900
Net (decrease)/increase in cash and cash equivalents		(103,590,077)	382,894,216	(25,408,408)	94,495,117
Cash and cash equivalents at beginning of period		752,231,266	369,337,050	184,506,075	91,149,321
Currency translation differences		-	-	1,258,622	(1,047,808)
Cash and cash equivalents at end of period		648,641,189	752,231,266	160,356,289	184,596,630

The accompanying notes on pages 8 to 41 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

LOLC (Cambodia) Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) (“the Company”), a licensed micro-finance institution, incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (“MoC”) as a public limited company under the registration number Co. 1413 E/2002, dated 23 May 2002 and changed to the new registration number 00012829 dated 28 September 2015. After a change in the shareholding structure in September 2014, the Company became a subsidiary of LOLC Micro Investments Ltd., a company incorporated in Sri Lanka. The ultimate parent is LOLC Holdings PLC (previously known as Lanka ORIX Leasing Company PLC), a company incorporated in Sri Lanka and listed on the Colombo Stock Exchange.

On 11 September 2015, the Company obtained a Micro-finance Deposit Taking Institution (“MDI”) license to conduct deposit taking business from the National Bank of Cambodia (“NBC” or “the central bank”).

On 16 September 2017, LOLC Micro investments Ltd. and DWM Investment Asia Ltd, transferred/sold all their shareholding of 96.97% to LOLC Private Limited which was approved by NBC on 28 November 2017. NBC approved for the change in ownership on 14 March 2018 and endorsed by the MoC on 25 June 2018.

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population, micro-enterprises and small and medium enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia. Its corporate objective is to provide reliable and affordable access to financial services to micro-entrepreneurs and small and medium enterprises.

The Company has 79 office locations (78 branches and a head office in Phnom Penh). The Company’s registered office is at Building No. 666B, Street 271, Sangkat Boeung Tumpun 2, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia.

The condensed interim financial information was authorised to issue by the Board of Directors on 12 February 2021.

This condensed interim financial information for the twelve-month period ended 31 December 2020 has been reviewed but not audited.

2. BASIS OF PREPARATION

This condensed interim financial information for the twelve-month period ended 31 December 2020 has been prepared in accordance with Cambodian International Accounting Standard (CIAS) 34, “Interim financial reporting”.

This condensed interim financial information does not include all the notes of the type normally included in the annual audited financial statements. Accordingly, this report is to be read in conjunction with the annual audited financial statements for the year ended 31 December 2019, which have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRS”).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The comparative information for the condensed statements of profit or loss and other comprehensive income for the three-month period ended 31 December 2019, and related explanatory notes for the three-month period then ended has been reviewed but not audited.

LOLC (CAMBODIA) PLC.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020

2. BASIS OF PREPARATION (continued)

New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period. Those standards and amendments have no impact as a result the Company did not have to change its accounting policies or make retrospective adjustments.

COVID-19 Related Rent Concessions – Amendments to CIFRS 16

As a result of the novel coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to CIFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The Company does not have any rent concession during the period so the amendment has no impact on the condensed interim financial information.

3. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Impact on impairment charge from COVID-19

The COVID-19 declared as pandemic has spread into Cambodia since late January 2020. Due to the rapidly unfolding COVID-19 pandemic, the country economy is experiencing an economic downturn, and a prolonged downturn could potentially have an impact on the quality of the financial assets including loans and advances. The COVID-19 impact on credit risk could be more severe and immediate in various sectors. To consider the effect of COVID-19 pandemic on the Company's loans and advances, the management continuously refreshes the macroeconomic variables quarterly to reflect the current economic condition in its forward-looking model. For the twelve-month period ended 31 December 2020, the management has refreshed the latest macroeconomics variables available which were up to 31 December 2020. The management believes that the adjustment is reflected the most recent economic condition. The longevity of COVID-19 pandemic has also led to uncertain economic environment which may results in higher credit impairment expenses. As a result, the management has adjusted the Company's probability weighted percentage in the probability weighted forward looking Probability of Default ("PD") to give a heavier weight to the worst case scenario and a lighter weight to the best case scenario while keeping the base percentage the same.

The table below show the scenario probability weighted percentage as at 31 December 2019 (before COVID-19 pandemic) and as at 31 December 2020 (after COVID-19 pandemic).

Scenario probability weighting

	Base %	Best %	Worst %
As at 31 December 2020			
Scenario probability weighting	60%	15%	25%

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020

3. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD (continued)

Scenario probability weighting (continued)

As at 31 December 2019	Base %	Best %	Worst %
Scenario probability weighting	60%	20%	20%

In the light of COVID-19 pandemic, the central bank has issued a circular on loan restructuring during COVID-19 which encourages financial institutions to provide loan restructuring to borrowers in priority sectors that are heavily affected by the pandemic. The Company has restructured loans for borrowers who are having financial difficulties. As a result, the Company has downgraded the staging of the borrowers which resulted in higher credit impairment expenses being recognised during the period.

Other than additional impairment loss recognised, management considers that the Company's activities may be slow in this short period but would not lead to a going concern issue given the size of the operations, current profitability level and liquidity headroom of the Company.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting period are outlined below:

i) Measurement of expected credit loss allowance

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from credit commitments. The measurement of ECL allowance reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Management noted the impact of COVID-19 pandemic on its assessment of the ECL allowance on its financial assets including the restructured loans resulted from the impact of COVID-19 pandemic, and management has made specific to the allowance for impairment for the reporting period.

ii) Functional currency

The management considers the KHR currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The critical factors which trigger the KHR being the functional currency include the currency that is regulated for loans to customers to certain extent by the central bank, staff costs, the source of equity funding in which the Company receives share subscriptions from and the distribution of dividends to its shareholders.

The other significant estimates, assumptions and judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the annual audited financial statements for the year ended 31 December 2019.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

5. SEGMENT REVENUE AND INFORMATION

The Company has only one reportable segment, namely, interest income. The chief operating decision-maker (“the management team”) reviews the internal management report, which reports the performances of the interest income segment as a whole, to assess performance and allocate resources. The management team also reviews profit before tax and net profit as a whole compared to prior periods.

6. CASH ON HAND

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Current:</i>				
Khmer Riel	16,187,628	20,383,956	4,001,886	5,002,198
US Dollars	68,975,478	81,937,814	17,052,034	20,107,439
Thai Baht	4,468,784	2,863,811	1,104,767	702,776
	<u>89,631,890</u>	<u>105,185,581</u>	<u>22,158,687</u>	<u>25,812,413</u>

7. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Current:</i>				
Settlement accounts	15,378,000	2,677,807	3,801,731	657,131
Current accounts	305,431,163	568,042,019	75,508,322	139,396,814
Negotiable certificate of deposits	1,818,552	200,181	449,580	49,124
	<u>322,627,715</u>	<u>570,920,007</u>	<u>79,759,633</u>	<u>140,103,069</u>

The Company has pledged negotiable certificate of deposits amounting to KHR 400,000 thousands as collateral for overdraft (31 December 2019: KHR 200,000 thousand) and KHR 1,211,250 thousand as collateral for Real time fund transfer (RFT).

Annual interest rates of deposits and placements with the central bank are as follows:

	31 December 2020	31 December 2019
Settlement accounts	0.00%	0.00%
Current accounts	0.00%	0.00%
Negotiable certificates of deposits	0.18%-1.94%	0.61%

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

8. DEPOSITS AND PLACEMENTS WITH BANKS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current - deposits and placements with local banks:				
Savings deposits	84,330,797	41,598,705	20,848,157	10,208,271
Current accounts	85,715,464	36,473,452	21,190,473	8,950,541
Time deposits	67,752,893	-	16,749,789	-
	<u>237,799,154</u>	<u>78,072,157</u>	<u>58,788,419</u>	<u>19,158,812</u>
Less: Allowance for expected credit loss	<u>(1,889,969)</u>	<u>(780,721)</u>	<u>(467,236)</u>	<u>(191,588)</u>
	<u><u>235,909,185</u></u>	<u><u>77,291,436</u></u>	<u><u>58,321,183</u></u>	<u><u>18,967,224</u></u>

Annual interest rates of deposits and placements with banks are as follows:

	31 December 2020	31 December 2019
Savings deposits	0% – 1.20%	0% – 2.00%
Current accounts	0% – 1.30%	0% – 1.75%
Term deposits	0% – 3.25%	0%

9. LOANS AND ADVANCES

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>At amortised cost</i>				
Group loans:				
Fixed term	6,467,335	17,609,593	1,598,847	4,321,373
End of cycle	434,558,497	329,854,709	107,431,025	80,945,941
	<u>441,025,832</u>	<u>347,464,302</u>	<u>109,029,872</u>	<u>85,267,314</u>
Individual loans:				
Fixed term	2,690,947,045	2,495,764,137	665,252,669	612,457,457
End of cycle	306,026,402	282,940,994	75,655,476	69,433,373
	<u>2,996,973,447</u>	<u>2,778,705,131</u>	<u>740,908,145</u>	<u>681,890,830</u>
Staff loans	<u>24,203,637</u>	<u>20,603,698</u>	<u>5,983,594</u>	<u>5,056,122</u>
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>
Less: Allowance for expected credit loss	<u>(67,327,999)</u>	<u>(31,291,206)</u>	<u>(16,644,746)</u>	<u>(7,678,824)</u>
Total net loans	<u><u>3,394,874,917</u></u>	<u><u>3,115,481,925</u></u>	<u><u>839,276,865</u></u>	<u><u>764,535,442</u></u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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9. LOANS AND ADVANCES (continued)

(a) Analysis by loan classification

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Performing</i>				
Gross amount	3,295,828,183	3,127,350,043	814,790,651	767,447,864
Exposure at default	3,295,828,183	3,127,350,043	814,790,651	767,447,864
Allowance for expected credit loss	(30,857,140)	(24,377,268)	(7,628,465)	(5,982,152)
<i>Under-performing</i>				
Gross amount	101,152,077	3,646,766	25,006,694	894,912
Exposure at default	101,152,077	3,646,766	25,006,694	894,912
Allowance for expected credit loss	(5,132,755)	(552,581)	(1,268,913)	(135,603)
<i>Non-performing</i>				
Gross amount	65,222,656	15,776,322	16,124,266	3,871,490
Exposure at default	65,222,656	15,776,322	16,124,266	3,871,490
Allowance for expected credit loss	(31,338,104)	(6,361,357)	(7,747,368)	(1,561,069)
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>
Exposure at default	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>
Allowance for expected credit loss	<u>(67,327,999)</u>	<u>(31,291,206)</u>	<u>(16,644,746)</u>	<u>(7,678,824)</u>

(b) Analysis by industry

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Trade and commerce	628,357,223	493,234,369	155,341,711	121,039,109
Services	562,191,223	420,091,494	138,984,233	103,089,937
Manufacturing	44,961,931	16,353,875	11,115,434	4,013,221
Transportation	20,332,995	36,750,608	5,026,698	9,018,554
Agriculture	889,415,893	1,075,119,979	219,880,320	263,833,125
Construction	139,328,660	297,546,619	34,444,663	73,017,575
Household/family	1,177,200,085	798,344,204	291,025,979	195,912,688
Others	414,906	9,331,983	102,573	2,290,057
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

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FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

9. LOANS AND ADVANCES (continued)

(c) Analysis by maturity

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Not later than 1 year	233,862,319	217,135,654	310,166,071	53,284,823
Later than 1 year and no later than 3 years	1,217,226,898	1,123,912,583	48,570,447	275,806,769
Later than 3 years and no later than 5 years	1,607,082,736	1,682,330,381	397,301,047	412,841,811
Later than 5 years	404,030,963	123,394,513	99,884,046	30,280,863
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

(d) Analysis by relationship

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Related parties (including staff loans)	24,203,637	17,596,880	5,983,594	4,318,253
Non-related parties	3,437,999,279	3,129,176,251	849,938,017	767,896,013
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

(e) Analysis by residency

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Residents	3,462,202,916	3,146,773,131	855,921,611	772,214,266
Non-residents	-	-	-	-
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

(f) Interest rates

These loans and advances to customers earn annual interest rates as below:

	31 December 2020	31 December 2019
Short term loans	11.00% – 18.00%	11.00% – 18.00%
Long term loans	9.00% – 18.00%	9.87% – 18.00%

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

9. LOANS AND ADVANCES (continued)

(g) Allowance for expected credit loss

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
12-month ECL (Stage 1)	30,857,140	24,377,268	7,628,465	5,982,152
Lifetime ECL-not credit impaired (Stage 2)	5,132,755	552,581	1,268,913	135,603
Lifetime ECL-credit impaired (Stage 3)	<u>31,338,104</u>	<u>6,361,357</u>	<u>7,747,368</u>	<u>1,561,069</u>
	<u>67,327,999</u>	<u>31,291,206</u>	<u>16,644,746</u>	<u>7,678,824</u>

(h) Expected credit loss reconciliation – loans and advances

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2020	24,377,268	552,581	6,361,357	31,291,206
<i>Changes due to exposure:</i>				
Transfer to stage 1	35,243	(23,035)	(12,208)	-
Transfer to stage 2	(733,340)	735,036	(1,696)	-
Transfer to stage 3	(604,659)	(324,448)	929,107	-
Net remeasurement of loss allowance (*)	(3,392,250)	3,056,277	21,628,171	21,292,198
New financial assets originated or purchased	19,366,719	1,296,647	3,757,278	24,420,644
Financial assets derecognised during the period other than write off	(8,276,173)	(97,036)	(280,841)	(8,654,050)
Write-offs	(41,841)	(97,513)	(3,188,652)	(3,328,006)
Unwinding of discount	-	-	1,983,240	1,983,240
Foreign exchange differences	<u>126,173</u>	<u>34,246</u>	<u>162,348</u>	<u>322,767</u>
Loss allowance as at 31 December 2020	<u>30,857,140</u>	<u>5,132,755</u>	<u>31,338,104</u>	<u>67,327,999</u>
<i>In US\$ equivalent</i>	<u>7,628,465</u>	<u>1,268,913</u>	<u>7,747,368</u>	<u>16,644,746</u>

(*) Impact of the measurement of ECL due to changes in exposure at default (“EAD”) and probability of default (“PD”) during the period arising from refreshing of inputs to models from the impact of COVID-19 pandemic on the macroeconomic forecasts.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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9. LOANS AND ADVANCES (continued)

(h) Expected credit loss reconciliation – loans and advances (continued)

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2020	3,127,350,043	3,646,766	15,776,322	3,146,773,131
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	180,804	(151,267)	(29,537)	-
Transfer to stage 2	(89,986,122)	89,991,795	(5,673)	-
Transfer to stage 3	(47,846,352)	(2,284,654)	50,131,006	-
New financial assets originated or purchased	1,375,919,988	11,014,065	7,388,187	1,394,322,240
Financial assets derecognised during the period other than write off	(1,069,082,787)	(576,537)	(739,670)	(1,070,398,994)
Write offs	(707,391)	(488,091)	(7,297,979)	(8,493,461)
Gross carrying amount as at 31 December 2020	<u>3,295,828,183</u>	<u>101,152,077</u>	<u>65,222,656</u>	<u>3,462,202,916</u>
<i>In US\$ equivalent</i>	<u>814,790,651</u>	<u>25,006,694</u>	<u>16,124,266</u>	<u>855,921,611</u>
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2019	14,482,901	438,766	6,774,028	21,695,695
<i>Changes due to exposure:</i>				
Transfer to stage 1	48,427	(19,339)	(29,088)	-
Transfer to stage 2	(53,580)	59,477	(5,897)	-
Transfer to stage 3	(252,708)	(205,685)	458,393	-
Net remeasurement of loss allowance	(3,825,124)	225,738	2,704,985	(894,401)
New financial assets originated or purchased	19,803,543	241,283	669,766	20,714,592
Financial assets derecognised during the period other than write off	(6,446,219)	(85,463)	(699,011)	(7,230,693)
Write offs	(84,327)	(118,162)	(3,695,624)	(3,898,113)
Foreign exchange differences	704,355	15,966	183,805	904,126
Loss allowance as at 31 December 2019	<u>24,377,268</u>	<u>552,581</u>	<u>6,361,357</u>	<u>31,291,206</u>
<i>In US\$ equivalent</i>	<u>5,982,152</u>	<u>135,603</u>	<u>1,561,069</u>	<u>7,678,824</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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9. LOANS AND ADVANCES (continued)

(h) Expected credit loss reconciliation – loans and advances (continued)

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2019	1,925,376,214	2,666,446	16,047,786	1,944,090,446
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	247,248	(159,207)	(88,041)	-
Transfer to stage 2	(2,860,102)	2,879,739	(19,637)	-
Transfer to stage 3	(8,258,583)	(1,529,120)	9,787,703	-
New financial assets originated or purchased	2,075,571,794	713,258	(437,622)	2,075,847,430
Financial assets derecognised during the period other than write off	(861,888,912)	(516,513)	(1,885,212)	(864,290,637)
Write-offs	(837,616)	(407,837)	(7,628,655)	(8,874,108)
Gross carrying amount as at 31 December 2019	<u>3,127,350,043</u>	<u>3,646,766</u>	<u>15,776,322</u>	<u>3,146,773,131</u>
<i>In US\$ equivalent</i>	<u>767,447,864</u>	<u>894,912</u>	<u>3,871,490</u>	<u>772,214,266</u>

10. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Current</i>				
Reserve requirement	195,381,565	164,661,713	48,301,994	40,407,782
<i>Non-current</i>				
Capital guarantee deposits	<u>22,437,740</u>	<u>22,437,740</u>	<u>5,547,031</u>	<u>5,506,194</u>
	<u>217,819,305</u>	<u>187,099,453</u>	<u>53,849,025</u>	<u>45,913,976</u>

Annual interest rates of statutory deposits with the central bank are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Reserve requirement	0.00%	0.00%
Capital guarantee	3.00%	3.00%

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2020**

11. PROPERTY AND EQUIPMENT

	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Total KHR'000
As at 31 December 2019					
Cost	3,801,978	13,168,697	11,514,920	1,600,256	30,085,851
Accumulated depreciation	(2,708,606)	(11,680,536)	(7,106,314)	(749,144)	(22,244,600)
Net book amount	<u>1,093,372</u>	<u>1,488,161</u>	<u>4,408,606</u>	<u>851,112</u>	<u>7,841,251</u>
<i>In US\$ equivalents</i>	<u>268,312</u>	<u>365,193</u>	<u>1,081,867</u>	<u>208,861</u>	<u>1,924,233</u>
Twelve-month period ended 31 December 2020					
Opening net book amount	1,093,372	1,488,161	4,408,606	851,112	7,841,251
Additions	525,233	727,239	2,574,701	104,341	3,931,514
Disposals	(408)	-	(867)	-	(1,275)
Depreciation charge	(563,412)	(766,822)	(2,660,328)	(240,770)	(4,231,332)
Closing net book amount	<u>1,054,785</u>	<u>1,448,578</u>	<u>4,322,112</u>	<u>714,683</u>	<u>7,540,158</u>
At 31 December 2020					
Cost	4,164,831	13,451,294	13,585,069	1,643,846	32,845,040
Accumulated depreciation	(3,110,046)	(12,002,716)	(9,262,957)	(929,163)	(25,304,882)
Net book amount	<u>1,054,785</u>	<u>1,448,578</u>	<u>4,322,112</u>	<u>714,683</u>	<u>7,540,158</u>
<i>In US\$ equivalents</i>	<u>260,763</u>	<u>358,116</u>	<u>1,068,507</u>	<u>176,683</u>	<u>1,864,069</u>

12. LEASES

This note provides information for leases where the Company is a lessee.

The Company leases various buildings for its head office's and branches' operations. Rental contracts are typically made for fixed periods of 1 to 12 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(i) Amounts recognised in the statement of financial position

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Right-of-use assets (Non-current)</i>				
Buildings	20,687,945	19,667,508	5,114,449	4,826,382
	<u>20,687,945</u>	<u>19,667,508</u>	<u>5,114,449</u>	<u>4,826,382</u>
<i>Lease liabilities</i>				
Current	7,088,062	4,321,097	1,258,955	1,060,392
Non-current	11,141,103	14,280,934	3,247,637	3,504,524
	<u>18,229,165</u>	<u>18,602,031</u>	<u>4,506,592</u>	<u>4,564,916</u>

Right-of-use assets' additions during the period were KHR 9,422,341 thousand (2019: KHR 6,452,378 thousand).

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12. LEASES (continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Depreciation of right-of-use assets								
<i>Buildings</i>	<u>1,195,472</u>	<u>1,474,337</u>	<u>294,161</u>	<u>362,869</u>	<u>5,378,922</u>	<u>5,531,466</u>	<u>1,319,333</u>	<u>1,365,120</u>
Interest expense (Note 24)	<u>136,150</u>	<u>359,233</u>	<u>33,503</u>	<u>88,416</u>	<u>1,276,572</u>	<u>1,380,818</u>	<u>313,116</u>	<u>340,774</u>
Expense relating to short-term lease and leases of low-value assets (included in operating expenses)	<u>1,347,848</u>	<u>911,624</u>	<u>331,656</u>	<u>224,372</u>	<u>5,165,454</u>	<u>3,384,544</u>	<u>1,266,974</u>	<u>835,277</u>
Total expenses related to leases	<u>2,679,470</u>	<u>2,745,194</u>	<u>659,320</u>	<u>675,657</u>	<u>11,820,948</u>	<u>10,296,828</u>	<u>2,899,423</u>	<u>2,541,171</u>

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13. INTANGIBLE ASSETS

	Software and license KHR'000	Work in progress KHR'000	Total KHR'000
As at 31 December 2019			
Cost	5,112,580	966,924	6,079,504
Accumulated amortisation	<u>(979,279)</u>	<u>-</u>	<u>(979,279)</u>
Net book amount	<u>4,133,301</u>	<u>966,924</u>	<u>5,100,225</u>
<i>In US\$ equivalents</i>	<u>1,014,307</u>	<u>237,282</u>	<u>1,251,589</u>
Twelve-month period ended 31 December 2020			
Opening net book amount	4,133,301	966,924	5,100,225
Additions	248,334	1,395,328	1,643,662
Transfers	966,923	(966,923)	-
Disposals	(826)	-	(826)
Amortisation charge	<u>(633,362)</u>	<u>-</u>	<u>(633,362)</u>
Closing net book amount	<u>4,714,370</u>	<u>1,395,329</u>	<u>6,109,699</u>
At 31 December 2020			
Cost	6,156,989	1,395,329	7,552,318
Accumulated amortisation	<u>(1,442,619)</u>	<u>-</u>	<u>(1,442,619)</u>
Net book amount	<u>4,714,370</u>	<u>1,395,329</u>	<u>6,109,699</u>
<i>In US\$ equivalents</i>	<u>1,165,480</u>	<u>344,952</u>	<u>1,510,432</u>

14. DEFERRED TAX ASSETS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Non-current</i>				
Deferred tax assets	29,586,894	9,127,261	7,314,436	2,239,819
Deferred tax liabilities	<u>(4,137,589)</u>	<u>-</u>	<u>(1,022,890)</u>	<u>-</u>
Net deferred tax assets	<u>25,449,305</u>	<u>9,127,261</u>	<u>6,291,546</u>	<u>2,239,819</u>

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14. DEFERRED TAX ASSETS (continued)

Deferred tax assets:

	Impairment loss KHR'000	Unamortised loan fee KHR'000	Lease liabilities KHR'000	Accelerated depreciation KHR'000	Accrued expense KHR'000	Others KHR'000	Total KHR'000
As at 1 January 2019 (Charged)/credited to profit or loss	4,303,314	-	-	207,666	1,620,202	1,898,373	8,029,555
	2,316,127	-	-	(25,240)	354,792	(1,547,973)	1,097,706
As at 31 December 2019	<u>6,619,441</u>	<u>-</u>	<u>-</u>	<u>182,426</u>	<u>1,974,994</u>	<u>350,400</u>	<u>9,127,261</u>
<i>In US\$ equivalent</i>	<u>1,624,403</u>	<u>-</u>	<u>-</u>	<u>44,767</u>	<u>484,661</u>	<u>85,988</u>	<u>2,239,819</u>
As at 1 January 2020 (Charged)/credited to profit or loss	6,619,441	-	-	182,426	1,974,994	350,400	9,127,261
	4,010,095	12,349,459	3,645,833	(28,356)	266,487	216,115	20,459,633
As at 31 December 2020	<u>10,629,536</u>	<u>12,349,459</u>	<u>3,645,833</u>	<u>154,070</u>	<u>2,241,481</u>	<u>566,515</u>	<u>29,586,894</u>
<i>In US\$ equivalent</i>	<u>2,627,821</u>	<u>3,053,019</u>	<u>901,318</u>	<u>38,089</u>	<u>554,136</u>	<u>140,053</u>	<u>7,314,436</u>

Deferred tax liabilities

	Right-of-use assets KHR'000	Total KHR'000
As at 1 January 2019	-	-
Charged/(credited) to profit or loss	-	-
As at 31 December 2019	<u>-</u>	<u>-</u>
<i>In US\$ equivalent</i>	<u>-</u>	<u>-</u>
As at 1 January 2020	-	-
Charged/(credited) to profit or loss	4,137,589	4,137,589
As at 31 December 2020	<u>4,137,589</u>	<u>4,137,589</u>
<i>In US\$ equivalent</i>	<u>1,022,890</u>	<u>1,022,890</u>

15. OTHER ASSETS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Account receivables	5,666,272	8,443,974	1,400,809	2,072,141
Prepayments	2,923,713	2,805,013	722,797	688,347
Office and house rental deposits	437,090	617,192	108,057	151,458
Supplies	95,629	232,041	23,641	56,943
Others	4,501,281	3,233,382	1,112,801	793,468
	<u>13,623,985</u>	<u>15,331,602</u>	<u>3,368,105</u>	<u>3,762,357</u>

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15. OTHER ASSETS (continued)

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current	13,241,053	14,714,410	3,260,048	3,610,899
Non-current	382,932	617,192	108,057	151,458
	<u>13,623,985</u>	<u>15,331,602</u>	<u>3,368,105</u>	<u>3,762,357</u>

16. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Savings deposits	1,443,040	737,750	356,747	181,043
Fixed deposits	129,991,365	90,177,022	32,136,308	22,129,331
	<u>131,434,405</u>	<u>90,914,772</u>	<u>32,493,055</u>	<u>22,310,374</u>
Accrued interest payables	2,798,199	2,220,359	691,767	544,873
	<u>134,232,604</u>	<u>93,135,131</u>	<u>33,184,822</u>	<u>22,855,247</u>
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current	129,363,297	93,135,131	31,981,038	22,855,247
Non-current	4,869,307	-	1,203,784	-
	<u>134,232,604</u>	<u>93,135,131</u>	<u>33,184,822</u>	<u>22,855,247</u>

Annual interest rates for deposits from banks and other financial institutions are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Savings deposits	1.00%	5.00%
Fixed deposits	2.50% - 6.50%	3.00% - 6.50%

17. DEPOSITS FROM CUSTOMERS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Savings deposits	167,120,992	165,310,766	41,315,450	40,567,059
Fixed deposits	1,820,635,830	1,571,441,316	450,095,384	385,629,770
	<u>1,987,756,822</u>	<u>1,736,752,082</u>	<u>491,410,834</u>	<u>426,196,829</u>
Accrued interest payables	46,211,140	35,083,279	11,424,262	8,609,394
	<u>2,033,967,962</u>	<u>1,771,835,361</u>	<u>502,835,096</u>	<u>434,806,223</u>

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17. DEPOSITS FROM CUSTOMERS (continued)

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current	1,736,804,660	1,211,642,371	429,370,744	297,335,551
Non-current	297,163,302	560,192,990	73,464,352	137,470,672
	<u>2,033,967,962</u>	<u>1,771,835,361</u>	<u>502,835,096</u>	<u>434,806,223</u>

Annual interest rates for deposits from customers are as follows:

	31 December 2020	31 December 2019
Savings deposits	3.00% - 5.00%	1.00% - 5.00%
Fixed deposits	3.50% - 10.50%	3.25% - 12.00%

18. BORROWINGS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current borrowings				
Overdraft	-	1,746,299	-	428,540
Other current borrowings	518,148,136	484,225,441	128,095,955	118,828,328
	518,148,136	485,971,740	128,095,955	119,256,868
Non-current borrowings	565,138,194	940,487,851	139,712,779	230,794,565
	<u>1,083,286,330</u>	<u>1,426,459,591</u>	<u>267,808,734</u>	<u>350,051,433</u>

During the period, the Company obtained additional borrowings of KHR 256,875,799 thousand (US\$63,006,083). The annual interest rates are ranging from 4.71% to 8.72% (2019: 2.55% to 9.88%).

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Principal amount	1,072,953,711	1,413,439,888	265,254,317	346,856,414
Interest payables	10,332,619	13,019,703	2,554,417	3,195,019
	<u>1,083,286,330</u>	<u>1,426,459,591</u>	<u>267,808,734</u>	<u>350,051,433</u>

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19. DEBT SECURITIES

The Company issued corporate bond on 26 April 2019 with par value in amount of KHR 80,000,000 thousand with three-year maturity period. These bonds are divided into two types as plain bond and foreign exchange-indexed bond with coupon rate of 9% and 8% per annum, respectively.

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current	1,217,459	1,224,548	300,979	300,502
Non-current	80,132,838	80,531,351	19,810,343	19,762,295
	<u>81,350,297</u>	<u>81,755,899</u>	<u>20,111,322</u>	<u>20,062,797</u>
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Principal amount	80,132,838	80,531,351	19,810,343	19,762,295
Interest payables	1,217,459	1,224,548	300,979	300,502
	<u>81,350,297</u>	<u>81,755,899</u>	<u>20,111,322</u>	<u>20,062,797</u>

20. EMPLOYEE BENEFITS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Provision on seniority payment:</i>				
Current	199,649	-	49,357	-
Non-current	2,450,676	2,850,672	605,853	699,551
	<u>2,650,325</u>	<u>2,850,672</u>	<u>655,210</u>	<u>699,551</u>

21. OTHER LIABILITIES

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Staff bonuses and incentives	23,668,826	22,379,018	5,851,378	5,491,784
Tax payables	1,990,734	2,058,690	492,147	505,200
Accrued expenses	1,996,481	1,608,425	493,568	394,706
Others	6,643,147	4,806,612	1,642,310	1,179,537
	<u>34,299,188</u>	<u>30,852,745</u>	<u>8,479,403</u>	<u>7,571,227</u>

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21. OTHER LIABILITIES (continued)

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current	34,299,188	26,447,847	8,479,403	6,490,269
Non-current	-	4,404,898	-	1,080,957
	<u>34,299,188</u>	<u>30,852,745</u>	<u>8,479,403</u>	<u>7,571,226</u>

22. SUBORDINATED DEBTS

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Current	32,694,213	6,588,480	8,082,624	1,616,805
Non-current	132,867,219	113,999,106	32,847,273	27,975,241
	<u>165,561,432</u>	<u>120,587,586</u>	<u>40,929,897</u>	<u>29,592,046</u>

During the period, the Company obtained additional subordinated debts of KHR 61,170,000 thousand (US\$15,000,000). The annual interest rates for all subordinated debts are ranging from 9.77% to 12.21% (2019: 10.17% to 12.21%).

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Principal amount	163,279,726	118,405,735	40,365,816	29,056,622
Interest payables	2,281,706	2,181,851	564,081	535,424
	<u>165,561,432</u>	<u>120,587,586</u>	<u>40,929,897</u>	<u>29,592,046</u>

23. REGULATORY RESERVES

As at the reporting date, the accumulated regulatory provision is lower than the accumulated impairment based on CIFRS 9, so the regulatory reserve is reversed to retained earnings as per the central bank's guidelines.

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24. NET INTEREST INCOME

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Interest income from financial assets at amortised cost</i>								
Loans and advances	166,513,680	149,785,659	40,972,854	36,865,779	662,360,723	521,251,862	162,462,772	128,640,637
Deposits and placements with banks	917,439	159,395	225,748	39,231	2,576,184	1,017,334	631,882	251,070
Deposits and placements with the central bank	142,292	173,830	35,013	42,783	681,543	481,780	167,168	118,899
Total interest income	167,573,411	150,118,884	41,233,615	36,947,793	665,618,450	522,750,976	163,261,822	129,010,606
<i>Interest expense on financial liabilities at amortised cost</i>								
Deposits from customers	(34,651,587)	(30,289,332)	(8,526,473)	(7,454,918)	(146,527,675)	(97,665,614)	(35,940,071)	(24,103,064)
Borrowings	(22,606,611)	(32,302,755)	(5,562,650)	(7,950,470)	(101,743,226)	(102,495,948)	(24,955,415)	(25,295,151)
Subordinated debts	(3,885,186)	(2,713,830)	(956,000)	(667,937)	(13,394,009)	(9,354,833)	(3,285,261)	(2,308,695)
Debt securities	(1,686,375)	(1,675,835)	(414,954)	(412,462)	(6,748,334)	(4,588,587)	(1,655,221)	(1,132,425)
Lease liabilities	(136,150)	(359,233)	(33,503)	(88,416)	(1,276,572)	(1,380,818)	(313,116)	(340,774)
	(62,965,909)	(67,340,985)	(15,493,580)	(16,574,203)	(269,689,816)	(215,485,800)	(66,149,084)	(53,180,109)
Net interest income	104,607,502	82,777,899	25,740,035	20,373,590	395,928,634	307,265,176	97,112,738	75,830,497

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25. NET FEE AND COMMISSION INCOME

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Fee and commission income								
Fees and commission income on loans	468,767	950,968	115,346	234,056	2,179,240	4,488,854	534,520	1,107,812
Penalty income	5,436,395	2,238,582	1,337,696	550,968	17,349,235	8,125,665	4,255,392	2,005,346
Other fees	5,871	-	1,444	-	20,342	-	4,990	-
	<u>5,911,033</u>	<u>3,189,550</u>	<u>1,454,486</u>	<u>785,024</u>	<u>19,548,817</u>	<u>12,614,519</u>	<u>4,794,902</u>	<u>3,113,158</u>
Fee and commission expense	<u>(139,932)</u>	<u>(162,093)</u>	<u>(34,432)</u>	<u>(39,895)</u>	<u>(698,829)</u>	<u>(1,118,386)</u>	<u>(171,408)</u>	<u>(276,008)</u>
Net fee and commission income	<u>5,771,101</u>	<u>3,027,457</u>	<u>1,420,054</u>	<u>745,129</u>	<u>18,849,988</u>	<u>11,496,133</u>	<u>4,623,494</u>	<u>2,837,150</u>

26. CREDIT IMPAIRMENT LOSSES

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Expected Credit Loss (ECL):</i>								
Loans and advances	(363,646)	7,478,692	(89,480)	1,840,682	42,224,246	17,565,493	10,356,695	4,335,018
Deposits and placements with banks	<u>(1,647,708)</u>	<u>(253,825)</u>	<u>(405,440)</u>	<u>(62,472)</u>	<u>1,133,655</u>	<u>(328,885)</u>	<u>278,061</u>	<u>(81,166)</u>
	<u>(2,011,354)</u>	<u>7,224,867</u>	<u>(494,920)</u>	<u>1,778,210</u>	<u>43,357,901</u>	<u>17,236,608</u>	<u>10,634,756</u>	<u>4,253,852</u>

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27. PERSONNEL EXPENSES

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Salaries and wage expenses	27,121,732	25,888,189	6,673,655	6,371,694	107,564,240	90,682,833	26,383,184	22,379,771
Other benefits	2,118,618	2,642,703	521,313	650,431	8,144,694	9,377,886	1,997,717	2,314,385
	<u>29,240,350</u>	<u>28,530,892</u>	<u>7,194,968</u>	<u>7,022,125</u>	<u>115,708,934</u>	<u>100,060,719</u>	<u>28,380,901</u>	<u>24,694,156</u>

28. GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Insurance	1,560,513	1,323,241	383,984	325,681	6,234,101	4,407,865	1,529,090	1,087,825
Rental	1,347,848	911,624	331,656	224,372	5,165,454	3,384,544	1,266,974	835,277
Professional fees	1,476,212	1,296,028	363,241	318,983	4,455,594	3,945,372	1,092,861	973,685
Vehicle expenses	1,017,745	919,513	250,429	226,314	3,755,077	3,642,299	921,039	898,889
Office supplies and stationery	778,854	565,294	191,647	139,132	2,792,506	2,124,046	684,941	524,197
Advertising	661,034	606,072	162,656	149,169	1,605,704	1,724,821	393,844	425,672
Charitable contributions	533,374	69,912	131,244	17,207	727,787	186,009	178,510	45,905
Communication	438,489	435,582	107,896	107,207	1,695,915	1,566,216	415,971	386,529
Utilities	375,906	412,241	92,497	101,462	1,607,348	1,590,393	394,248	392,496
Security guard	314,863	307,150	77,476	75,597	1,269,590	1,171,990	311,403	289,237
Board of directors' expenses (Note 31 (g))	158,670	191,015	39,043	47,013	647,028	697,375	158,702	172,106
Repairs and maintenance	119,594	108,346	29,428	26,667	394,450	433,678	96,750	107,028
Others	2,320,273	3,275,769	570,933	806,243	9,490,463	11,292,134	2,327,808	2,786,806
	<u>11,103,375</u>	<u>10,421,787</u>	<u>2,732,130</u>	<u>2,565,047</u>	<u>39,841,017</u>	<u>36,166,742</u>	<u>9,772,141</u>	<u>8,925,652</u>

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29. INCOME TAX EXPENSE

(a) Income tax expense

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000 <i>(Restated)</i>	31 December 2020 US\$	31 December 2019 US\$ <i>(Restated)</i>	31 December 2020 KHR'000	31 December 2019 KHR'000 <i>(Restated)</i>	31 December 2020 US\$	31 December 2019 US\$ <i>(Restated)</i>
Current income tax	6,495,340	9,649,120	1,598,263	2,374,876	48,209,796	15,720,704	11,824,822	3,879,739
Deferred income tax	(1,913,498)	(4,361,845)	(470,841)	(1,073,553)	(16,322,044)	1,545,368	(4,003,445)	381,384
	<u>4,581,842</u>	<u>5,287,275</u>	<u>1,127,422</u>	<u>1,301,323</u>	<u>31,887,752</u>	<u>17,266,072</u>	<u>7,821,377</u>	<u>4,261,123</u>

(b) Reconciliation between income tax expenses and accounting profit

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000 <i>(Restated)</i>	31 December 2020 US\$	31 December 2019 US\$ <i>(Restated)</i>	31 December 2020 KHR'000	31 December 2019 KHR'000 <i>(Restated)</i>	31 December 2020 US\$	31 December 2019 US\$ <i>(Restated)</i>
Profit before income tax	72,852,206	37,946,690	17,926,231	9,339,573	211,338,373	160,998,914	51,836,734	39,733,196
Tax expenses at applicable tax rate of 19.02% (2019: 10%)	12,501,627	3,794,668	3,076,188	933,957	40,198,860	16,099,891	9,859,912	3,973,320
Tax effect of reconciling items:								
Expenses not deductible for tax purposes	45,212	138,898	11,125	34,186	260,161	347,538	63,812	85,769
Unrecognised previous deferred tax	(7,964,997)	-	(1,959,891)	-	(8,571,269)	(535,066)	(2,102,347)	(132,050)
Others	-	1,353,709	-	333,180	-	1,353,709	-	334,084
Income tax expense	<u>4,581,842</u>	<u>5,287,275</u>	<u>1,127,422</u>	<u>1,301,323</u>	<u>31,887,752</u>	<u>17,266,072</u>	<u>7,821,377</u>	<u>4,261,123</u>

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29. INCOME TAX EXPENSE (continued)

(b) Reconciliation between income tax expenses and accounting profit (continued)

Under the Cambodian tax regulations, the Company is subject to 20% Income Tax.

In accordance with the Sub-decree No. 01 of the Royal Government of Cambodia (“RGC”) dated on 4 January 2019, an entity who listed corporate bond on Cambodia Securities Exchange (“CSX”) is entitled up to 50% reduction on tax on profit (20%) for the period of three years.

The Company successfully listed its corporate bond on CSX on 26 April 2019. On 25 March 2020, the Company received an approval from the General Department of Taxation (“GDT”) on the tax on profit reduction of 50% for the year ended 2019. In the GDT’s letter also stated that the Company entitles to reduction of tax on profit for the years ending 2020 and 2021 with the following conditions as per Prakas No. 183 MoEF Br.K dated 25 February 2020.

- Issue bond size is more than 20% of total assets, the reduction on tax on profit at 50%.
- Issue bond size is 20% or less than total assets, the reduction on tax on profit is based on a pro-rata basis but the tax incentive amount should not exceed KHR 8,000 million.

As at 31 December 2020, the Company’s bond issuance was approximately 2% of total assets. The Company has calculated the tax incentives for the twelve-month period ended 31 December 2020 based on pro-rata basis resulted in 4.89% incentive of tax on profit (20%). Therefore, the Company’s income tax is calculated at 19.02% for the twelve-month period ended 31 December 2020. For the three-month period ended 31 December 2019, the Company income tax liabilities was restated at 10% as the Company received full tax reduction for the year ended 31 December 2019 (Note 33).

30. CASH FLOW FROM OPERATING ACTIVITIES

	Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000 (Restated)	31 December 2020 US\$	31 December 2019 US\$ (Restated)
Profit before income tax	211,338,373	160,998,914	51,836,734	39,733,196
<i>Adjustments for:</i>				
Depreciation and amortisation charges	10,243,616	10,307,083	2,512,538	2,543,703
Credit impairment losses (Note 26)	43,357,901	17,236,608	10,634,756	4,253,852
Gain on disposals of property and equipment	(78,590)	(15,072)	(19,276)	(3,720)
Provision for employee benefits	5,256,624	(1,473,068)	1,289,336	(363,541)
Unrealised exchange losses/(gains)	203,417	(278,862)	49,894	(68,821)
Net interest income (Note 24)	(395,928,634)	(307,265,176)	(97,112,738)	(75,830,497)
<i>Changes in working capital:</i>				
Reserve requirement deposits	(30,719,852)	(70,413,666)	(7,534,916)	(17,377,509)
Loans and advances	(323,695,237)	(1,222,739,635)	(79,395,447)	(301,762,003)
Other assets	1,707,617	2,802,577	418,842	691,653
Deposits from banks and other financial institutions	41,097,473	15,515,800	10,080,322	3,829,171
Deposits from customers	250,426,900	877,066,790	61,424,307	216,452,811
Other liabilities	3,446,443	(4,755,121)	845,338	(1,173,524)
Cash used in operations	<u>(183,343,949)</u>	<u>(523,012,828)</u>	<u>(44,970,310)</u>	<u>(129,075,229)</u>

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31. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balance at the period end and relating expenses and income for the period are as follows:

(a) Related parties and relationship

The related parties of and their relationship with the Company are as follows:

Relationship	Related party
Ultimate parent Shareholders	LOLC Holdings Plc. LOLC Private Limited TPC-ESOP Co., Ltd.
Related company	Entity under the same parent company
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

(b) Loans and advances to key management personnel

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Loans to key management personnel	<u>2,615,872</u>	<u>255,891</u>	<u>646,693</u>	<u>62,795</u>
Interest receivable	<u>2,279</u>	<u>325</u>	<u>563</u>	<u>80</u>

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31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Loans and advances to key management personnel (continued)

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Interest income	71,766	7,137	17,659	1,757	203,471	30,347	49,907	7,489

Loans and advances to key management personnel are secured and having interest rate of 9.4% to 12% per annum.

(c) Receivables from related parties

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Receivables from related companies	1,187,960	5,031,097	293,686	1,234,625

(d) Payables to related parties

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Payables to related companies	81,568	-	20,165	-

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31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(e) Deposits from related parties

	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Shareholders	7,345,425	115,308	1,815,927	28,296
Board of directors	772,537	687,448	190,986	168,699
Key management personnel	4,871,465	2,082,745	1,204,318	511,103
Related company	41,304	1,599,874	10,211	392,607
	<u>13,030,731</u>	<u>4,485,375</u>	<u>3,221,442</u>	<u>1,100,705</u>
Interest payable	<u>126,666</u>	<u>26,425</u>	<u>31,314</u>	<u>6,484</u>

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Interest expense	<u>114,972</u>	<u>-</u>	<u>28,257</u>	<u>-</u>	<u>302,735</u>	<u>107,239</u>	<u>74,254</u>	<u>26,466</u>

Annual interest rates during the period are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Shareholders	3.00%	5.00%
Board of directors	3.00% – 8.75%	5.00% – 8.75%
Key management personnel	3.00% – 9.00%	5.00% – 9.25%
Related company	3.00%	5.00%

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31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(f) Transactions with related parties

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
<i>Incomes from related companies:</i>								
Rental income	8,047	2,682	1,980	660	37,671	10,697	9,240	2,640
Management fee	14,882	-	3,662	-	54,827	-	13,448	-
	<u>22,929</u>	<u>2,682</u>	<u>5,642</u>	<u>660</u>	<u>92,498</u>	<u>10,697</u>	<u>22,688</u>	<u>2,640</u>
<i>Expenses to related companies:</i>								
Purchase of assets used in leasing product	64,211	-	15,800	-	2,359,971	-	578,850	-
License fees	148,621	6,850	36,570	1,686	596,379	27,327	146,279	8,095
IT consultancy and support fees	104,205	2,954	25,641	727	552,931	44,746	135,622	11,043
	<u>317,037</u>	<u>9,804</u>	<u>78,011</u>	<u>2,413</u>	<u>3,509,281</u>	<u>72,073</u>	<u>860,751</u>	<u>19,138</u>

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31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(g) Key management compensation

	Three-month period ended				Twelve-month period ended			
	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 KHR'000	31 December 2019 KHR'000	31 December 2020 US\$	31 December 2019 US\$
Directors' fees	158,670	191,015	39,043	47,013	647,028	697,375	158,702	172,106
Salaries and other benefits to key management	4,299,092	581,644	1,057,847	143,156	10,372,013	3,473,103	2,544,031	857,133
	<u>4,457,762</u>	<u>772,659</u>	<u>1,096,890</u>	<u>190,169</u>	<u>11,019,041</u>	<u>4,170,478</u>	<u>2,702,733</u>	<u>1,029,239</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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32. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual audited financial statements.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2020 and 31 December 2019 on a recurring basis:

	Level 1 KHR'000	Level 2 KHR'000	Level 3 KHR'000	Total KHR'000
As at 31 December 2020				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	60,675	60,675
Total financial assets	-	-	60,675	60,675
<i>In US\$ equivalent</i>	-	-	15,000	15,000
As at 31 December 2019				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	61,125	61,125
Total financial assets	-	-	61,125	61,125
<i>In US\$ equivalent</i>	-	-	15,000	15,000

32. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Fair value measurements using significant unobservable inputs (level 3)

The unlisted equity securities are the investment in Credit Bureau Cambodia (“CBC”) to be measured at fair value through other comprehensive income as they are not held for trading and the Company has irrevocably elected at initial recognition to recognise as the financial assets at FVOCI. These are the strategic investments and the Company considers this classification to be more relevant.

The fair value of FVOCI have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

There is no gain/loss recognised in other comprehensive income due to fair value approximate the carrying amount. There is no loss allowance for this FVOCI at 31 December 2020.

(c) Financial instruments not measured at fair value

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

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

(i) Deposits and placements with the central bank and banks

The carrying amounts of deposits and placements with the central bank and banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

(ii) Loans and advances to customers

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

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

32. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(c) Financial instruments not measured at fair value (continued)

(iii) Deposits from customers

The fair value of deposits from customers with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair value of deposits from customers with remaining maturities of one year or more are expected to approximate their carrying amount due to the Company offered similar interest rate of the instrument with similar maturities and terms.

(iv) Lease liabilities

The estimated fair value of lease liabilities with maturities of less than one year approximate the carrying values. For other lease liabilities with maturities of one year or more, the fair values are estimated based on discounted cash flows using prevailing market rates of incremental borrowings.

(v) Other financial assets and other financial liabilities

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

(vi) Borrowings and subordinated debts

Borrowings and subordinated debts issued are not quoted in active market and their fair value approximate their carrying amount.

(vii) Debt securities

The estimated fair value of debt securities is generally based on quoted and observable market prices at the date of statement of financial position. They are not presently traded. The estimated fair values of debt securities are approximate their carrying values based on estimated future cash flows using prevailing market rates.

33. ADJUSTMENT OF PRIOR PERIOD BALANCES

Certain comparative figures have been restated to correct accounting treatment. Details of the adjustments and restatements are as follows.

1. Loans and advances

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation.

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33. ADJUSTMENT OF PRIOR PERIOD BALANCES (continued)

1. Loans and advances (continued)

The accumulated regulatory provision was higher than accumulated impairment based on CIFRS 9, the topping up is correctly recorded as regulatory reserves presented under equity as at 31 December 2019. However, the Company recognised loss allowances based on regulatory provision instead of impairment based on CIFRS 9 for the three-month and twelve-month periods ended 31 December 2019 which understated loans and advances by KHR 10,694,760 thousand, understated credit impairment expense by KHR 1,839,184 thousand for the three-month period and overstated credit impairment expense by KHR 2,309,991 thousand for the twelve-month period. As a result, the Company restated loans and advances of KHR 10,694,760 thousand and credit impairment expenses of KHR 1,839,184 thousand and KHR 2,309,991 thousand for the three-month and twelve-month periods ended 31 December 2020.

2. Income tax

Refer to Note 29, the Company is entitled to 50% reduction on tax on profit (20%) for the year ended 31 December 2019. For the three-month period ended 31 December 2019, the Company's income tax expense was reported as the movement of income tax expense from 30 September 2019 at 20% tax rate to 31 December 2019 at 10% tax rate. Therefore, the reported income tax liabilities and income tax expense for the three-month period ended 31 December 2019 are overstated by the impact of 50% reduction on tax on profit and income tax from prior period adjustment on loans and advances. The Company made an adjustment for restatement of its income tax expense of KHR 14,764,525 thousand for the three-month period ended 31 December 2019.

	31 December 2019 KHR'000	Adjustment KHR'000	31 December 2019 KHR'000	31 December 2019 US\$
	<i>(Previously reported)</i>		<i>(Restated)</i>	<i>(Restated)</i>
Condensed interim statement of financial position (extract)				
Loans and advances at amortised cost	3,104,787,165	10,694,760	3,115,481,925	764,535,442
Total assets	4,102,412,614	10,694,760	4,113,107,374	1,009,351,504
Current income tax liabilities	13,621,187	-	13,621,187	3,342,623
Total liabilities	3,559,700,203	-	3,559,700,203	873,546,063
Retained earnings	97,225,135	10,694,760	107,919,895	26,740,647
Total equity	542,712,411	10,694,760	553,407,171	135,805,441
Total equity and liabilities	4,102,412,614	10,694,760	4,113,107,374	1,009,351,504

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33. ADJUSTMENT OF PRIOR PERIOD BALANCES (continued)

	Three-month period ended			
	31 December 2019 KHR'000 <i>(Previously reported)</i>	Adjustment KHR'000	31 December 2019 KHR'000 <i>(Restated)</i>	31 December 2019 US\$ <i>(Restated)</i>
Condensed interim statement of profit or loss and other comprehensive income (extract)				
Credit impairment losses	(5,385,683)	(1,839,184)	(7,224,867)	(1,778,210)
Net other operating income	<u>(4,310,644)</u>	<u>(1,839,184)</u>	<u>(6,149,828)</u>	<u>(1,513,618)</u>
Profit before income tax	<u>39,785,874</u>	<u>(1,839,184)</u>	<u>37,946,690</u>	<u>9,339,573</u>
Income tax expense	<u>9,477,250</u>	<u>(14,764,525)</u>	<u>(5,287,275)</u>	<u>(1,301,323)</u>
Profit for the period	<u>49,263,124</u>	<u>(16,603,709)</u>	<u>32,659,415</u>	<u>8,038,250</u>
Other comprehensive income: <i>Items that will not reclassified to profit or loss</i>				
Currency translation differences	-	-	-	(280,981)
Other comprehensive income for the period, net of tax	<u>49,263,124</u>	<u>(16,603,709)</u>	<u>32,659,415</u>	<u>7,757,269</u>
Total comprehensive income for the period				
Profit attributable to:				
Owners of the Company	<u>49,263,124</u>	<u>(16,603,709)</u>	<u>32,659,415</u>	<u>8,038,250</u>
Total comprehensive income attributable to:				
Owners of the Company	<u>49,263,124</u>	<u>(16,603,709)</u>	<u>32,659,415</u>	<u>7,757,269</u>

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33. ADJUSTMENT OF PRIOR PERIOD BALANCES (continued)

	Twelve-month period ended			
	31 December 2019 KHR'000 <i>(Previously reported)</i>	Adjustment KHR'000	31 December 2019 KHR'000 <i>(Restated)</i>	31 December 2019 US\$ <i>(Restated)</i>
Condensed interim statement of profit or loss and other comprehensive income (extract)				
Credit impairment losses	(19,546,599)	2,309,991	(17,236,608)	(4,253,852)
Net other operating income	(13,537,842)	2,309,991	(11,227,851)	(2,770,940)
Profit before income tax	158,688,923	2,309,991	160,998,914	39,733,196
Income tax expense	(17,266,072)	-	(17,266,072)	(4,261,123)
Profit for the period	141,422,851	2,309,991	143,732,842	35,472,073
Other comprehensive income: <i>Items that will not reclassified to profit or loss</i>				
Currency translation differences	-	-	-	(1,443,052)
Other comprehensive income for the period, net of tax	141,422,851	2,309,991	143,732,842	34,029,021
Total comprehensive income for the period				
Profit attributable to:				
Owners of the Company	141,422,851	2,309,991	143,732,842	35,472,073
Total comprehensive income attributable to:				
Owners of the Company	141,422,851	2,309,991	143,732,842	34,029,021