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LOLC (Cambodia) Plc.

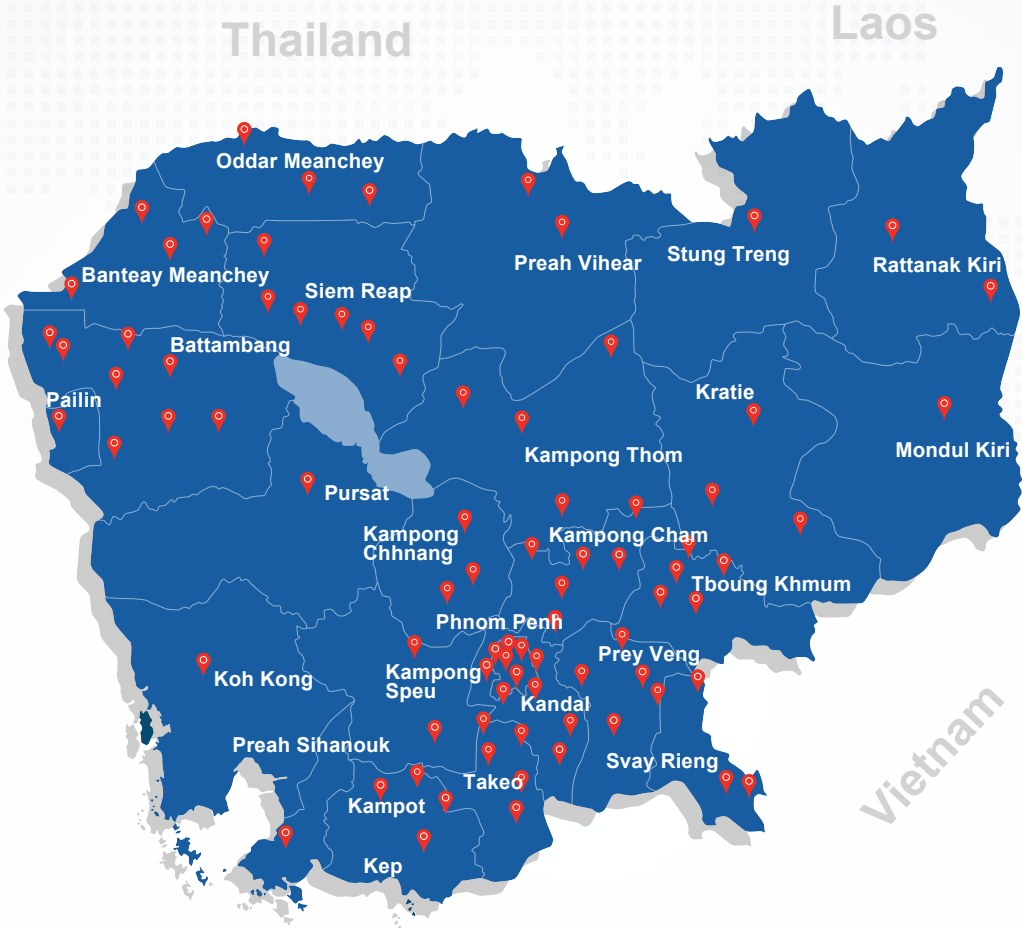
# ANNUAL REPORT 2021



# ANNUAL REPORT 2021



# Map of Business Operating Areas



**Note**

- LOLC Operating Offices
- Office Opening Plan in 2021
- LOLC Operating Areas

**Number of Branches**

81

**Number of Operating Provinces**

25

*Note : The map is used for LOLC's branch network indication purpose only.*

## Vision and Mission

### Vision Statement

LOLC's vision is to be the most trusted provider of inclusive financial services in Cambodia.



### Mission Statement

LOLC Cambodia's mission is to create lasting positive impact on the communities it serves through the sustainable delivery of inclusive and client-centric financial services, while at the same time generating stakeholder value.

# Core Values



## Client Relationships

Our first priority is always to ensure that the clients are fully satisfied with our services.



## Quality

We will continue to provide efficient, effective and best quality services to our clients.



## Diversity and Neutrality

We serve poor people on the basis of need, not ethnicity, religion or political affiliation.



## Integrity

Fairness and honesty in all business dealings, trust is the cornerstone of our business and it will never be compromised.



## LOLC Values the Vision of a Balanced Social and Profit Organizational Agenda

The balance assures the future for our clients and for ourselves.



## Discipline

We believe in respecting the rules of the company, its stakeholders and the country.



## Education

We believe that it will provide the foundation for staff and client lifelong success.



## Hard Work

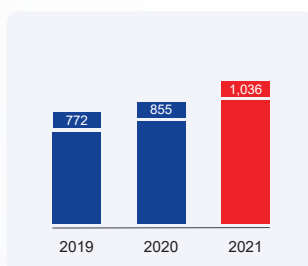
We believe that trust in our future is guaranteed through the maximum effort we provide to face our responsibilities.

# Financial Performance

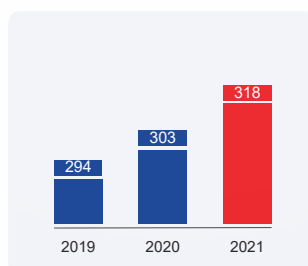
## Actual Performance

	2019	2020	2021
Gross Loan Portfolio	772,214,265	855,921,611	1,036,280,875
Total Assets	1,009,351,504	1,071,528,994	1,211,355,156
Equity	135,805,441	181,176,216	234,457,982
Net Income	34,020,118	45,392,810	53,281,766
Number of Active Borrowers	294,152	303,555	318,354
Deposit Balance	457,661,470	536,019,918	581,937,121
Deposit Account	381,613	461,775	532,169
Depositors	336,002	401,662	462,125
Number of Offices (Including Head Office)	79	79	81
Number of Personnel	2,757	3,140	3,297
Operating Expense / Loan Portfolio	6.07%	4.86%	5.02%
PAR $\geq$ 30 Days	0.61%	1.27%	2.05%
Gross Write-offs	0.27%	0.23%	0.21%
Capital Adequacy Ratio (CAR)	20.05%	23.99%	26.80%
Debt-to-Equity Ratio	6.4x	4.9x	4.2x
Cost-to-Income Ratio (Including Provisions)	52.53%	48.34%	44.48%
Return on Assets	3.19%	4.25%	4.80%
Return on Equity	32.68%	27.90%	26.34%

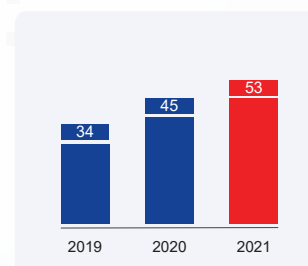
Gross Loan Portfolio  
(USD in millions)



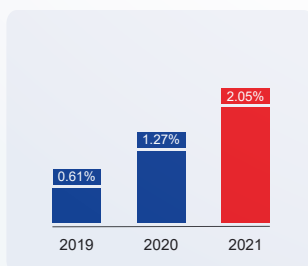
Active Borrowers  
(in thousands)



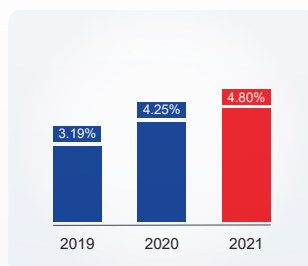
Net Income  
(USD in millions)



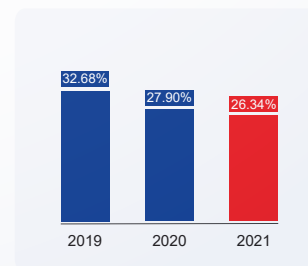
PAR $\geq$ 30 Days



Return on Assets



Return on Equity



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## Chairman's Statement



“

It gives me great pleasure to place before you the Annual Report and Audited Financial Statements for the year ended 31<sup>st</sup> December 2021, *a year in which LOLC Cambodia has shown great resilience and its capacity to adapt to changing conditions to continue responsible growth.*

**BRINDLEY DE ZYLVA**  
Chairman of LOLC (Cambodia) Plc.

**THE COMPANY** adopted a cautious approach to face adverse impacts to economic activity. With regulatory support from the National Bank of Cambodia (NBC), we were able to continue providing relief measures to customers, giving them the time and space required to recommence business activities. We will continue to monitor these customers closely and are committed to providing them with any support needed.

The COVID-19 pandemic has heightened the need of Digital Finance Services (DFS). LOLC Cambodia has fast forwarded the uptake of DFS and has taken a 'living with COVID-19' approach under the 'new normal'. In 2021 we were able to provide diversified digital banking channels/platforms such as iPay mobile banking application, internet banking service, RFT, FAST and Bakong. With these digital channels, our customers are able to perform banking transactions conveniently from their mobile phones at their convenience without having to visit branch offices. We are also piloting the use of tablets in the field to improve customer service and increase efficiency, and we expect to go live to all branches in Q1-2022.

It is very reassuring to note that the Management and Staff of the Company have shown resilience and the ability to adjust to macroeconomic changes and COVID-19 challenges while ensuring compliance with all laws and regulations.

LOLC Cambodia is in compliance with all regulations and prudential ratios issued by the National Bank of Cambodia. From 2019, the company has been implementing the IFRS accounting standard, to meet requirement of the National Accounting Council and particularly IFRS 9 to be fully compliant with the Prakas on credit risk grading and impairment. Aside from these, the Company has adopted an integrated governance framework formulated after taking into consideration the corporate governance regulations issued by the National Bank of Cambodia and other corporate governance best practices to ensure high quality governance and the long-term sustainability of the Company.

In the upcoming years, LOLC Cambodia will keep enhancing and expanding DFS and develop products designed to cater to new business requirements.

Finally, a big thank to all our stakeholders including our customers, investors, regulators, banking and funding partners – both local and foreign for placing their trust and confidence in LOLC and supporting our growth over the years. Once again, I extend my appreciation to my colleagues on the Board, for their advice and guidance, and to the entire team at LOLC Cambodia, which is led by a very capable and committed management team, for their commendable performance.

We reaffirm our commitment to all our customers and shareholders that in 2022 we will continue to focus on areas that represent the best opportunities and support businesses that have shown resilience in light of the pandemic without losing sight of our environmental and social responsibilities.



**Brindley de Zylva**  
Chairman

## CEO's Report



“ Despite the global challenges due to COVID-19 pandemic, banking and financial sectors in Cambodia have shown resilient and have actively contributed to supporting Cambodia's economic activities.

**SOK VOEUN**  
CEO of LOLC (Cambodia) Plc.

Total assets of the microfinance sector increased 17% (to USD 9.8 billion), while the gross loan portfolio increased 25.6% (to USD 8.5 billion) with 2 million accounts. These loans have been provided to economic sectors including household 33.3% (growth 2.8%), trade and commerce 21.8% (growth 19.9%), agriculture 18.8% (growth 13.6%), services 14.1% (growth 0.5%), transportation 5.5% (growth 1.5%), construction 3.8% (growth 8.1%) and manufacturing 1.5% (growth 79.8%). Meanwhile, deposit collection of microfinance institutions increased 20.2% to USD 4.3 billion with 2.8 million deposit accounts, according to the Annual Report 2021 of the National Bank of Cambodia.

In 2021, LOLC conducted its business operations with caution and maintained its loan portfolio growth with quality and strong internal control. Responding to the COVID-19 impacts, LOLC has been giving concessions to its customers whose income was seriously impacted by the COVID-19 outbreak mainly those in tourism, construction, garment sectors and other sectors, and has modified products and services to meet clients' need and cash flow conditions.

### LOLC's MAIN ACHIEVEMENT IN 2021

Let me now briefly highlight the most significant achievements we experienced in 2021.

#### Loan Performance

LOLC maintained quality growth in 2021, increasing its loan portfolio by 21% to reach USD 1,036 million, while the portfolio at risk more than 30 days was only 2.05%. The number of borrowers increased by 5% to around 318 thousand. The borrowers are made up of groups and individuals, representing 47% and 53% respectively. The vast majority of loans outstanding are individual and group loans going to low-income clients, reflecting LOLC's mission to serve rural entrepreneurs and families at the base of socio-economic pyramid.

#### Loan Portfolio Quality

With the outbreak of the pandemic which impacted economic activities in 2021, LOLC Cambodia made itself ready for adverse situations and was able to maintain its loan portfolio growth with quality and strong internal control. LOLC's Board of Directors and management team have worked together closely to strengthen credit risk management and internal control including:

- ▶ Use different level of authorities for loan review and loan approval;
- ▶ Frequently review the policies, procedures or manuals and their implementation;
- ▶ System support on detecting and preventing the implementation of policies and procedures;
- ▶ Keep strengthening credit monitoring after disbursement through various methods;
- ▶ Embed risk management culture throughout LOLC;
- ▶ Keep strengthening the credit quality assurance team to ensure the implementation of internal control;

- ▶ Independent Internal Audit Department plays a key role to ensure strong internal control implementation.
- ▶ Structuring incentive for credit officers and other field staff to be based on credit quality;
- ▶ Requiring that the Credit Bureau of Cambodia checks 100% of borrowers and co-borrowers before disbursement to supplement rigorous in-person loan evaluations;
- ▶ Keep conducting training and retaining sessions to strengthen staff productivity;
- ▶ Integrating Client Protection Principles as a core part of risk management;

#### Deposit Collection

The deposit base reached an impressive amount of over USD 582 million, a growth of 9% compared to the end of 2020. The number of depositors increased to more than 462 thousand with a growth of 15%. The growth of the deposit balance and depositors indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products. LOLC has the objective to almost double its deposit balance to catch up with peers by the end of 2022.

#### Digital Banking Project

In order to support the business and new products development, LOLC has been investing in digital banking projects which will improve customer services and increase efficiency.

- ▶ In 2021, LOLC has been promoting and encouraging its customers to use available digital products and electronic payment means through iPay Cambodia mobile application which was upgraded with new interface and enhancement, Bakong, FAST, RFT (real time fund transfer) and internet banking services, allowing LOLC's customers to do banking transactions conveniently from their mobile phone at any time without having to visit LOLC's branch offices.
- ▶ Furthermore, LOLC's customers are able to withdraw cash at thousands of ATM machines of partnered institutions who are CSS members nationwide.
- ▶ Aside from these efforts, LOLC has been piloting the use of tablet banking system and plans a rollout to all branches in Q1-2022. Through the tablet banking system, our officers will be able to operate their tasks (loan origination, loan collection, opening savings accounts) from the tablet devices, which will improve productivity, efficiency and effectiveness.
- ▶ In addition, LOLC has also been integrating with third party connectivity in order to contribute more distribution channels and provide superior customer experiences.

## Social Performance

LOLC continued to deliver its inclusive, responsible, and environmentally friendly financial services to rural Cambodians. As of December 2021, about 93% of its loan clients lived in rural areas, around 71% of borrowers were female, 32% of borrowers involved in agriculture that did not experience significant environmental risk exposure, 6 thousand clients had access to clean energy, 9.7 thousand clients were using housing loans, 6.3 thousand clients were using WASH loans for better sanitation and clean water, 462 thousand clients had access to savings, and approximately 25% of clients were likely living below 150% of the National Poverty Line (using PPI tools for measuring poverty).

The company's strategy is to integrate social performance management standard including Client Protection Principle (CPP), Universal Standard of Social Performance Management (USSPM), etc. into institutional policies, procedures, trainings, delivery of products and services, and monitoring tools. This is because management and the Board of Directors understand the philosophy that "the company succeeds only if the clients succeed."

Protecting clients is crucial to building a responsible and inclusive financial system. LOLC has committed to client protection, and as a result LOLC received the Gold Level of Client Protection Certificate from Cerise and SPTF. This verifies that LOLC always protects and supports clients to financially grow their businesses through efficient and sustainable financial services.

During the year, due to COVID-19, financial literacy awareness in-class training and other related activities were postponed. In their place, 8 short financial literacy videos were produced in order to deliver financial literacy messages, consumer protection, self-motivation and small business management to the public by posting them to the LOLC Facebook page and one of the most popular mass-media Facebook pages.

Furthermore, LOLC also allocated some of its budget to contribute to other social activities such as donating to the Cambodian Red Cross and the active charity work being done by the organization on-site, and donating funds to the Royal Academy of Cambodia for its "Fresh Milk Nutrition Program."

## STRATEGIC PRIORITIES FOR 2022

We see 2022 as the year of new opportunities and challenges for LOLC.

**On the lending side,** we will continue to follow our existing strategy and keep focusing on micro, small and medium business loan and asset-backed lending/leasing, which are the core business of LOLC.

**On the deposit side,** we will keep strengthening our customer services and using diversified digital channels to promote more deposit collection. We will also diversify products and services to meet clients' needs, including offering plan savings accounts, kids savings accounts, bill payment services and payroll services.

**On the digital side,** LOLC will keep enhancing its digital footprint, by designing new products to embed into existing digital channels which will improve customer services and increase efficiency.

**On the funding side,** LOLC will diversify sources of funds to ensure sufficiency of funding requirements to support LOLC's growth. Aside from sources of funds from shareholder paid-up capital, borrowings and deposits, LOLC has issued corporate bonds to support LOLC's long-term growth.

**On the social performance side,** LOLC will continue focusing on social activities to meet LOLC's core value: LOLC values the vision of a balanced social and profit organizational agenda.

In short, we will try to make the most out of the opportunities that our current successes open for us. We are confident that LOLC is well positioned to bring further value to its customers, investors and shareholders.

Finally, I would like to express my sincere thanks to our shareholders, Board of Directors and committee members for their leadership, support, and guidance throughout the year. I would also like to express my sincere gratitude to all LOLC staff who have been working very hard and intelligently, and are highly committed to performing their work with integrity, ethics, professionalism and high responsibility. Additionally, I would like to express my sincere thanks to all of LOLC's clients, investors and business partners for supporting LOLC and being a part of its achievements. To the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks both for your support in 2021 and in anticipation of happy and prosperous coming years.




**Sok Voeun**  
Chief Executive Officer



# 1

## ABOUT LOLC

- ✓ Cambodia at a Glance
  - ✓ Brief Overview of LOLC
  - ✓ Brief History of LOLC
  - ✓ Lenders and Partners
  - ✓ Principle Activities of LOLC
- 

# Cambodia at a Glance

## Geography & Demographic

A tropical country, the Kingdom of Cambodia—the descendant of the Khmer Empire—is a member of the Greater Mekong Sub-region, a member state of ASEAN since 1999, a member of WTO since 2004, a beneficiary of the USA Generalized System of Preferences (GSP) since 1997, and a beneficiary of the EU's Everything But Arms agreement (EBA) since 2001. Cambodia geographically is a favorable country in terms of water, natural resources, eco-tourism (mountains, beaches, forests and wildlife) and cultural tourism (temples). By end of 2021, Cambodia had a population of 16.9 million with an annual growth rate of 1.4% and a life expectancy of 69.8 years, according to the World Bank.

## Macroeconomic

The February 20 community outbreak of COVID-19 severely affected economic activities, which led to a slowdown in the recovery of the economy. Facing this situation, the Royal Government of Cambodia has introduced social and economic protection measures, the rapid distribution of vaccination as well as strong safety enforcement measures. The implementation of preventive measures and the success of the vaccination rollout program, which covers about 90% of the total population has allowed a gradual easing of restrictions and a recovery of economic activities leading up to the re-opening of the country at the end of 2021. The recovery in domestic activities, coupled with the favorable effects of global economic growth, has boosted economic growth in 2021 to around 3%. This is supported by the rebound of the garment, wholesale and retail trade, telecommunication, transportation, construction sectors, continued high growth in non-garment manufacturing products for export and continued growth in agriculture, whereas tourism continued to decline. The exchange rate stability and sound management of money supply in the economy have contributed significantly to price stability, with a low inflation rate of

2.9%, the National Bank of Cambodia said in its Macro-economic and Banking Sector Development in 2021 and Outlook for 2022.

In 2022, the Cambodian economy is expected to continue to recover with the rollback of COVID-19 related restrictions. GDP growth is projected at 4.5% - 5% in 2022. With the relaxation of travel restrictions reopening the country, key sectors such as tourism, travel, hospitality, and wholesale and retail are starting to recover. In addition, the new Law on Investment and the Free Trade Agreements with China and the Republic of Korea are expected to attract foreign direct investments in the coming years.

## Microfinance Sector

Cambodia microfinance industry witnessed 28% portfolio growth compared to year-end 2020, reaching around KHR 35,530 billion in December 2021, having more than 2 million borrowers and PAR>30 days of 1.6%. Number of depositors reached to around 2.9 million with deposit balance more than KHR 17,721 billion. Microfinance providers in Cambodia operate nationwide and have innovative products such as unsecured lending, leasing, asset-backed lending, SME, agriculture lending etc. Moreover, fin-tech solutions are also popular across mobile, online payments and digital lending.

Currently, there are more than 80 licensed providers in the country while the top 5 MDIs take up 77% of the portfolio market size.

The microfinance market situation is known as a mature market, in which new entrants have to possess very strong capital.

*\*Data based on CMA Report as of 31<sup>st</sup> December 2021.*

## Brief Overview of LOLC

LOLC (Cambodia) Plc. (“LOLC”) is a microfinance deposit-taking institution regulated by the National Bank of Cambodia that focuses on serving entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives.

LOLC was established by the Catholic Relief Services (“CRS”) in 1994 and incorporated as Thaneakea Phum (Cambodia) Ltd. (“TPC”) in 2002. The National Bank of Cambodia then licensed TPC as a microfinance institution in 2003. With two strong shareholders, DWM and LOMI, in 2015 Thaneakea Phum (Cambodia) Ltd. rebranded to LOLC (Cambodia) Plc. (“LOLC”), and obtained a microfinance deposit-taking license from the National Bank of Cambodia at the same time. In 2018, LOLC Private Limited bought 36.97% of LOLC’s shares from the Developing World Market (“DWM”) and 60% of LOLC’s shares from LOLC Micro Investment Ltd. (“LOMI”), then owning 96.97% of LOLC’s total shares. In 2021, LOLC Private Limited renamed itself to LOLC Asia Private Limited to reflect its investment strategy in the Asia region.

In more than 28 years of development and growth, LOLC has significantly strengthened its position in the market and become the Top 3 microfinance deposit-taking institution in Cambodia in terms of deposit balance, gross loan portfolio (GLP) and number of borrowers.

Through its network of 81 offices nationwide and almost 3,300 experienced staff, LOLC serves more than 318,000 clients with a loan portfolio of USD 1,036 million. The deposit base has reached an impressive amount of over USD 582 million, with more than 462,000 thousand depositors. The growth of its deposit balance and depositors indicate that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

Today, LOLC offers a wide range of financial services to its customers including credit, deposit, finance lease, money transfer, mobile banking and payment services. With the revolution of modern technology, LOLC has been providing digital financial services to contribute more distribution channels and provide superior customer experiences. These services include iPay Mobile Application, Internet Banking, Bakong, FAST, ATM card via CSS and Real Time Fund Transfer.





# Brief History of LOLC

28-year track record in providing socially responsible microfinance services in Cambodia.



# Lenders and Partners

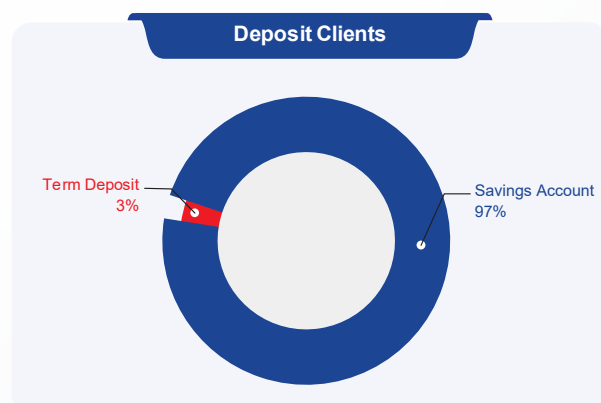
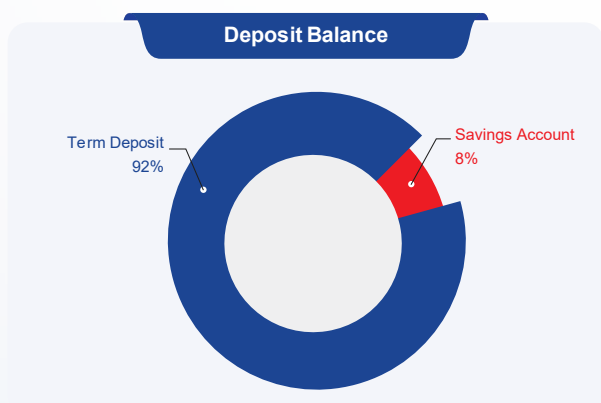
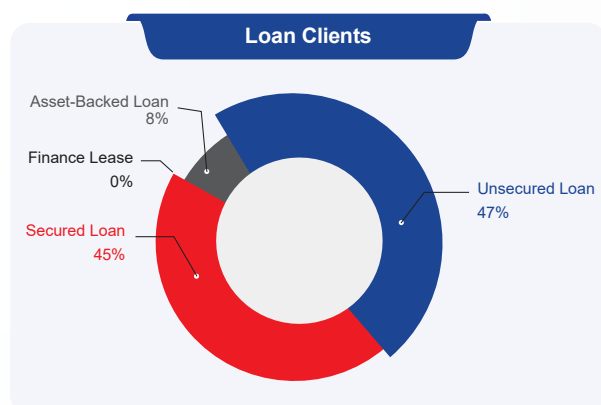
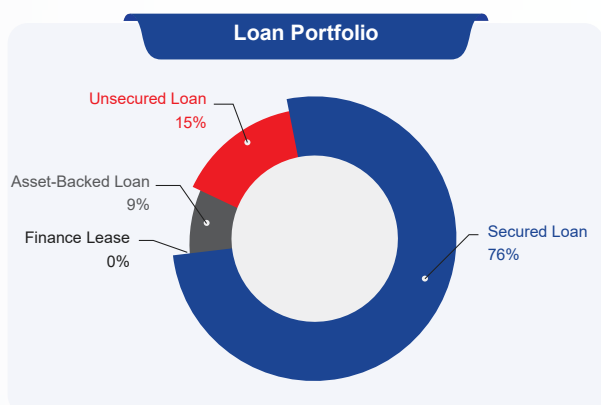
	Industrial and Commercial Bank of China Limited		KCD-Mikrofinanzfonds
	Sathapana Bank		Developing World Markets
	Advanced Bank of Asia Limited		Triple Jump BV
	responsAbility		Alterfin c.v.b.a.
	Oikocredit		PG Impact
	Enabling Capital		Union Commercial Bank Plc.
	Overseas Private Investment Corporation		Foreign Trade Bank of Cambodia
	Symbiotics SA		TAISHIN INTERNATIONAL BANK
	Incofin Investment Management		Mega Commercial Bank
	Instituto de Crédito Oficial		Norfund
	BlueOrchard		Proparco
	Impact Investment Exchange (Asia) Pte. Ltd		Chailease International Finance Corp.
	KB Daehan Special Bank Plc.		SME Bank
	BANK OF CHINA (HONG KONG)		FS Impact Finance
	The Shangha   Commercial & Savings Bank. LTD,		Water Equity
	MicroVest Purposeful Investing		USAID
	Cambodia Microfinance Association		Wing Bank (Cambodia) Plc
	Credit Bureau Cambodia		E-Money
	SPTF		CACA: Cambodian Agricultural Cooperative Alliance
	CERISE		GCPF
	True Money		CGCC
	Lyhour Pay		

## Principle Activities of LOLC

LOLC is licensed to offer credit and deposit products regulated by the National Bank of Cambodia. A wide range of services include unsecured loans, secured loans, finance lease, asset-backed loans, savings accounts, fixed-term deposits, money transfers and mobile banking through the app. The majority of its clients are in rural areas.

Loan Performance as of Dec-21	Loan Portfolio (USD)	Number of Accounts
Unsecured Loan	153,834,984	179,638
Secured Loan	790,215,188	168,955
Finance Lease	431,627	171
Asset-Backed Loan	91,799,077	31,144

Deposit Performance as of Dec-21	Deposit Balance (USD)	Number of Accounts
Savings Accounts	47,710,219	517,981
Fixed-Term Deposits	534,226,902	14,188





# 2

## BUSINESS REVIEW

- ✓ Responsible Growth
  - ✓ Trend in Product Mix
  - ✓ Business Performance
  - ✓ Financial Highlights
  - ✓ Customer Perspective
  - ✓ Human Resource Development
- 

## Responsible Growth

LOLC (Cambodia) Plc. (“LOLC”) is a rapidly growing, regulated microfinance institution with a focus on serving entrepreneurs and families at the base of the socioeconomic pyramid with economic opportunities to transform the quality of their lives. With LOLC, families at the base of the socio-economic pyramid are empowered to live their lives with dignity, social and economic security and justice. LOLC is currently the 3rd largest MDI/MFI in Cambodia by number of clients, gross loan portfolio and deposit balance. Due to its commitment to serving clients responsibly, focusing on customer service, innovating products and maintaining fair and transparent pricing, LOLC has become a trusted provider of financial services for Cambodians. Our long-term commitment to empowering entrepreneurs and families at the base of the socio-economic pyramid in Cambodia was realized through the development of new products tailored to meet our clients’ needs, sound internal control policies and financial literacy training programs aimed at enhancing clients’ financial management and experience.

LOLC’s gross loan portfolio grew by 21% from USD 855 million to USD 1,036 million at the end of 2021. LOLC maintained its loan portfolio growth with quality and risk control, and it achieved a better performance than the industry average. LOLC’s deposit product performed very well, reaching an impressive amount of more than USD 582 million. The fast growth of both the deposit balance and loan portfolio indicate that LOLC is a trusted microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

LOLC’s ROA increased from 4.25% in 2020 to 4.80% in 2021, while ROE decreased from 27.90% to 26.34%. However, LOLC’s ROA is leading among the top seven MDIs, while the ROE of LOLC stands at second. LOLC has consolidated its position as the country’s 3rd MDI in terms of number of borrowers, gross loan portfolio (GLP) and deposit balance.

LOLC’s long-term commitment to preventing over-indebtedness among its clients and to generating fair customer outcomes — illustrated by its strict credit — is pushed forward by its implementation of Client Protection Principles in day-to-day operations. LOLC Cambodia also took steps towards effective social performance management, such as the implementation of an environmental footprint, environment and social assessments for SME loans, a Universal Standard of Social Performance (USSPM), serving clients with Green Lending & WASH Loans, and its self-assessment SPI4 to determine the next steps of social performance best practices for the company. In the last several years, LOLC has achieved many milestones. These include its Progress out of Poverty Index certificates; renewing its SMART Client Protection Principle Certification, which was assessed by M-CRIL; its GIIRS ratings; its Social Rating grade BB+; and its Financial Rating grade A from Microfinanza, which assessed the company through various criteria including external context, governance and strategy, financial profile, loan portfolio quality, systems and control and client protection. Additionally, we have provided financial literacy to clients, partners and the community through in-class trainings and the radio program “Idea for Growth,” which aims to deliver financial literacy messages, consumer protection, self-motivation and small business management mentality to rural people. These initiatives and their derived processes contribute to the reduction of all client-related risks and ensure that LOLC treats its clients fairly.

Finally, our operations and projects have been supported by growing our staff from 3,140 in 2020 to 3,297 in 2021. LOLC had a network of 81 branches as of 2021, operating in 25 provinces throughout the country. Our staff members all receive extensive training on LOLC’s credit process, internal controls and credit policies, as LOLC is dedicated to aligning our growth path with the quality of our loan portfolio.

## Trend in Product Mix

LOLC has been improving and diversifying its product offerings over the years to meet its clients' evolving demands and needs. Our mission to empower people at the base of the socio-economic pyramid is shaping our product design. Furthermore, we intend to be as flexible as possible in product application and delivery, removing any barriers of access to our services. We have also expanded the size of our individual lending and designed new products aimed at meeting clients' needs. LOLC's group loan is still LOLC's most well-established loan product among Cambodians in the countryside. Group loans account for 15% of the company's total gross loan portfolio and represent 47% of LOLC borrowers. Although this product is well functioning and satisfies clients, we are always looking for new ways to improve its quality. LOLC increased the loan size of its group loans in 2021 to further fit the growth of the local economy.

LOLC also has many individual loans which have terms and conditions different from group loans. The individual loans account for 85% of the GLP and 53% of clients. With a larger loan size, the Individual Loan (IL) is intended for entrepreneurs whose growing businesses need working capital, such as farmers, workers, organizations and entrepreneurs looking to expand their businesses. LOLC's Seasonal Loan (SNL) is intended for clients with agricultural activities who need to finance their inputs and will repay the loan once the harvest is sold. The SNL allows for balloon and semi-balloon repayments of the loan principal. Small and Medium Enterprise (SME) loans have a maximum loan size of USD70,000 and provide small- and medium-sized business owners ample capital to grow their businesses. LOLC offers loans for household improvement up to USD20,000 and housing loans of up to USD100,000. The Home Improvement Loan is a term loan that allows homeowners to improve their homes without extracting capital from their businesses.

Likewise, the Life Improvement Loan (LIL) provides clients who have stable sources of income with the opportunity to finance further consumption and personal purchases against an affordable interest rate and loan

term. Asset-backed lending/financial lease offers long-term financing period to clients who wish to purchase brand new or second-hand motor-bikes, tricycles, cars and agricultural machinery for their daily business or personal activities, without investing their own capital or using working capital. Currently, LOLC also offers inventory loans up to USD100,000 without home/land collateral needed, which is very popular among business clients.

Furthermore, the Loan for Agricultural Machinery (LAM) can be accessed for an amount up to USD35,000 with a good repayment term. This is due to the loan's purpose, which is primarily for purchasing agricultural machinery for farmers and service providers (machine rental businesses) to raise productivity, yield, and ultimately generate more profits. The LAM is available at all branches in either USD or THB.

LOLC also offers additional products attached to our core products. This is the case for the Water, Sanitation and Hygiene Loan (WASH Loan) and Home Appliance Loan (HAL). These two products are offered to clients who wish to borrow additional funds from LOLC to improve their lives as well as to improve sanitation and hygiene in the family. As part of LOLC's due diligence and to mitigate risks of over-indebtedness, these loan products can only be granted to clients who have demonstrated strong repayment discipline and a steady repayment capacity.

LOLC was granted a deposit-taking license from the National Bank of Cambodia and started pilot testing deposit product at some branches in October 2015. In 2016, LOLC rolled out deposit products at all branches nationwide, achieving a deposit balance of USD581 million. LOLC provides two types of deposit products: savings accounts and fixed-deposit accounts. In addition to ensuring cash security, deposit clients receive high interest rates and good customer service from LOLC. LOLC also provides other services to clients such as cash transfers, ATMs and iPay, which are convenient for clients.

# Business Performance

## Loan Performance by Sectors

### Number of Accounts

No.	Sectors	2019	2020	2021
1	Agriculture	150,367	123,283	122,788
2	Manufacturing	1,417	3,178	4,672
3	Trade	34,295	42,869	51,052
4	Service	61,622	57,344	59,211
5	Salary and Wage	89,842	133,430	142,152
6	Others	1,102	48	33
	<b>Total</b>	<b>338,645</b>	<b>360,152</b>	<b>379,908</b>

### Loan Portfolio (USD)

No.	Sectors	2019	2020	2021
1	Agriculture	263,833,125	219,880,320	257,330,542
2	Manufacturing	4,013,221	11,115,434	18,432,401
3	Trade	121,039,109	150,135,490	214,918,858
4	Service	185,126,066	183,661,816	215,666,576
5	Salary and Wage	195,912,688	291,025,979	329,789,858
6	Others	2,290,057	102,572	142,640
	<b>Total</b>	<b>772,214,266</b>	<b>855,921,611</b>	<b>1,036,280,875</b>

LOLC has grown its loan portfolio by 17% compared to the previous year, reaching more than USD 1,036 million by the end of 2021.

In terms of sectors, salary and wage represents the biggest portion, accounting for roughly around 35% of the total loan portfolio, followed by agriculture at 25%, trade at 19%, service at 21% and manufacturing at 2%.

## Loan Performance by Products

### Number of Accounts

No.	Products	2019	2020	2021
1	Group Loan (GL)	142,353	160,184	179,638
2	Individual Loan ( IL )	94,835	101,548	103,415
3	Small and Medium Enterprise (SME)	12,278	15,490	22,858
4	Seasonal Loan (SNL)	20,404	20,939	21,998
5	Home Improvement Loan (HIL)	10,912	10,719	9,696
6	Life Improvement Loan (LIL)	47,866	42,683	36,244
7	WASH Loan (WIL)	9,594	8,324	5,877
8	Inventory Loan (IVL)	44	17	11
9	Financial Lease (FL)	359	248	171
	<b>Total</b>	<b>338,645</b>	<b>360,152</b>	<b>379,908</b>

The client base of LOLC Cambodia remained large in 2021, with more than 318,300 clients. Product diversification has responded to all segments of the Cambodian population. Most clients use group loan products, followed by individual loan products and seasonal loan products.

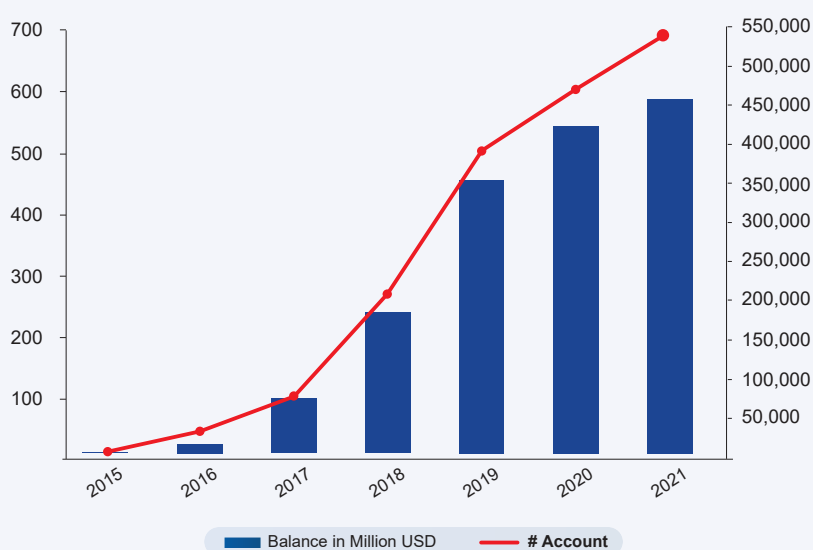
#### Loan Portfolio (USD)

No.	Products	2019	2020	2021
1	Group Loan (GL)	85,267,427	109,029,872	153,834,984
2	Individual Loan (IL)	281,024,607	304,548,550	324,405,598
3	Small and Medium Enterprise (SME)	164,637,619	194,550,089	302,652,124
4	Seasonal Loan (SNL)	70,316,183	76,855,373	94,652,903
5	Home Improvement Loan (HIL)	48,544,505	51,236,159	50,122,308
6	Life Improvement Loan (LIL)	114,330,274	108,665,420	100,909,331
7	WASH Loan (WIL)	4,274,185	3,125,176	2,230,205
8	Housing Loan (HL)	1,844,759	6,628,723	6,628,723
9	Inventory Loan (IVL)	1,561,119	629,822	413,072
10	Financial Lease (FL)	413,587	652,427	431,627
<b>Total</b>		<b>772,214,265</b>	<b>855,921,611</b>	<b>1,036,280,875</b>

LOLC has grown its loan portfolio by 21% compared to the previous year, reaching almost USD 1,050 million by the end of 2021 with most clients using individual loan, small and medium enterprise loan, group loan and seasonal loan products.

#### Summary of Achievement of Deposit product, iPay Cambodia, and LOLC ATM card as of 31<sup>st</sup> December 2021:

**Deposit Product:** Total deposit balance: USD 581 million. Total number of accounts: 532,169 accounts. The total amount of the deposit balance has increased 9% and the total number of deposit accounts have increased 15% compared to 2020.





**iPay Cambodia:** Total user registration: 32,903. Total transactions: 1,083,212. Total transaction amount: USD 54,703,834.

Month	#Users Registered	#Transactions	Transaction Amt. in USD
As of October 2021	27,324	941,106	46,711,821
As of November 2021	29,900	1,006,696	50,351,682
As of December 2021	32,903	1,083,212	54,703,834

**LOLC ATM Card:** LOLC ATM Card offers customers high convenience and security in managing their cash better. With the card, customers can perform self-banking transactions with CSS members such as: cash withdrawal, purchase, balance inquiry, PIN change, review of mini statement and fund transfer within LOLC/interbank.

As of December 2021, LOLC has issued 32,066 ATM Cards and seen the total number of transactions reached 381,225 with a total transaction amount of USD 22,042,389.

Month	#Card Issued	#Transactions	Transaction Amt. in USD
As of October 2021	27,367	335,277	19,342,833
As of November 2021	29,185	355,893	20,586,736
As of December 2021	32,066	381,225	22,042,389

**Savings Account:** A savings account is a type of account that offers clients an easy way to withdraw or deposit money at any time and place without limit. It is the best choice for both those who want to keep their money safe and those who need to use money daily. With this savings account, customers are able to do transactions through iPay Cambodia and Internet Banking.

#### Summary of Savings Account:

Condition	Description
Currency	KHR / USD / THB
Minimum Balance	0
Term	Unlimited
Yearly Interest Rate	3%
Savings Account Passbook	Free

**Fixed-Deposit:** A fixed-deposit account offers an enhanced rate of return for committing to keep the savings on deposit with LOLC for a specific period.

#### Summary of Fixed Deposit:

Condition	Description
Currency	KHR / USD / THB
Minimum Balance	KHR 200,000, USD 50, THB 2,000
Term	1, 3, 6, 9, 12, 24, 36 months
Highest Yearly Interest Rate	7.35%

**Local Money Transfer:** Customers can transfer their money to relatives, friends or business partners within LOLC and Inter Bank transfer via FAST, Retail Pay “on RFT service” and Bakong with fast and convenient service.

**Summary of Local Money Transfer (within LOLC):**

Condition	Description
Currency	KHR / USD
Loan Payment Cross Branches	Any branches
Transfer within Branches and Across Branches	
Fee Charge	Free

Notes: Account to account, deposit, withdraw across branches

**Inter-Bank Transfer (FAST):** Customers can transfer money conveniently between financial institutions (Banks and MDIs). This service can be made with KHR currency.

**Summary of Inter-Bank Transfer (FAST):**

Condition	Description
Currency	KHR
Method	iPay Cambodia and Internet Banking
Maximum Amount Per Transaction	KHR 40,000,000
Maximum Amount Per Day	KHR 80,000,000
Fee Charge	Free

**Inter-Bank Transfer (RFT):** Real-Time Fund Transfer Service (RFT) is an initiation by the National Bank of Cambodia (NBC). To use this service, the sender is required to have a savings account, and the receiver can receive money either via a savings account or phone number. The service can be made in KHR and USD currency.

Condition	Description
Currency	KHR / USD
Transaction Type	- Account to Account - Account to Phone Number
Maximum Amount Per Transaction	<b>1. LOLC Branch:</b> <b>- Account to Account</b> KHR 200 million or USD 50,000 <b>- Account to Phone Number</b> Less than KHR 4 million or Less than USD 1,000 <b>2. iPay Cambodia/Internet Banking</b> <b>- Account to Account</b> KHR 40 million or USD 10,000 <b>- Account to Phone Number</b> Less than KHR 4 million or Less than USD 1,000
Withdrawal Condition	<b>- Account to Account:</b> Receiver is required to have a savings account with LOLC <b>- Account to Phone Number:</b> Receiver is required to have a phone number and legal document.
Fee	Free

**iPay Cambodia:** iPay is a platform beyond payments that brings to its users the true convenience of digital transactions providing a cashless and seamless payment experience.

LOLC (Cambodia) Plc. has launched a mobile banking service called iPay Cambodia for its customers. It aims to benefit them by creating cash and non-cash movement management through smart phones at any time and place where there is an internet connection. Through iPay Cambodia, customers are able to perform transactions such as balance inquiry, bill payment, money transfer, Open Fixed Deposit, mobile top-up, Bakong top up, loan repayment and other functions. Customers are able to download the iPay App to smart phones (iOS & Android) easily, quickly and conveniently. Through the popular function, scan KHQR from iPay Cambodia, customers are able to make payments to any LOLC's merchants or other KHQR member merchants nationwide. Additionally, the merchant owners are easily able to manage and receive payments from their customers by showing their LOLC KHQR code.

#### Transaction Limitation of iPay Cambodia:

Transaction Limitation	Maximum Amount
Per Transaction	KHR 40 million / USD 10,000 / THB 400,000
Per Day	KHR 80 million / USD 20,000 / THB 800,000

**LOLC ATM Card:** Through the Cambodian Shared Switch (CSS) project developed by the National Bank of Cambodia, LOLC has launched debit ATM Cards to its public customers after pilot testing by LOLC employees was successfully completed. With the LOLC ATM Cards, customers are able to do financial transactions via ATMs and POS machines at all institutions that are CSS members. These transactions include withdrawal, transfer and other transactions within 25 provinces (nationwide).

#### ATM Card Transactions via ATM Machines

- Cash Withdrawal/ Fast Cash Withdrawal
- Balance Inquiry
- Mini Statement
- Interbank Funds Transfer ( FAST )
- PIN Change

#### ATM Card Transactions via POS Machine

- Purchase
- Cash Withdrawal
- Refund
- Purchase Reversal
- Balance Inquiry

#### Transaction Limitation via ATM Machine

Transaction types	Amount per transaction	Transaction per day
Cash Withdrawal	KHR 4 million or USD 1,000	10 times.
Inter-Bank Transfer		
Fund Transfer within LOLC		

#### Transaction Limitation via POS Machine

Transaction types	Amount per transaction	Transaction per day
ATM Card Transaction through POS Machine	KHR 4 million or USD 1,000	Acquired Banks

**Bakong System:** Bakong System or Bakong refers to a real-time electronic payment system which is made among Bakong members. LOLC joined as a Bakong Pilot member on 29<sup>th</sup> December 2020.

No.	Features	Description
1	Currency	KHR / USD
2	Limitation Per Transaction and Per Day	<ul style="list-style-type: none"> <li>■ <b>Extended Feature:</b></li> <li><b>Basic Customer:</b> KHR 2,000,000 and USD 500</li> <li><b>Partial KYC:</b> KHR 12,000,000 and USD 3,000</li> <li><b>Full KYC:</b> KHR 40,000,000 and USD 10,000</li> <li>■ <b>Extended Feature:</b> KHR 200,000,000 and USD 50,000</li> </ul>

## Financial Highlights

### Profit & Loss Summary

Profit & Loss Summary (USD '000)	FY2019 Audited	FY2020 Audited	FY2021 Audited	YOY %
Net Interest Income	63,180	97,113	113,996	17.4%
Other Income	17,457	5,887	5,964	1.3%
<b>Net Operating Income</b>	<b>80,638</b>	<b>103,000</b>	<b>119,961</b>	<b>16.5%</b>
Operating Expenses	(38,103)	(39,592)	(47,540)	20.1%
Allowance for Bad and Doubtful Financial Instruments	(4,254)	(10,194)	(5,813)	-43.0%
<b>Profit Before Tax</b>	<b>38,281</b>	<b>53,214</b>	<b>66,608</b>	<b>25.2%</b>
Income Tax Expense	(4,261)	(7,821)	(13,326)	70.4%
<b>Net profit for the year</b>	<b>34,020</b>	<b>45,393</b>	<b>53,282</b>	<b>17.4%</b>

LOLC (Cambodia) Plc. managed to achieve 17.4% YoY growth in Net Profit to reach USD 53.28 million (2020: USD 45.39 million) in spite of the challenging operating environment. This generated a Return on Average Equity of 26.34% and a Return on Average Asset of 4.80%.

### Balance Sheet Summary

Balance Sheet Summary (USD '000)	FY2019 Audited	FY2020 Audited	FY2021 Audited	YOY %
Asset	1,009,352	1,071,529	1,211,355	13.0%
Gross Loan Portfolio	772,214	855,922	1,036,281	21.1%
Liabilities	873,546	890,353	976,897	9.7%
Deposit Balance	457,661	536,020	581,937	8.6%
Borrowing Balance	379,643	308,739	344,799	11.7%
Equity	135,805	181,176	234,458	29.4%

LOLC (Cambodia) Plc. saw its total assets grow by 13.0% to USD 1,211.35 million as of 31<sup>st</sup> December 2021 made up primarily of its gross loan portfolio which registered a growth rate of 21.1% YoY to USD 1,036.28 million

Deposit products grew slightly by 8.6% to USD 581.93 million as LOLC (Cambodia) Plc. continued to benefit from its improving trust from depositors. The proportion of the deposit balance among the two products was 8% savings accounts and 92% fixed deposit accounts. Borrowing increased by 11.7% to USD 344.79 million, in which local borrowing decreased by 10.9% to USD 64.77 million (2020: USD 72.72 million) and overseas borrowing increased by 18.7% to USD 280.02 million (2020: USD 236.02 million).

Key Ratio Indicators	FY2019	FY2020	FY2021
Return on Equity	32.68%	27.90%	26.34%
Return on Asset	3.19%	4.25%	4.80%
Operating Expense to Average Gross Loan Portfolio	6.07%	4.86%	5.02%
Cost to Income Ratio (Including Provision)	52.53%	48.34%	44.48%
Deposit to Loan Ratio	59.27%	62.62%	56.16%
Liquidity Coverage Ratio	281.90%	235.30%	227.45%
Solvency Ratio	20.05%	23.99%	26.80%
Non-Performing Loan to Gross Loan Portfolio	0.61%	1.27%	2.05%

LOLC (Cambodia) Plc. maintained a high performance in improving its Operating Expense to Average Gross Loan Portfolio to 5.02% (2020: 4.86%). The slight increase is mainly due to exchange fluctuation in the year. The Cost to Income Ratio (including provision) greatly improved to 44.48% (2020: 48.34%).

LOLC (Cambodia) Plc. also maintained high Liquidity Coverage Ratio at 227.35% compared to the central bank's requirement of 100% starting from 1<sup>st</sup> January 2020. In addition, the Solvency Ratio was also well maintained at 26.8%, which was above the minimum requirement by the central bank of "not less than 15%."

Asset quality was also the key focus for both management and the Board of Directors. The asset quality slightly decreased to 2.05% (2020: 1.27%).

## 2022 OUTLOOK

In 2022, LOLC (Cambodia) Plc. will look to expand its income by growing its interest bearing assets such as asset-backed lending/leasing, microbusiness loans, Small and Medium Enterprise loans and green lending products.

To support such growth in its assets, the management need to continue expanding its deposit mobilization and partnerships with existing and potential new lenders.

Management will need to improve its staff productivity and efficiency by looking toward technology-oriented features like tablet banking applications that will allow credit officers to perform banking transactions from a distance and connect directly to core banking. In addition, Management will continue to maintain prudence in monitoring its asset quality to further bring down the prevalence of nonperforming loans.

LOLC (Cambodia) Plc. will also continue to focus on preserving a healthy liquidity level as measured by its Liquidity Coverage Ratio and Capital Adequacy Ratio to maintain compliance with regulators' requirements as well as support the healthy growth.

## Customer Perspective

LOLC (Cambodia) Plc. is one of the largest microfinance institutions in Cambodia. We always focus on the quality of our services and making it convenient for consumers to access products and services. LOLC has received tremendous support from loan products, financial leases and deposit products, helping us rapidly grow. LOLC always accepts complaints, feedback and suggestions from its valuable customers to further improve products and services based on customers' needs. LOLC always maintains a good relationship with customers, partners, authorities and other relevant parties to keep them

informed and try our best to fulfill their needs. LOLC does not give up on customers who drop out. We encourage our staff to meet with them regularly to get feedback and keep informing them of the latest products and services available to them.

Despite the strong support of customers, LOLC has been exploring other ways to improve existing products and services, as well as to develop new products and services to meet the needs of customers and to maintain existing customers.

### Summary of Customer Complaints in 2021

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Number of Complaints	11	2	5	4	6	2	7	12	7	6	3	9

## Human Resource Development

In 2021, Human Resources Department is proud of the huge achievements made through good cooperation by management in each department and all levels of employees. Additionally, the number of staff in 2021 increased to 3,297.

Staff were equipped with various kinds of training that enabled them to improve their skills and capacity to carry out tasks. New Financial Sales Advisors received an orientation related to the company's vision, mission, core values and various policies and practices. This was followed by on-the-job training at branch offices where they shadowed existing Financial Sales Advisors, receive guidance from supervisors and got practical learning from the job. Aside from that, branch staff also receive regular refresher training at their branch offices about policies, procedures, technical skills and soft skills.

In addition to classroom training LOLC also provides online and video training to staff as well as e-learning platforms where staff can obtain knowledge at locations of their choosing without having to travel to training locations.

Another means of staff development that LOLC has provided is building a succession planning pipeline through training and job rotation program. This program has been designed for staff to rotate to work in other positions for a specific period of time. This program aims at grooming potential staff for succession into new roles.

Last but not least, LOLC also provides internship opportunities for students to help them gain knowledge and job experience, learning skills applicable to a professional career and opening the possibility of a job opportunity with LOLC if they meet selection criteria.



**LOLC**  
provides various types of loans

- ▶ **Group Loan**
- ▶ **Individual Loan**
- ▶ **Life Improvement Loan**
- ▶ **Seasonal Loan**
- ▶ **Housing Loan**
- ▶ **Small & Medium Enterprise Loan**
- ▶ **Home Improvement Loan**
- ▶ **WASH Individual Loan**
- ▶ **Finance Lease**



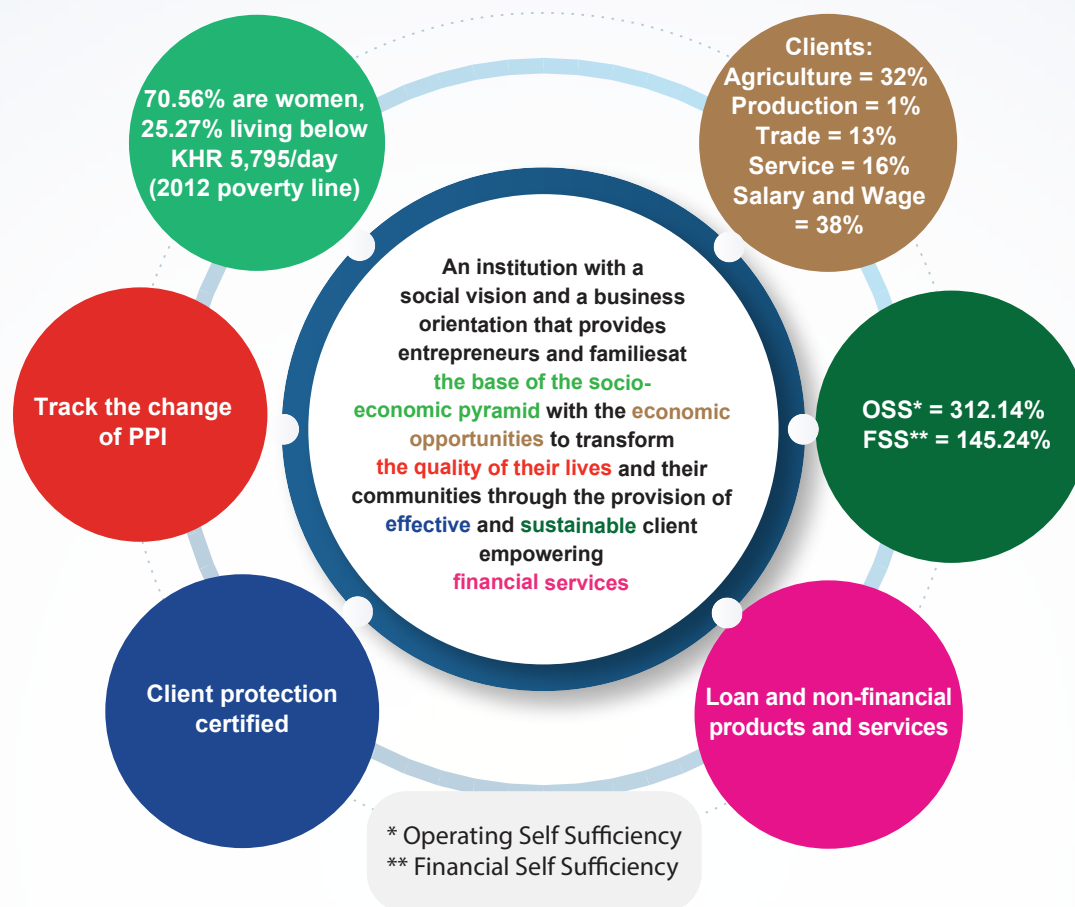
# 3

## SOCIAL AND ENVIRONMENTAL PERFORMANCE REVIEW

- ✓ How We Translate Our Mission
  - ✓ Measuring LOLC's Social Goals
  - ✓ Environmental and Social Assessment
  - ✓ Measuring Client Poverty Outreach Through PPI
  - ✓ Analyze Portfolio Breakdown and Profit by Client's Poverty Level
  - ✓ Sustainable Development Goals (SDGs)
  - ✓ Green Lending
  - ✓ WASH Loan
  - ✓ Financial Literacy
  - ✓ Other Social Activities
- 



## How We Translate Our Mission



## Measuring LOLC's Social Goal

Relevant Social Goals	Annual Measurable KPIs	Annual Target	2019	2020	2021
Increased Access to Financial Services	Number of Borrowers in Rural Areas	>= 85%	92%	93%	93%
	Number of Borrowers Involved in Agriculture	>= 30%	39%	34%	32%
	Percentage of Female Borrowers	>= 65%	70%	70.30%	70.56%
Poverty Outreach	Percentage of New Group Loan Borrowers Below 150% National Poverty Line	>= 20%	29.40%	27.10%	25.27%
Environmental Sustainability	Result of Environmental Assessment in Monitoring	'Monitoring'	'Medium' Monitoring	'Medium' Monitoring	'Medium' Monitoring

## Environmental and Social Assessment

Environmental and Social assessment was implemented with all loans.

- › For loans which are lower than USD 30,000, the environmental and social awareness are discussed with clients on risk areas and give suggestions for improvement.
- › For Small and Medium Enterprise loans (SME) which are bigger than or equal to USD 30,000, a comprehensive tool is fully integrated into the lending process. The detail assessment is conducted to evaluate whether the impact is low, medium or high, and suggest to client for the awareness and improvement. As an ongoing implementation the progress of environmental and social assessment is monitored. From January to December 2021, 207 loans were assessed.

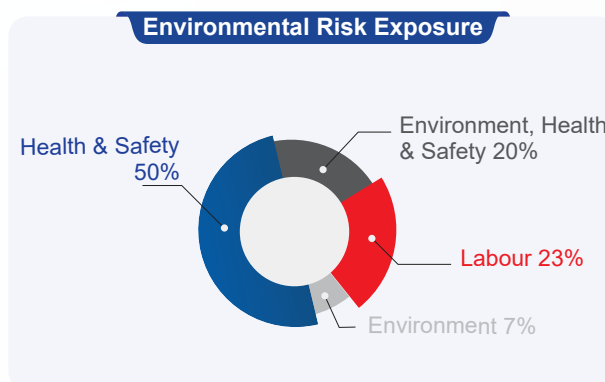
Please refer to environmental and social assessment report in 2021 in below table.

Loan Risk Level	Number of Loan	Remarks
Low	115	- Client's risk management quality is high. - Client's risk level is low. Therefore, no action taken is required.
Medium	92	- Client's risk management quality is ranged from medium to high. - Client's risk level is ranged from low to medium. Therefore, monitoring should be tracked to see the progress of the risks.
High	0	- N/A
<b>Total</b>	<b>207</b>	

Below graph shows the percentages of risks areas on the assessed loan which business types are exposing to different areas of environmental risks such as:

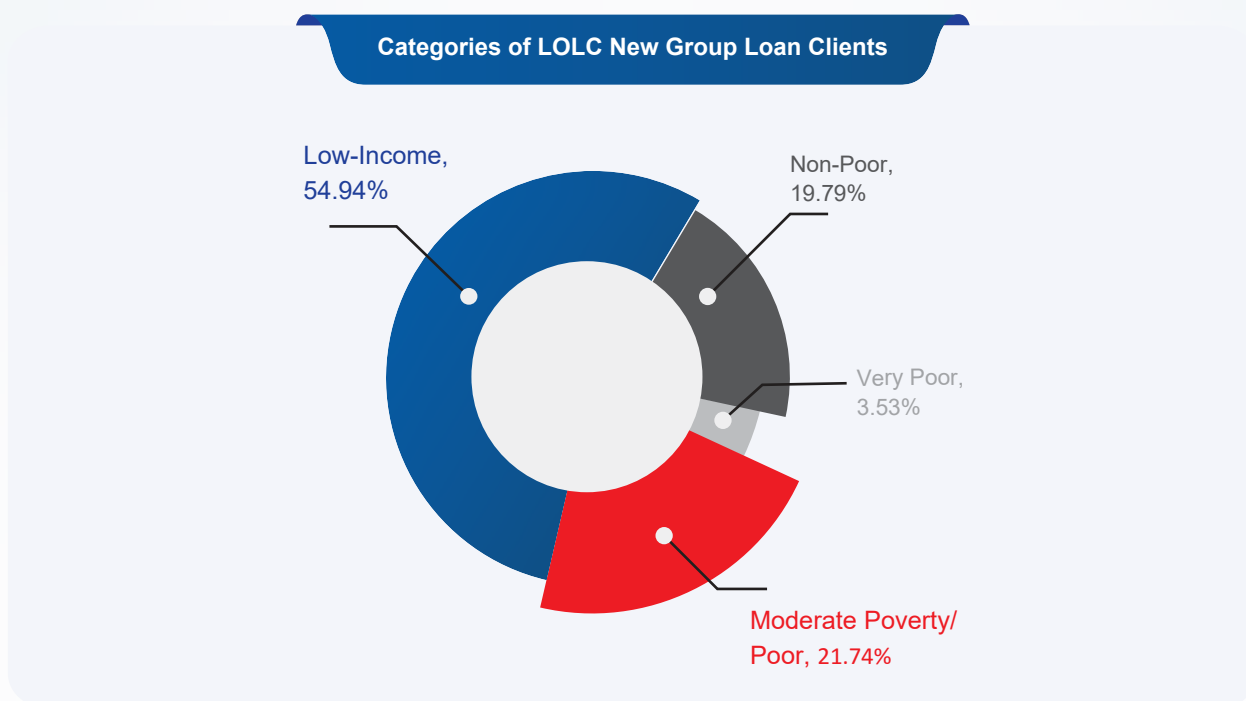
- Environment [E],
- Environment, Health and Safety [E and H&S],
- Health & Safety [H&S], and
- Labour [L].

In conclusion, LOLC's customer outreach does not fall in high risk exposure.



## Measuring Poverty Outreach through PPI

The Poverty Probability Index (PPI) is used to measure poverty outreach to the new group loan clients, determine transformation of the quality of clients; lives, and ensure that appropriate products are extended to the right clients. Moreover, using PPI, LOLC can determine the categories of the new group loan clients as below:



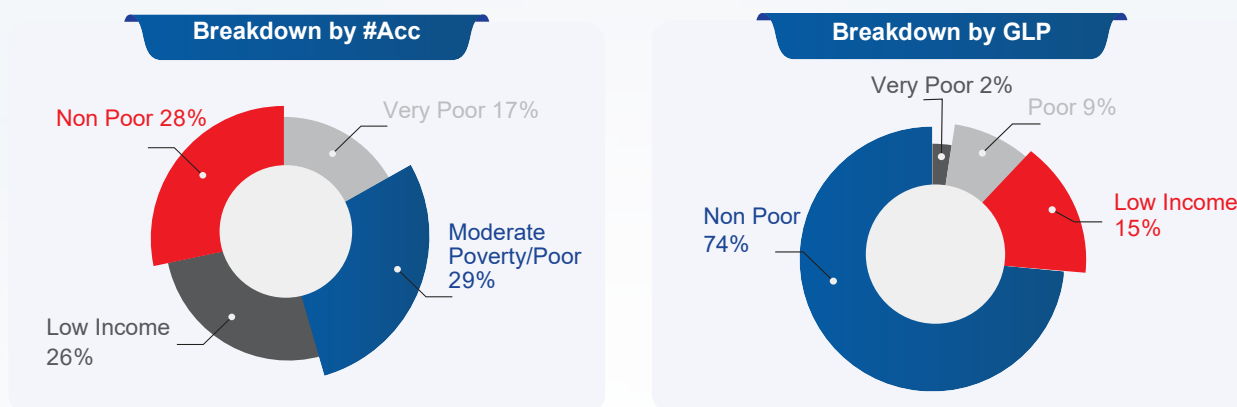
## Analyze Portfolio and Profit Breakdown by Clients' Poverty Level

### ➤ Analyze Portfolio Breakdown by Client's Poverty Level

To do this analysis, clients' income records would be necessary. But with limited digital data at present, LOLC estimated the likely concentration of poverty among clients using the Poverty Probability Index (PPI) definition and the average loan size as a proxy for poverty rankings, as seen in the table below.

Poverty Ranking Classification	Likely living below \$1.70/Day		Likely living above \$1.70/Day and below \$3.30/Day		Likely living above \$3.30/Day and below \$5.60/Day		Likely living above \$5.60/Day			
Equivalent in Loan Size (USD)	<=750		<=1,500		<=3,500		>3,500			
DESCRIPTION	Very Poor	% TO GLP	Moderate Poverty/Poor	% TO GLP	Low Income	% TO GLP	Non-Poor	% TO GLP	TOTAL	% TO GLP
Gross Loan Portfolio	25,113,746	2.4%	91,448,611	8.8%	157,961,666	15.2%	761,756,852	73.5%	1,036,280,876	100.0%
Number of Loans	63,916	16.8%	109,015	28.7%	99,537	26.2%	107,440	28.3%	379,908	100.0%
Average Loan Size	393		839		1,587		7,090		2,728	

Below is the breakdown of LOLC's numbers of Loans and GLP as of December 2021 using those poverty ranking categories.



#### ➤ Analyze Profit by Client's Poverty Level

With the above classification and the internal assumption to allocate income and expenses either by its direct breakdown or its proportion, the profitability breakdown for the year 2021 has been performed in order to understand which product category would provide better margin, as well as to understand the risk profile of each category, as shown in the below table.

The analysis table above reflects that LOLC is doing its best to serve its majority low-income families, including poor and very poor, with its minimal margin caused by its high operational cost as well as its high credit risk. Still, those clients have access to financial opportunities to improve their living standard and expand their agriculture activities, products or services.

PROFIT & LOSS ANALYSIS	Very Poor	% TO Its GLP	Moderate Poverty/Poor	% TO Its GLP	Low Income	% TO Its GLP	Non-Poor	% TO Its GLP	TOTAL	% TO GLP
Income from Loan	5,249,151	20.9%	16,577,347	18.1%	27,149,499	17.2%	117,492,386	15.4%	166,468,382	16.06%
Other Income	735,938	2.9%	1,770,444	1.9%	2,658,461	1.7%	9,625,725	1.3%	14,790,568	1.4%
<b>Total Revenue</b>	<b>5,985,089</b>	<b>23.8%</b>	<b>18,347,790</b>	<b>20.1%</b>	<b>29,807,960</b>	<b>18.9%</b>	<b>127,118,110</b>	<b>16.7%</b>	<b>181,258,950</b>	<b>17.5%</b>
Financial Expense	1,489,413	5.9%	5,423,515	5.9%	9,368,185	5.9%	45,177,284	5.9%	61,458,397	5.9%
Operating Expense	3,435,604	13.7%	8,205,728	9.0%	10,705,829	6.8%	23,139,287	3.0%	45,486,449	4.4%
Provision Expense	411,752	1.6%	1,387,014	1.5%	2,085,095	1.3%	2,552,243	0.3%	6,436,104	0.6%
Tax Expense	133,326	0.5%	685,128	0.7%	1,572,981	1.0%	11,567,628	1.5%	13,959,063	1.3%
<b>Total Expense</b>	<b>5,470,096</b>	<b>21.8%</b>	<b>15,701,384</b>	<b>17.2%</b>	<b>23,732,090</b>	<b>15.0%</b>	<b>82,436,442</b>	<b>10.8%</b>	<b>127,340,013</b>	<b>12.3%</b>
<b>Net Profit</b>	<b>514,993</b>	<b>2.05%</b>	<b>2,646,406</b>	<b>2.89%</b>	<b>6,075,870</b>	<b>3.85%</b>	<b>44,681,668</b>	<b>5.87%</b>	<b>53,918,937</b>	<b>5.20%</b>

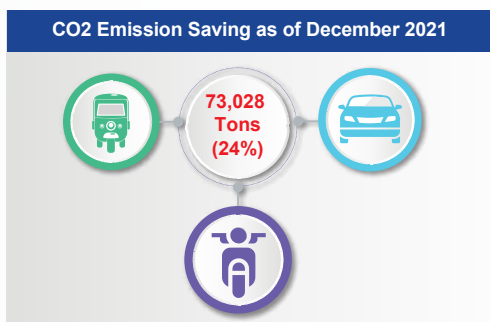
# Sustainable Development Goals (SDGs)

Like other institutions, LOLC relies on Sustainable Development Goals (SDGs) as a blueprint for growth, success and performance indicators. As one of the biggest microfinance institutions in Cambodia, LOLC's SDGs include:

	<ul style="list-style-type: none"> <li>• 5.30% of clients likely below 2\$ Day 2005 PPP</li> <li>• 80.21% of clients likely below 5\$/Day 2005 PPP</li> <li>• Access to Credit: 318K Clients (USD 1,036M)</li> <li>• Access to Saving: 462K Clients (USD 582M)</li> </ul>		<ul style="list-style-type: none"> <li>• Agriculture sector: 168K loans in amount USD 362M</li> </ul>
	<ul style="list-style-type: none"> <li>• There are 5.8K clients (USD 2.3 M) are using WASH loans</li> </ul>		<ul style="list-style-type: none"> <li>• 1,721 training courses (including 22 external training) for staffs in 2021.</li> </ul>
	<ul style="list-style-type: none"> <li>• 69% of total clients are females</li> <li>• 32% of LOLC staffs in management level are females</li> </ul>		<ul style="list-style-type: none"> <li>• 5.8K clients (USD 2.3 M) are using WASH loans for their better sanitation and clean water</li> </ul>
	<ul style="list-style-type: none"> <li>• 6K clients (USD 11 M) are using Energy Efficiency three-wheelers</li> </ul>		<ul style="list-style-type: none"> <li>• 343K (USD 926M) are income generating loans</li> <li>• 22K (USD 303M) are SME loans</li> <li>• Total staffs: 3,297, women: 592, disabilities: 7</li> </ul>
	<ul style="list-style-type: none"> <li>• LOLC also serves the client with Sola Loan Product</li> </ul>		<ul style="list-style-type: none"> <li>• 179K are group loan clients which most of them are low-income clients</li> </ul>
	<ul style="list-style-type: none"> <li>• 9.7K clients (USD 51M) are using HIL/HL to buy or build a new house to improve their life quality</li> </ul>		<ul style="list-style-type: none"> <li>• SME loans (&gt;=USD30,000) are assessed to see how their businesses impact to Environment and Social. 207 SME loans were assessed in 2021.</li> </ul>
	<ul style="list-style-type: none"> <li>• As of December 21, there are 11,395 Energy Efficiency three-wheelers loans were disbursed.</li> </ul>		<p>LOLC has the Environmental Loan Granting Activities and Environmental Law which mention that:</p> <ul style="list-style-type: none"> <li>• Fishing in banned season.</li> <li>• Fish farming activities engaged in channa micropeltes (Trey chhdor) and channa striatus (Trey ros).</li> <li>• Using illegal fishing equipment.</li> <li>• Other activities harmful to forest and wildlife.</li> </ul>
	<p>LOLC has the Environmental Loan Granting Activities and Environmental Law which mention that:</p> <ul style="list-style-type: none"> <li>• Clearing or burning the forest, prohibited by law.</li> <li>• Illegal logging of wetland forest.</li> <li>• Any act of illegal logging of immature tree, prohibited by law.</li> <li>• Cutting tree of tearing off tree, Prohibited by law.</li> <li>• Commercial logging operation or purchase of logging equipment for using in the forest area with high bio-diversity.</li> <li>• Trade in all kind of wildlife or wildlife product, regulated under law.</li> <li>• Poaching or trapping or using other means to destroy wild animals, regulated under law.</li> <li>• Destroy wildlife's inhabited, nest or eggs, regulated under law.</li> </ul>		
	<p>LOLC current partners:</p> <ul style="list-style-type: none"> <li>- WATER.ORG</li> <li>- Global Climate Partnership Fund (GCPF)</li> <li>- Impact Investment Exchange Pte. Ltd. (IIX)</li> </ul>		<ul style="list-style-type: none"> <li>• LOLC staffs are not allowed to use physical violence such as physical hitting, pushing, biting, punching, limit physical freedom, and throwing things at someone, etc.</li> </ul>

## Green Lending

Currently, LOLC is offering both Green Lending leasing and loans through its existing products, such as Financial Leasing (FL), and Life Improvement Loan Asset-Backed (LILAB). LOLC got technical support from ResponsAbility and the tools to measure the impact of Green Lending on CO2 emissions and energy saved. LOLC was chosen as the outstanding MFI in providing Green Lending in early 2021. As of December 2021, there are almost 6,000 clients using Green Lending Products, for a gross loan portfolio of USD 11 million. LOLC's work has supported the decrease of CO2 emissions by 73,028 tCO2 through green lending as shown in below graph:



## WASH Loan

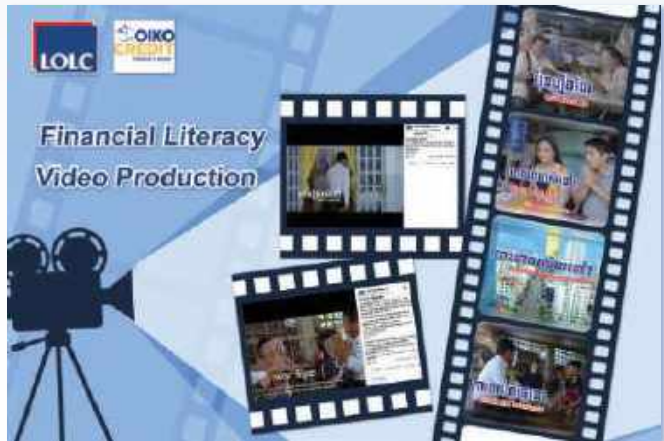
LOLC has served clients with WASH Loan products since 2016. The WASH Loan helps clients improve water access, sanitation and hygiene in their communities. Target clients are those in good standing with LOLC who want to build or renovate a latrine, well, pond digging, water storage or to buy a water filter, etc. As of December 2021, there are almost 6,000 clients using a WASH Loan product, with a gross loan portfolio of USD 2.3 million.



## Financial Literacy:

### Financial Literacy Video

Due to COVID-19, financial literacy awareness in-class trainings and other face-to-face activities were postponed. But LOLC had produced videos on financial literacy, consumer protection, self-motivation and small business management to share with clients and the public by posting in popular mass-media Facebook pages and the LOLC Facebook page. In 2021, 8 videos were produced and 2 of them were posted on Facebook. The videos reached 600 thousand people as of December 2021.



## Other Social Activities:

### Cambodian Red Cross

LOLC contributes to the Cambodian Red Cross every year as a social contribution to the active charity work being done on-site. In 2021, LOLC donated funds once again to support charity activities.

### Child Nutrition Campaign

LOLC contributed funds to the Royal Academy of Cambodia for its "Fresh Milk Nutrition Program." The program distributed fresh milk to the children of various orphanages through organizations including the Cambodian Children's Fund Organization, Sacrifice and Orphanage Development Association, Orphanage Support Organization, KKEV Cambodia Organization, an Orphanage in Kampong Speu and National Borey for children





# 4

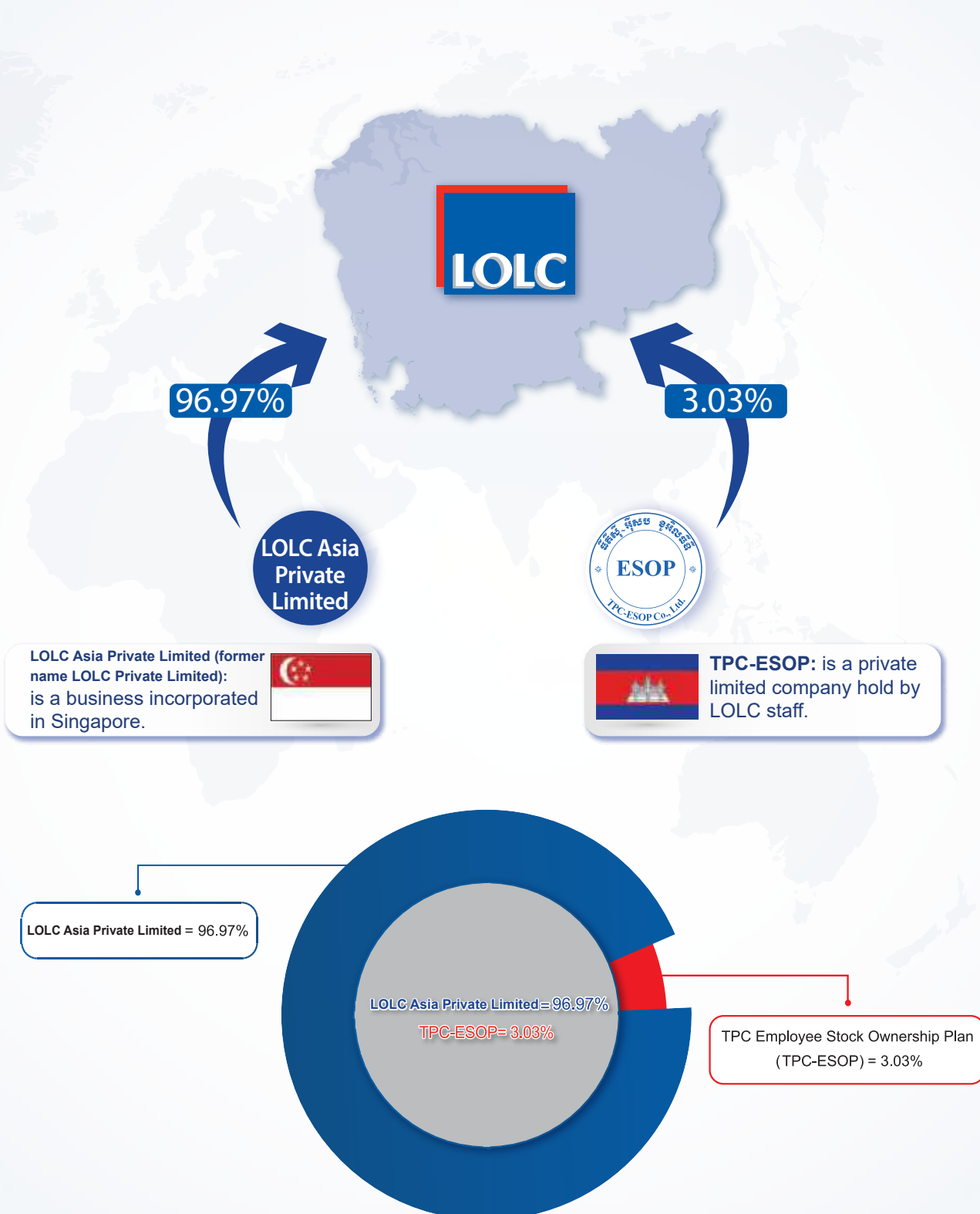
## CORPORATE GOVERNANCE

- ✓ Ownership Structure
  - ✓ Organizational Chart
  - ✓ Policy and Practice Guidelines for Corporate Governance
  - ✓ Duties and Responsibilities of Board Committees
  - ✓ Report of the Board of Directors
  - ✓ Management Team
  - ✓ Risk Management and Internal Control
- 

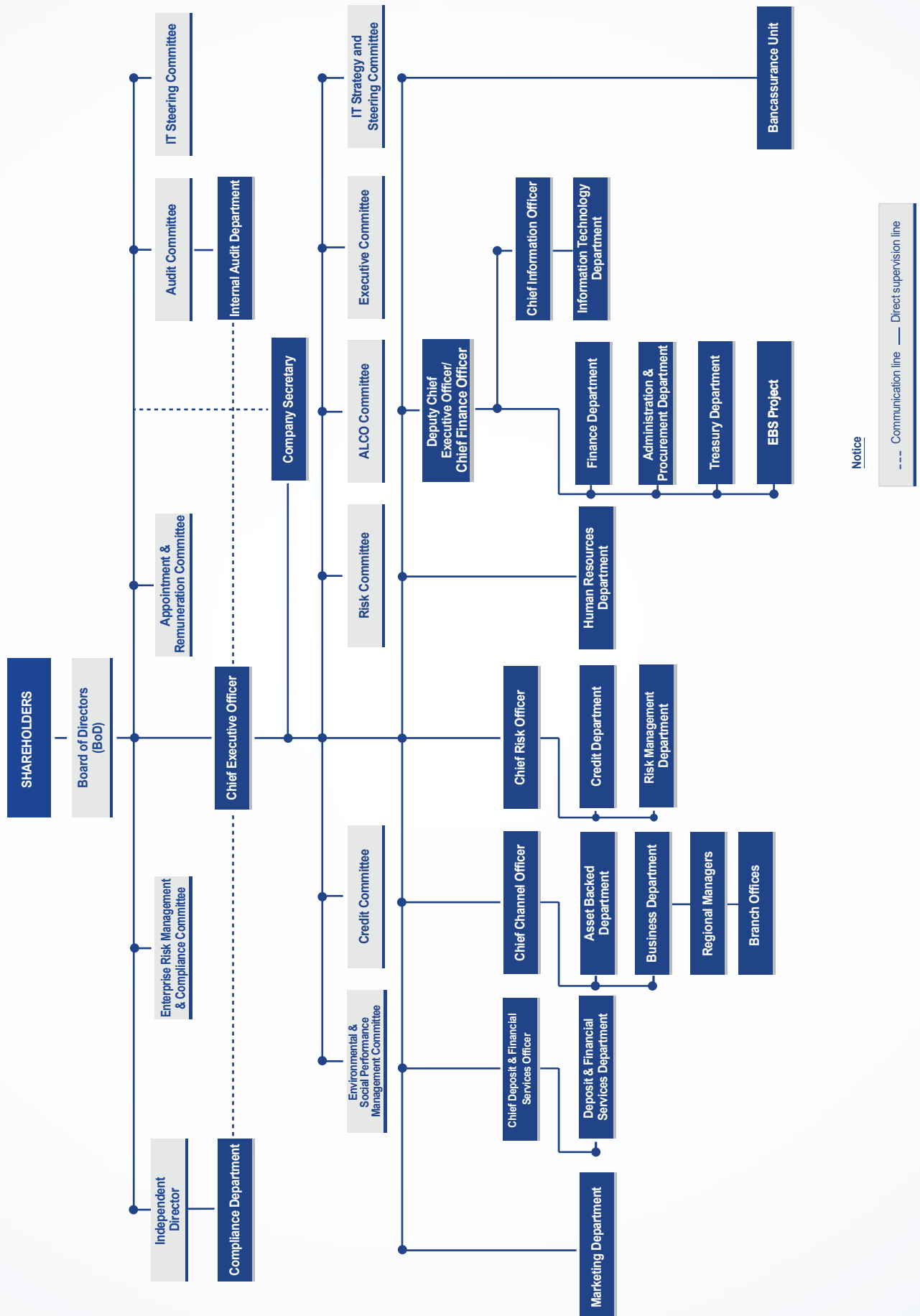


# Ownership Structure

LOLC (Cambodia) Plc. currently has two shareholders, including LOLC Asia Private Limited and TPC Employee StockOwnership Plan (TPC-ESOP). The shareholding structure of LOLC (Cambodia) Plc. is organized as follows:



# Organizational Chart



# Policy and Practice Guidelines for Corporate Governance

## Selection of Directors

Any qualified natural person who is 18 years of age may serve a position as director. A director shall not necessarily be a Shareholder. A director shall be elected by resolution approved by majority of the votes cast by all Shareholders in the General Meeting. A director may receive remuneration for his/her service as determined in the General Meeting of the Shareholders. Any member of the Board of Directors shall obtain a prior approval from the National Bank of Cambodia (NBC) before being appointed.

## Board of Directors

### Board Composition

No	Name	Position
1	Mr. Brindley Chrishantha Gajanayake De Zylva	Chairman
2	Mr. Francisco Kankanamalage Conrad Prasad Nirosch Dias	Director
3	Mr. Dulip Rasika Samaraweera	Director
4	Mr. Hans Michael Theodor Moormann	Independent Director
5	Mr. Indrajith Wijesiriwardana	Independent Director

### Board of Directors Profiles

LOLC has an active, competent and experienced Board of Directors (BOD) that has rich experience in finance, management and development.



#### Mr. Brindley de Zylva Chairman

Brindley is the Chairman of the Board of LOLC (Cambodia) Plc. and LOLC Finance Plc. in Sri Lanka. He is also the Managing Director of LOLC Myanmar Micro-Finance Company Ltd. He has served the Non-Bank Financial Services Industry (NBFI) during the past 37 years in licensed finance companies, specialized leasing companies and microfinance institutions, holding both board and general management positions prior to taking over as the Chairman of LOLC (Cambodia) Plc. He has a wide range of expertise and experience in the NBFI sector, such as covering marketing and sales, credit and recovery management, and finance. Mr. Brindley is a fellow of the Sri Lanka Institute of Credit Management and was elected as its Honorary Secretary in 2010. He also served as a member of the Council of Management of the Finance Houses Association of Sri Lanka for nine years — four of which as one of its vice chairmen — and as a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited, in Sri Lanka. These positions were relinquished in 2015 to take over a regional assignment for the LOLC Group in Myanmar & Cambodia.



### Mr. Conrad Dias

#### Director

Conrad Dias is the former Group CIO of the LOLC Group and Director of LOLC Holdings Plc. current Director/CEO of LOLC Finance Plc. and the Co-founder of iPay. He holds a Master of Business Administration from the University of Leicester and is a fellow of the Chartered Institute of Management Accountant, a Chartered Global Management Accountant, a fellow of British Computer Society and a fellow Member of Certified Management Accountant of Sri Lanka. Mr. Dias counts over 30 years of experience and possesses domain expertise in sectors such as trading, banking and finance, assets management and manufacturing. In recognition of his contributions to the LOLC Group and the local IT Industry as a whole, Mr. Dias was awarded the CSSL CIO of the year award in 2016. He was also awarded the professional Excellence Award 2017 at the event organized by the Institute of Certified Management of Accountants of Sri Lanka. He is also inducted to the Global CIO Hall of Fame 2020 and is a winner of the Global CIO100 for the year 2020 from IDG USA.



### Mr. Dulip Rasika Samaraweera

#### Director

Dulip Rasika Samaraweera is a Director of LOLC (Cambodia) Plc. Mr. Samaraweera is a graduate of the University of Sri Jayawardenepura, with a Degree in Physical Sciences and specializing in statistics. He is a passed finalist of the Chartered Institute of Management Accountants (UK). He started his career in investment research in 2004 and joined the LOLC Group in 2007. He serves as a director of LOLC Myanmar Microfinance Limited. He is an experienced professional in financial management, process improvement, strategic planning, investments and acquisitions.



### Mr. Michael Moormann

#### Independent Director

Michael Moormann is an Independent BOD Member of LOLC (Cambodia) Plc. He started his career in the Netherlands within the foreign division of ABN AMRO Bank in 1971 and was transferred to Indonesia in 1973. He gained much experience serving in a variety of positions and working in many different countries before taking up senior management positions. In 1992 he became the Regional Manager of private banking in Latin America for AB AMRO and starting in 1994 served as Country Manager for the same bank in several countries including the Philippines, Sri Lanka and Vietnam. Since 2005, Mr. Moormann has completed several consulting assignments in microfinance and his professional strengths include internal auditing, human resource management and change management. Mr. Moormann joined LOLC (Cambodia) Plc. in February 2013.



### ○ **Mr. Indrajith Wijesiriwardana** Independent Director

Indrajith Wijesiriwardana is currently an Independent BOD member of LOLC (Cambodia) Plc. Mr. Wijesiriwardana is a highly skilled consultant in international development finance with over 20 years international experience from nearly 30 countries. His key areas of experience include Microfinance and SME Finance (MSME) and capacity building in the financial sector. He is skilled and experienced in strategy and business design, developing inclusive financial systems, developing capacity in financial institutions focusing on MSME, institutional transformations and product design and process improvements. During his career in the banking sector, prior to consulting, he prepared and evaluated project proposals and monitored projects. His responsibilities included loan financing for small, medium and large enterprises; trade financing; equity financing; restructuring; loan syndication; and leasing. He developed and managed financial support services such as planning, budgeting and monitoring, accounting, financial administration and MIS. Mr. Wijesiriwardana joined LOLC (Cambodia) Plc. in January 2015.

#### **Board Meeting**

Board meetings are held quarterly. At each meeting, the directors review the performance of the company. The board is also kept informed of developments in the financial sector, including changes in statute or regulations, and how they could impact the company. Regular board papers reporting on performance and compliance are reviewed and discussed alongside special board papers that cover non-routine matters.

#### **Code of Ethics**

An employee's conduct both within and outside the workplace will affect LOLC's professionalism and reputation. Therefore, all employees must strictly abide by LOLC's code of conduct.

#### **Professional Conduct**

1. Employees shall be honest, use appropriate words with other employees and clients, be punctual, dress in LOLC's uniform while working, perform duties competently and save LOLC's resources.
2. Employees shall abide by clients' rights, such as the right to know and understand product terms and conditions and all costs before disbursement, the right to refuse to accept any products, the right to complain or ask questions about services or products offered by LOLC, the right to receive the loan schedule and other important documents upon (or before) disbursement and official receipt during loan repayment, the right to receive fair and respectful treatment with no discrimination from LOLC's employees and the right to expect LOLC to keep personal and financial information confidential.
3. Employees shall respect clients fairly and equally, with no discrimination based on political opinions, ethnicity or social standing.
4. Employees shall maintain good relationships with clients. Therefore, credit officers' phone contact shall be available and they should be responsive.
5. Employees shall read out loud to the clients the privacy clause in the contract and privacy agreement before collecting clients' data and disbursement.
6. Employees shall read, understand and implement LOLC's code of conduct. Violation on the code of conduct will result in disciplinary action or termination.
7. Employees have an obligation to report to their direct supervisors, branch managers or heads of department if they find a case of violation of the code of conduct or other policies.

## Prohibited Actions

1. Employees must not use inappropriate words with clients who pay late. Instead, they must listen to clients' reasons and build a culture of mutual help and discussion. When collecting payments from clients, especially clients who pay late, credit officers must have discussions with clients to find a solution and to give them advice. Employees must not force clients to pay without favoring the delays of clients who are facing hardship and financial crisis.
2. Employees must not misuse their position to get commissions or personal benefits. Employees and their relatives who are involved in the auction process are prohibited from the bidding process.
3. Employees must not play TONTINES at the workplace, drink liquor during working hours use prohibited drugs, gamble or use weapons or any item that is considered illegal under the law, illegally alter documents, or be involved in any act of violence, cursing, threatening or sexual harassment of others.
4. Employees must not discriminate against others based on ethnicity, color, gender, age, etc. Employees must not persecute others or commit adultery and must not view or distribute pornographic content.

## Independency and Transparency

The Board of Directors of LOLC (Cambodia) Plc. are non-executive, and two out of the five directors are independent directors. The company is compliant with the law on commercial enterprise including the rules relating to corporate governance, the Prakas on Governance in Bank and Financial Institutions, and the Prakas on the internal control in Bank and Financial Institutions.

QUALIFIED, ACTIVE AND INDEPENDENT BOARD	COMPLIANCE
Undergo the fit and proper testing process at the NBC	✓
A board members shall attend meetings at least two times in one year	✓
Board members should exercise sound judgment	✓
The Audit Committee of Institutions shall be chaired by an independent board member whose background is an expertise in finance and accounting	✓
TRANSPARENCY	
Disclosure to the public:	
- Board structure and management structure of the institution	
- Basic ownership structure	
- Where applicable, corporate group structure and corresponding ownership shares held	
- Organization	✓
- Incentives	
- Code of conduct or ethical code	
- Policies about conflicts of interest	
- Lending policies and limits applying to related parties and affiliates	
- Annual Report	✓
- Audited Report	✓
LAW ON COMMERCIAL ENTERPRISE	
- The directors of a company shall approve the annual financial statements and the approval shall be shown by the signature of one or more directors.	✓
- A company shall not issue, publish or circulate copies of annual financial statements unless the financial statements are approved by the directors and accompanied by the auditor's report.	✓
- Calling meetings: meetings of the board of directors shall be held at least once every three (3) months. The adoption of the Board of Directors Resolution shall be decided based on the majority vote of the members or representatives that were presented in the meeting.	✓

# Duties and Responsibilities of Board Committees

## Appointment and Remuneration Committee

The Appointment and Remuneration Committee has the following primary responsibilities:

- ◇ Reviewing all aspects of human resource management (HRM) policy including remuneration issues;
- ◇ Ensuring the effectiveness and efficiency of the practice of the HRM policy;
- ◇ Proposing to the Shareholders for compensation of directors and ensuring fair treatment to all employees;
- ◇ Ensuring the full compliance of HRM policy with Cambodian laws and regulations;
- ◇ Meeting at least quarterly;
- ◇ Reporting to the Board of Directors.

## Enterprise Risk Management and Compliance Committee

The Enterprise Risk Management and Compliance Committee has the following primary responsibilities:

- ◇ Ensuring that there is an effective risk management system for the operation of the business;
- ◇ Ensuring that there are proper policies in place;
- ◇ Meeting at least quarterly;
- ◇ Reporting to the Board of Directors.

## Audit Committee

Audit Committee has the following primary responsibilities:

- ◇ Ensuring accuracy of financial statements;
- ◇ Ensuring effectiveness of internal control system;
- ◇ Reviewing internal auditors' and head of internal audit department's performance;
- ◇ Reviewing the external auditor scope and performance;
- ◇ Reviewing the effectiveness of the system for monitoring compliance with laws and regulations;
- ◇ Reporting to the Board of Directors;
- ◇ Meeting at least quarterly.

## IT Steering Committee

The IT Steering committee has the following primary responsibilities:

- ◇ Ensure IT investments represent a balance of risks and benefits, and those budgets are adequate;
- ◇ Recommend priorities for new technology initiatives that benefit LOLC's business operations;
- ◇ Ensure that the IT Strategic Plan is aligned with the Business Plan;
- ◇ Oversee and monitor the execution of the IT strategy;
- ◇ Reporting to Board of Directors;
- ◇ Meeting at least quarterly.

# Report of the Board of Directors

The Board of Directors takes pleasure in presenting this Annual Report for the financial year 2021.

## Principal activities

LOLC's principal activities are providing financial services to serve entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives.

## The Board of Directors

The Board of Directors for the year under review is comprised of the following:

No	Name	Position
1	Mr. Brindley Chrisantha Gajanayake De Zylva	Chairman
2	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Director
3	Mr. Dulip Rasika Samaraweera	Director
4	Mr. Hans Michael Theodor Moormann	Independent Director
5	Mr. Indrajith Wijesiriwardana	Independent Director

## Board Committees

The Board has appointed four committees: the **Audit Committee**, **Enterprise Risk Management and Compliance Committee**, **Appointment and Remuneration Committee**, and **IT Steering Committee**.

These committees function within their respective regulatory guidelines or the approved Terms of Reference, and are further aided by pre-approved agendas which ensure all essential items are covered, while being flexible enough to encourage Committee members to raise any other issues they feel merit attention.

The Board has empowered the Committees to call for additional information and also to invite key management or other personnel to provide further details, or to discuss recommended courses of action. This assures the Board that operational, risk, governance or regulatory related matters are given the in-depth discussion they require and the optimal solutions found. As Committee meeting minutes are tabled at Board meetings, the entire Board is kept aware of the discussions at each Committees and can contribute when and where necessary.

### 1. Audit Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Hans Michael Theodor Moormann	Chair	Independent Director
2	Mr. Brindley Chrisantha Gajanayake de Zylva	Member	Chairman
3	Mr. Indrajith Wijesiriwardana	Member	Independent Director

### 2. Enterprise Risk Management and Compliance Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Hans Michael Theodor Moormann	Chair	Independent Director
2	Mr. Brindley Chrisantha Gajanayake de Zylva	Member	Chairman
3	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Member	Director

### 3. Appointment and Remuneration Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Indrajith Wijesiriwardana	Chair	Independent Director
2	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Member	Director
3	Mr. Dulip Rasika Samaraweera	Member	Director



#### 4. IT Steering Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Chair	Director
2	Mr. Brindley Chrishantha Gajanayake de Zylva	Member	Chairman
3	Mr. Indrajith Wijesiriwardana	Member	Independent Director

#### Directors Meetings

Board meetings are held quarterly. At each meeting, the Directors review the performance of the Company. The Board is also kept informed of developments in the financial sectors, including changes in statute or regulations and how they could impact the Company.

#### Directors interests in contracts

The Directors have made the declarations on conflict of interest required by the Company. These shall be noted by the Board, recorded in the Minutes and entered into the Interest Register which is maintained by the Company.

#### Directors shareholdings

Currently, no Directors hold shares at LOLC (Cambodia) Plc.

#### Term of Directors

Directors have an unlimited term and may resign or be dismissed by the Shareholders. A Director may be dismissed by a simple majority of the votes cast by all Shareholders in the General Meeting. A Director may resign from his/her position by giving to all Shareholders at least one-month prior notice through a registered letter with acknowledgment of receipt. A vacancy in the Board of Directors may be replaced by the resolution approved by absolute majority of 2/3 (two-third) of the votes cast by all Shareholders in the General Meeting.

#### Compliance with laws and regulations

LOLC Cambodia is compliant with all laws and regulations of the Central Bank and relevant regulators.

#### Corporate Governance

The Board believes that good corporate governance benefits all stakeholders. The Report of the Corporate Governance can be found on page 34 to 54.

#### Internal Controls

The Risk Management Department and Compliance Department regularly review procedures, practices and policies and submit reports to the Risk Management and Compliance Committee and Audit Committee as appropriate. Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent committee or board meetings.

#### Going Concern

During the year, the directors reviewed the interim financials and the year-end financials. They have also regularly reviewed operations, and the environment within which the company is operating, including the macro environment, potential risks and resource allocation. Based on the information received, the directors believe that the company is able to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on the basis that the company is a going concern.

#### Financial Statements

The Financial statements together with the Notes thereon, found on pages 55 to 122, are in compliance with Cambodian International Financial Reporting Standards (CIFRS).

#### Auditors

LOLC's auditor is PWC, which has been appointed by the board of directors for 3 fiscal years from 2020 to 2022. As far as the Directors are aware, the Auditors do not have any other relationship with the Company nor do they have any interest in contracts with the Company.

In accordance with good governance initiatives, an audit partner rotation has been practiced.

## Management Team



**Mr. Sok Voeun**  
Chief Executive Officer

**Sok Voeun**, Chief Executive Officer, obtained his Master's Degree of Business Administration, majoring in Finance and Banking at Build Bright University in Cambodia in 2005. He received a Bachelor's Degree of Economic Science in Management of Enterprise at the former Faculty of Law and Economics in 2000. He has attended microfinance training programs at the Boulder Institute of Microfinance in Italy, and other pertinent trainings in the United States, South Africa, India, Bangladesh and Thailand. He has also participated in trainings in Cambodia on credit management, financial management, human resource management, risk management, good governance and leadership, among others. He served in ACLEDA Bank Plc. as Credit Officer from 2000-2001 and he was promoted to Head of Credit Control Unit in the Head Office from 2001 to 2005. From 2005 to 2010, he was the Operations Manager in SATHAPANA Ltd. (MFI) in charge of day-to-day operations which included managing loans, savings, money transfer transactions and market expansion. He started working for LOLC as Chief Operations Officer in April 2010 and he was promoted to be Deputy Chief Executive Officer in December 2012. Currently, he is Chief Executive Officer as appointed by the Board of Directors effective from June 1<sup>st</sup>, 2014.



**Mr. Sok Sophal**  
Deputy Chief Executive Officer

**Sok Sophal**, obtained his Master's Degree of Finance at the National University of Management in 2007. He received his Bachelor's Degree of Arts in English, majoring in International Business at the Institute of Foreign Languages (IFL), in 2005 after obtaining his Bachelor's Degree of Economics Science, majoring in Management of Enterprise at the former Faculty of Law and Economics, in 2000. He has attended numerous training courses such as the Leadership and Diversity for Innovation Program by Women World Banking with support from Wharton University of Pennsylvania (USA); the Advance Management Program by Cornell University at Colombo (Sri Lanka); the Syndication Loan Pricing & Structuring program by Universal Network Intelligence (Malaysia); and several other workshops and training courses in the areas of Financing Alternatives through Capital Market and Dissemination of Provision on Debt/Bond Securities, impact investing, microfinance forums, financial analysis, accounting and marketing. In 2018, he attended the Australian Certified Management Accountant program, the 6<sup>th</sup> intake training course on the ultimate business professional focus on strategic cost management and strategic business analysis, a Board Leadership Program Class (Cambodia) with the Thai Institute of Directors. In 2019, he also attended a Microfinance Training Program in Turin, Italy. He worked with ACLEDA Bank Plc. for almost 10 years from 2001 to 2010 across several positions: beginning as an accountant, then working as Assistant Manager of the Management Accounting Unit (2003 – 2007) and the Manager of the Management Accounting Unit (2007 – 2008). In 2008, he was promoted to Assistant Senior Vice President (responsible for investment) of the Legal and Corporate Affairs Division in ACLEDA Bank. Hereafter, in January 2009, he was promoted to Deputy Head of Capital Market Division of ACLEDA Bank Plc. Mr. Sok started working with LOLC Cambodia in August 2010 as a Chief Finance Officer and was promoted to Deputy Chief Executive Officer in March 2019.




**Ms. Svoeuy Sodyna**  
Chief Risk Officer

**Svoeuy Sodyna**, Chief Risk Officer, has completed ACCA Qualification from the most extensive professional accounting institute in the United Kingdom. She received her Bachelor's Degree in Business Administration, majoring in Accounting, from the National University of Management in 2006. In addition to her academic qualifications, she obtained an Advance Diploma in Accounting from CamEd Business School in early 2013. She attended numerous professional courses including risk management, financial management, strategic planning and other microfinance-related courses. She worked with one of the "big four" international accounting firms as Audit Senior for nearly four years, in which her responsibilities included leading the audit team and completing the statutory and compliances audit for various industries included Banks and MFIs. She started working with LOLC in May 2011 and was promoted to Chief Risk Officer in March 2018.



**Mr. Romesh Perera**  
Chief Channel Officer

**Romesh Perera**, Chief Channel Officer, prior to joining the company, served in LOLC Finance Plc. (LOFC) Sri Lanka for 13 years. He held an Assistant General Manager position there. He has worked in the Non-Bank Financial Services (NBFI) for the past 21 years in both licensed finance companies and specialized banks in Sri Lanka, holding senior managerial positions before taking over as Chief Channel Officer in LOLC (Cambodia) Plc. He has a wide range of expertise and experience in both specialized banking and the NBFI sector, covering sales and marketing, credit risk, recovery management and finance. His responsibilities have included: conventional and Islamic financing, trade financing, leasing, asset financing, savings and deposits growth, pawning operations and cross-operational functions. He has successfully completed numerous professional courses related to hire purchase and leasing financing, leasing and credit management, strategic planning and business plan development, and other banking and microfinance-related courses. His expertise and performance in the managerial positions he held in Sri Lanka opened a new opportunity for him to take over a new assignment for the LOLC group in Cambodia. Mr. Perera joined LOLC (Cambodia) Plc in June 2017 as a specialist of Leasing and Asset Finance. Currently, he is the Chief Channel Officer in charge of the branch network, effective from August 2018.



**Mrs. Chheang Kagna**  
Chief Deposit and Financial  
Services Officer

**Chheang Kagna**, obtained a Master's Degree in Business Administration at Pannasastra University of Cambodia (PUC) in 2012. She graduated with a Bachelor's Degree of English Literature from PUC in 2010 and, before that, a degree in Management of Enterprise from Royal University of Law and Economics (RULE) in 2000. She has attended various local and international trainings and workshops on relevant courses related to microfinance managing growth and impact, emerging digital banking, sales and relationships, customer services, product development, retail banking operations and leadership. Mrs. Kagna has significant experience in the banking and microfinance sector, beginning in the early 2000s. She started her career with ACLEDA Bank in the Treasury and Finance. From 2007 to 2016, she was Head of Deposit Department at SATHAPANA Bank Plc., where she conceptualized, introduced and mobilized the success of SATHAPANA's deposit products and financial services. Moreover, from 2015 to 2016, she was involved in the merging of MAHUHAN Japan Bank with SATHAPANA Limited and transforming them into a commercial bank. Mrs. Kagna has been working with LOLC (Cambodia) Plc. since January 2016 as Head of the Deposit and Financial Services Department, and she was promoted to Chief of Digital Financial Services and Deposit Officer in March 2019.



**Mr. Duleep Liyanage**  
Chief Information Officer

**Duleep Liyanage**, Chief Information Officer, received his Master's Degree of Business Administration, majoring in Finance from the Postgraduate Institute of Management - University of Sri Jayewardenepura (Sri Lanka). Mr. Liyanage holds his Bachelor's Degree (2nd Upper Class) of Business Computing, awarded by the University of Wolverhampton (UK). In addition to his academic qualifications, he possesses numerous information security and IT professional governance qualifications, namely, he is a Certified Payment Card Industry Security Implementer (CPISI), a Certified Android Security Specialist and completed requirements for ISO 27001:2013 Lead Auditor. Prior to joining LOLC (Cambodia) Plc., he has over fourteen years of experience in Sri Lanka in various levels of Information Technology and Management. He served more than ten years for LankaPay (LankaClear (Pvt) Ld.), the National Payment Infrastructure Provider in Sri Lanka under the guidance of Central Bank of Sri Lanka. Mr. Liyanage has a wide range of experience and expertise in information technology, project management, mobile technologies, payment card platforms and specializing in information security. During his tenure at LankaPay, he rendered his service as a security solution provider for national level payment systems in Sri Lanka such as the online Cheque Image and Truncation System (CITS), Just Pay; the retail mobile payment system, LankaSign; the PKI based Digital Certification Authority, and more. His diversified experience also expands into IT governance, risk and compliance, planning, management of finance, sales and recoveries. Mr. Liyanage also rendered his service as an Associate Lecturer for Open University in the United Kingdom, the University of Sri Jayewardenepura and the Wayamba University of Sri Lanka.



**Mr. Teng Pheap**  
Head of Internal Audit  
Department

**Teng Pheap**, Head of Internal Audit Department, obtained his Master's Degree of Business Administration, majoring in Accounting and Finance at Western University in 2008. He obtained his Bachelor's Degree of Business Administration in Accounting from the National Institute of Business in 2004. He has attended numerous training courses in the areas of internal professional practice framework in Malaysia, business planning and managing growth in Philippines, effective internal control in Mongolia, bank experience sharing in Sri Lanka, and other training courses in Cambodia on risk management, advance internal auditing, report writing and leadership skills. Mr. Pheap has more than 15 years of experience working with microfinance institutions and Non-Government Organizations in Cambodia, including Catholic Relief Services from 1999-2003 as an internal auditor. and as a branch manager in 2004 after CRS incorporated as LOLC , Angkor Microfinance Kampuchea (2004-2008) as an audit team leader and regional manager. He started working at LOLC as Head of the Internal Audit Department in December 2008.



**Ms. Leng Thavy**  
Head of Human Resources  
Department

**Leng Thavy**, was awarded her Master's Degree (fully sponsored by an Australian Development Scholarship) in the field of Human Resource Management from Monash University, Australia, in late 2013. She obtained a Bachelor's of Business Administration from the National Institute of Management in 2002. She has attended numerous human-resource management and leadership trainings and workshops in various countries such as Thailand, Singapore, Sri Lanka, the Philippines, Malaysia, the United Kingdom, France, Italy and Australia. Mrs. Thavy possess more than 15 years experiences as the Head of Human Resources Department with international NGOs and top Microfinance institutions in Cambodia. In addition, she has experience working overseas in cross-cultural contexts, including three months in Sri Lanka and 1 year part-time experience in Australia. She joined LOLC as Head of Human Resources Department in August 2014.



**Ms. Try Sola**  
Head of Treasury Department

**Try Sola**, Head of Treasury Department, is pursuing ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree in Business Administration, majoring in Accounting at the National University of Management in 2011. She attended numerous professional courses including financial management, anti-money laundering and other microfinance-related courses. She worked with one of the "big four" international accounting firms as Audit Senior for nearly four years, in which her responsibilities included leading the audit teams and completing the statutory and compliances audit for various industries including Banks and MFIs, companies, NGOs and other sectors. She joined LOLC in June 2015 as Head of Treasury Department.



**Ms. Keo Taraty**  
Head of Finance Department

**Keo Taraty**, Head of Finance Department, is pursuing ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree of Business Administration, majoring in Accounting from National University of Management (NUM) in 2010 and received her Bachelor's Degree of Education, majoring in English Literature, from the Institute of Foreign Languages (IFL) in 2009. She worked with one of the "big four" international accounting firms as Audit Senior for three years, in which her responsibilities included leading the audit teams and completing the statutory and compliances audit for various industries including Banks and MFIs, companies, NGOs and other sectors. Before joining LOLC, she worked as Accounting Manager at Maybank (Cambodia) Plc. for four years. She joined LOLC in June 2018 as Head of Finance Department.



**Ms. Siv Bopha**  
Head of Administrative and  
Procurement Department

**Siv Bopha**, Head of Administration and Procurement Department, obtained her Bachelor's Degree in Accounting at Vanda Institute of Accounting in 2008. She got a Diploma of English from Pannasastra University of Cambodia, PUC in 2003. She has attended various trainings and workshops in relevant courses on financial and managerial accounting, tax accounting, internal control and auditing, administrative affairs and leadership. She worked in the textile sector from 2002 to 2020 as an Accounting Manager and Financial Manager. She has been working for LOLC (Cambodia) Plc. since April 2020 as Head of Administration and Procurement Department.



**Mr. Bun Bella**  
Head of Information  
Technology Department

**Bun Bella**, Head of the Information Technology Department, obtained his Bachelor's Degree of Computer Science in 2009 and Master's Degree of Science in Information Technology (MsIT) in 2015 from Norton University. He has more than 20 years' working experience with LOLC Cambodia and other institutions. He has attended IT-related projects within LOLC Cambodia such as migration legacy core banking system to a T24 system, implementation of ATM/POS switching system (CSS), and NBC's Projects (FAST, RFT and Bakong Payment Systems). He has attended IT trainings such as ITIL® Foundation, Database Administration, ISO-IEC\_27002-2013 and workshops in Cambodia, Sri Lanka and Singapore. He started his career with LOLC Cambodia in 2001 as MIS Encoder and he was promoted to MIS Supervisor in 2005. In 2008, due to his great working performance with LOLC Cambodia, he was promoted to MIS Unit Manager and later was promoted again to Deputy Head of the IT Department in 2015. He was promoted to be Head of Information Technology Department of LOLC Cambodia in January 2022.



**Mr. Muth Pisey**  
Head of Credit Department

**Muth Pisey**, Head of Credit Department, obtained his Master's Degree in Finance at the National University of Management in Cambodia in 2013. He received a Bachelor's degree in Business Management, with a concentration in Tourism, from the National University of Management in 2006. He has also participated in training in Cambodia on real estate and property valuation, workplace conflict resolution and negation, practical branch management, capacity Building for internal auditors, employment and labor law, and empowering leadership, among others. He served in SATHAPANA Ltd. as Credit Officer from 2006 to 2008 and he was promoted to Chief Credit Officer in Ang Snoul District Branch in February 2008. From 2009 to 2010, he was the Kampot Provincial Branch Manager of SATHAPANA Limited (MFI). He started working for LOLC as Branch Management Trainee in May 2010, and he was appointed to be Branch Manager of Suong branch in July 2010. In May 2014, he was promoted to Head of Administrative and Procurement Department. In March 2017, he moved to the Credit Department as a Deputy Head and became a Deputy Head of Business Department in November 2017. He was promoted to be Head of Credit Department in August 2018.



**Mr. Nuth Theng**  
Head of Business Department

**Nuth Theng**, obtained his Master's Degree of Business Administration from Norton University in 2011, Bachelor of English Literature from Cambodian University for Specialties in 2007 and a certificate of Pedagogy, majoring in Math & Physics, from Prey Veng Regional Pedagogy Center. He has also attended numerous training courses and workshops in Cambodia related to training and development, capacity building, branch management, risk management, credit management, training of trainers, leadership and management, asset based finance, successful selling skills, effective team building and many other training courses conducted by national and international experts. Before working with LOLC, he had worked as a teacher of Math, Physics and English for five years from 2000 to 2005. After that, he decided to join the Microfinance Sector. He had worked for Prasac MFI from 2005 to 2011 in a credit officer internship, as a credit officer and as a sub-branch manager. He joined LOLC in 2011 in various key positions including Branch Management Trainee, Branch Manager, Lending Specialist, Regional Manager and Asset-Backed Project Manager. He was promoted to be Head of Asset-Backed Department in August 2018 and moved on to be Head of Business Department in September 2018.





**Mr. Ban Phalleng**  
Head of Compliance Department

**Ban Phalleng**, Head of Compliance Department, obtained his Master's Degree of Risk Management in Insurance, Banking and Finance from RULE, and a Master's Degree of Bank and Assurance in South East Asia from Nantes. Additionally, he holds a Bachelor's Degree in Economics and English Literature, and attended numerous courses such as professional banker, leadership, Cambodian tax law, renewable energy, client protection principles, advanced statistics, microfinance management, project management, etc. locally and overseas. His experience includes business plan development for transforming NGOs/family businesses into standard businesses, analytics, research, project management, policies and procedure development. He previously worked as a project officer at VisionFund until 2010 and as a microfinance technical officer at CMI until 2012. After joining LOLC at the end of 2012 as a social performance specialist, Mr. Phalleng became Head of the Social Performance Department in 2015, and starting in 2018 has served as Head of Compliance to ensure LOLC is compliant with all related regulations and also to supervise social performance management.



**Mr. Phai Phalla**  
Head of Marketing Department

**Phai Phalla**, graduated from Norton University in 2011 in Banking and Finance and progressively developed himself through various trainings and workshops. Prior to joining LOLC Cambodia, started from 2009, Phalla worked with several outstanding performing companies in Cambodia both financial and non-financial industries, including commercial bank, MFIs, leasing company and telecommunication company in which his main responsibilities were on marketing and communications, branding, customer services and complaint management. During working in those companies, he achieved rapid growth from time to time, from an officer to a senior officer, supervisor, manager and a senior manager of project management office in one of the leading banks in Cambodia before his joining LOLC. Phalla was appointed to be Head of Marketing Department in April 2022.



**Ms. Kheng Navy**  
Company Secretary

**Kheng Navy**, Company Secretary, obtained a Bachelor's of Economics in Enterprise Management at Royal University of Law and Economics (RULE) in 2010, a Bachelor of Arts in Professional Communication at the Institute of Foreign Languages (IFL), the Royal University of Phnom Penh, in 2012 and completed research at SOK KONG IMPORT-EXPORT CO., LTD (SOKIMEX). She also obtained a Diploma of Intensive English for Academic Purposes (IEAP) at Paññāsāstra Institute of Foreign Languages and attended some courses and trainings such as Principles of Accounting, Report Writing Skills, a Green Lending Workshop, leadership and corporate governance. Before joining LOLC, she worked for WING (Cambodia) Ltd. as a Call Center Consultant in 2012. She started working at LOLC as an Assistant Secretary in 2013 and was promoted to Company Secretary in June 2014.

# Risk Management and Internal Control

Managing risk is inherent in any financial institution's strategic business plan, and LOLC (Cambodia) Plc. is no exception. LOLC's risk philosophy is that risk management should responsibly help advance our business strategy, assist in the decision-making process and enhance management's effectiveness. LOLC's risk frameworks aim at strengthening the company's ability to identify, measure and manage risks in order to maximize shareholders' value, while aligning a necessary level of risk with corporate strategy, assessing the impact of emerging risk and developing risk mitigation strategies that reflect the company's culture of strong corporate governance. LOLC applies the following risk management principles in its day-to-day business operations:

- Promote sustainable long-term growth and profitability by embracing prudent risk-management and corporate governance practices.
- Assist the business in producing stable and consistently high returns for shareholders.
- Ensure that the risk management strategy is based on an understanding of the risks, disciplined assessment, objective measurement and monitoring procedures.

Risk management plays a significant role in improving the quality of LOLC's internal control and in supporting the attainment of its corporate goals by focusing on two aspects: risks and returns.

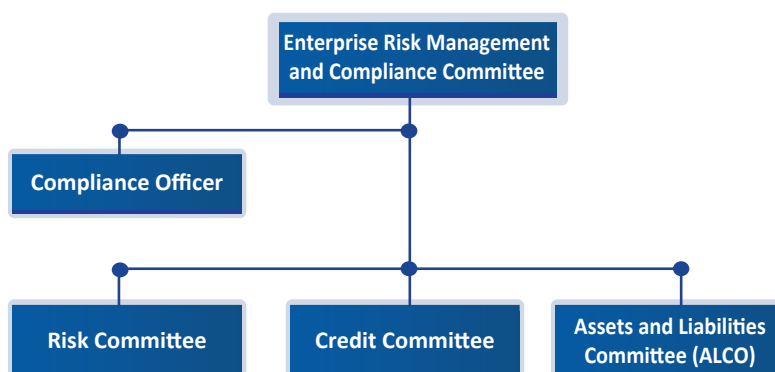
To ensure that expansion of business operations and activities in this dynamic evolving environment remains within risk tolerance levels, and fully compliant with applicable laws and regulations, both internal and external, LOLC has implemented an integrated risk management system throughout the entire institution called the "Risk Management Matrix."

LOLC recognizes that sound risk management is crucial to the success and sustainability of its business activities. LOLC continues to improve the risk awareness and culture across all business and enablement functions.

LOLC has implemented internal control system based on the mindset of four layers of control including:

- Operational control (1st layer): These controls are carried out and implemented directly by operators at all levels of the institution to ensure compliance with the policies and procedures developed.
- Management control (2nd layer): These controls are carried out and implemented by line management staff, who are not directly involved in daily operations, to ensure that operators carry out their tasks and duties in accordance with the policies and procedures.
- Dedicated control (3rd layer): These controls are carried out and implemented by the risk management unit, financial control unit, credit quality assurance unit (CQA) and compliance officer to monitor and ensure that operators adequately and properly apply and implement the risk management policies and procedures in place, and ensure that a strong culture of internal control and a low tolerance for risk is built and communicated to all staff.
- Internal audit (4th layer): These controls are carried out and implemented by the internal audit department to evaluate permanent control and report to the board of directors independently.

## Risk Management Governance



The Enterprise Risk Management and Compliance Committee is chaired by an independent board member. Its mission is to oversee all types of risks that occur internally and externally in operations, credit and finance to ensure that the practices and procedures are effective in identifying risk, managing it and complying with internal guidelines and external requirements. In addition, this committee oversees the company's risk management and internal control systems to protect the company's assets and financial resources. The committee normally meets once per quarter.

Financial risks are managed and controlled by the Assets and Liabilities Committee (ALCO), with its primary goal being to evaluate, monitor and approve practices relating to liquidity risk, interest rate risk, regulatory risk, currency risk and other financial risks in order to optimize returns while maintaining a safe level of liquidity. The ALCO committee is chaired by the Deputy Chief Executive Officer / Chief Finance Officer and normally meets once per month.

### **Credit Risk**

Credit Risk is defined as the possibility of losses due to an obligor failing to perform its contractual obligations to LOLC. Credit Risk is the financial loss to LOLC if a borrower fails to meet its contractual loan obligations. LOLC's main income generating activity is lending to clients and therefore credit risk is a principal risk. Credit Risk is undertaken by the well structure of Credit Risk Policy, Credit Operating Guidelines and other related rules which were implemented to manage LOLC's portfolio quality.

Credit Exposures are actively monitored, reviewed and reported to the Risk Committee on a monthly basis. Senior Management and relevant departments have discussed, analyzed and identified any issues with timely and appropriate actions.

### **Liquidity Risk**

Liquidity Risk arises from the organization's inability to efficiently meet its present and future funding needs and obligations when they are due. All issues related to treasury risk are discussed by ALCO and chaired by the Deputy Chief Executive Officer / Chief Finance Officer. To enhance liquidity risk management, a liquidity risk control and framework were established.

Liquidity Risk is primarily monitored and managed on the basis of cash flow projections regularly arising from the maturity profiles of assets, liabilities, off-balance sheet commitments and stress conditions.

LOLC also performs liquidity stress tests annually to identify vulnerable areas in its portfolio, expected financial impacts and enable management to take pro-active actions.

### **Capital Risk**

Capital Risk is the risk that the LOLC has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating, growth and strategic options. LOLC's strategy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. LOLC's lead regulator, the National Bank of Cambodia (NBC), sets and monitors capital requirements for the whole LOLC.

As with liquidity and market risks, ALCO committee is responsible for ensuring the effective management of Capital Risk throughout LOLC. Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

### **Market Risk**

Market Risk refers to the risk of losses in LOLC's trading books due to changes in equity prices, interest rates, foreign exchange rates and other indicators whose values are set in a public market.

Interest rate risk arises primarily from the different maturity dates and reprising of cash flows. Interest rate risk is currently measured by the interest sensitivity gap. ALCO is responsible for monitoring of the interest rate risk profile of LOLC based on its interest sensitivity gaps.

## Operational Risk

Operational Risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information systems, technology failures, breaches in internal controls, fraud, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all of the institutional operations, processes, workflows, products and business activities.

LOLC has identified and assessed the operational risk inherent in all products, activities, processes and systems and its vulnerability to these risks. LOLC will also ensure that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subject to adequate control and procedures.

## Information Security

The Information Security plays an important role to ensure digital products, digital services and their systems meet the highest international standard requirements and regulatory requirements.

Protecting our customers' data and information, including sensitive personal data and financial data, as well as the company's confidential data, is extremely important to us. Focusing on data security and data privacy are critical for LOLC, as it helps gain our customers' trust and strengthens LOLC's reputation. Information security has established and implemented a complete solution to governing, managing and protecting those data and ensuring the system runs smoothly, securely and accurately and is available to use, which helps support the overall business operations.


The IT Steering Committee at the board level (ITSC) and the IT Strategy and Steering committee (ITSSC) at the management level have been established and have conducted regular meetings. These committees are responsible for defining and monitoring IT strategies, as well as implementing those strategies and IT risk management.





# 5

## FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORTS

- ✔ Report of the Board of the Directors
  - ✔ Report of the Independent Auditors  
Statement of Financial Position
  - ✔ Statement of Profit or Loss and Other  
Comprehensive Income
  - ✔ Statement of Changes in Equity
  - ✔ Statement of Cash flows
  - ✔ Notes to the Financial Statements
- 

## Statement By Board of Directors

The Board of Directors (“the Directors”) hereby submits their report together with the audited financial statements of LOLC (Cambodia) Plc. (“the Company”) for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES

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.

### FINANCIAL PERFORMANCE

The financial performance of the Company for the year is set out in the statement of profit or loss and other comprehensive income on page 64.

### STATUTORY CAPITAL

There were changes in the shareholder name of the Company during the year (Note 23).

### BAD AND DOUBTFUL FINANCIAL FACILITIES

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of allowance for impairment losses, and satisfied themselves that all known bad loans and advances had been written off and that adequate loss allowance has been made for bad and doubtful loans and advances.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount written off for bad loans and advances or the amount of the allowance for impairment losses in the financial statements of the Company inadequate to any material extent.

### ASSETS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ensure that any assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company have been written down to an amount that might be expected to be realised.

At the date of this report and to the best of their knowledge, the Directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Company misleading in any material respect.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within a period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading in any material respect.

## ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature. There has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Company for the year in which this report is made.

## THE BOARD OF DIRECTORS

The Board of Directors of the Company during the year 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   |

## THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRS").

In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of CIFRS or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and



- v) effectively control and direct the Company in all material decisions affecting its operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

### **APPROVAL OF THE FINANCIAL STATEMENTS**

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and the financial performance and cash flows of the Company for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors.



Mr. Brindley Chrisantha Gajanayake de Zylva  
Chairman

Phnom Penh, Kingdom of Cambodia  
18 March 2022

# Independent Auditor's Report

To the shareholders of LOLC (Cambodia) Plc.

## Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LOLC (Cambodia) Plc. ("the Company") as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRS").

## *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Independence*

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors ("KICPAA Code") that are relevant to our audit of the financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KICPAA Code.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. We determine one key audit matter: Allowances for expected credit losses on loans to customers. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
<p><b>Allowances for expected credit losses on loans to customers</b></p> <p>Refer to:</p> <ul style="list-style-type: none"> <li>• Note 2.5.e – Summary of significant accounting policies on impairment on loans to customers</li> <li>• Note 3.i – Assumptions and judgments on allowances for expected credit losses on loans to customers</li> <li>• Note 8.a – Allowances for expected credit losses on loans to customers</li> <li>• Note 36.1 – Credit risk</li> </ul> <p>Management applied significant assumptions and judgements using the collective assessment approach in measuring allowances for expected credit losses (“ECL”) on loans to customers. Key assumptions and judgements include:</p> <ul style="list-style-type: none"> <li>• grouping financial assets sharing similar credit risk characteristics for the purposes of measuring ECL</li> <li>• choosing appropriate models and assumptions to measure ECL</li> <li>• determining criteria for identifying loans to customers that have experienced a significant increase in credit risk (“SICR”)</li> <li>• applying assumptions and analysis on expected future cash flows and forward-looking information</li> <li>• applying a non-mechanistic approach to ECL by considering additional qualitative criteria for SICR on restructured loans due to COVID-19 which the existing ECL model was not built for.</li> </ul> <p>We focused on this area because significant management judgement was required to make an appropriate and accurate estimation.</p>	<p>These were the procedures used to examine management’s estimation for ECL:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of and evaluating the credit policies, procedures and controls put in place by management</li> <li>• obtaining an understanding of and evaluating CIFRS 9 accounting policies</li> <li>• testing loan samples to check compliance with the Company’s credit policies and procedures</li> <li>• assessing the appropriateness of grouping financial assets that share similar credit risk characteristics</li> <li>• gaining an understanding of and assessing the ECL model methodology applied against the inherent nature of each loan portfolios and the requirements of CIFRS 9</li> <li>• evaluating the design and testing operating effectiveness of internal controls on the approval of loan write-offs, and on the review and approval of the ECL impairment model, forward-looking macro-economic variables and the percentage for probability-weighted scenarios</li> <li>• assessing the reasonableness of and testing assumptions made by management on expected future cash flows, forward-looking information, percentages for probability-weighted scenario, and other assumptions against the requirement of CIFRS 9 and reasonable and supportable information</li> <li>• testing the reliability of data, on a sample basis, of historical loan data, loan data at 31 December 2021, and historical macro-economic</li> <li>• assessing the reasonableness of and testing the selection of forward-looking macro-economic variables conforming to model methodology</li> <li>• testing the criteria and thresholds used to determine SICR against the requirements of CIFRS 9</li> </ul>

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>• on a sample basis, tracing transfers between stages of loans conformed to criteria and thresholds used to determine SICR and that stages have been reflected in ECL calculation</li> <li>• assessing the reasonableness of and testing assumptions used for determining percentages for probability-weighted scenarios, by benchmarking to reasonable and supportable information</li> <li>• on a sample basis, recomputing ECL and reconciling ECL balances to accounting records and testing ECL movement</li> </ul> <p>These were the procedures relating to the impact of COVID-19 impact on ECL measurement:</p> <ul style="list-style-type: none"> <li>• evaluating the design and testing operating effectiveness of internal controls on credit risk assessment and on approval for loan restructuring</li> <li>• on a sample basis, recomputing gain/loss from loan modifications due to restructuring</li> <li>• assessing qualitative criteria for SICR for restructured loans due to COVID-19 against requirements of CIFRS 9</li> <li>• on a sample basis, tracing transfers between stages due to COVID-19 restructuring to check they have been reflected in the ECL calculation</li> </ul> <p>From the results of these procedures, we determined that the key assumptions for management's estimation were reasonable. We found no material exception.</p>

## **Other information**

Management is responsible for the other information. The other information comprises the directors' report and the supplementary financial information and other disclosures required by the National Bank of Cambodia but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and an 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 identified above 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 auditor's 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.

When we read an annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## **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 CIFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISA's 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 CISA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim  
Partner

Phnom Penh, Kingdom of Cambodia  
18 March 2022

# Statement of Financial Position

AS AT 31 DECEMBER 2021

	Notes	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<b>ASSETS</b>					
Cash on hand	4	95,083,129	89,631,890	23,339,011	22,158,687
Deposits and placements with the central bank	5	126,233,530	322,627,715	30,985,157	79,759,633
Deposits and placements with banks	6	268,874,510	235,909,185	65,997,671	58,321,183
Financial assets at fair value through other comprehensive income	7	61,110	60,675	15,000	15,000
Loans and advances at amortised cost	8	4,134,913,292	3,394,874,917	1,014,951,716	839,276,865
Statutory deposits with the central bank	9	219,654,230	217,819,305	53,916,109	53,849,025
Property and equipment	10	6,408,761	7,540,158	1,573,088	1,864,069
Right-of-use assets	11	27,730,520	20,687,945	6,806,706	5,114,449
Intangible assets	12	10,602,031	6,109,699	2,602,364	1,510,432
Deferred tax assets	13	26,225,612	25,449,305	6,437,313	6,291,546
Other assets	14	19,274,179	13,623,985	4,731,021	3,368,105
<b>TOTAL ASSETS</b>		<b>4,935,060,904</b>	<b>4,334,334,779</b>	<b>1,211,355,156</b>	<b>1,071,528,994</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Deposits from banks and other financial institutions	15	195,570,226	134,232,604	48,004,474	33,184,822
Deposits from customers	16	2,175,241,605	2,033,967,962	533,932,647	502,835,096
Borrowings	17	1,152,112,820	1,083,286,330	282,796,470	267,808,734
Debt securities	18	81,741,175	81,350,297	20,064,108	20,111,322
Lease liabilities	11	25,228,428	18,229,165	6,192,545	4,506,592
Current income tax liabilities	19	54,764,710	47,899,684	13,442,491	11,841,702
Employee benefits	20	2,449,007	2,650,325	601,131	655,210
Other liabilities	21	40,171,072	34,299,188	9,860,352	8,479,403
Subordinated debts	22	252,600,043	165,561,432	62,002,956	40,929,897
<b>TOTAL LIABILITIES</b>		<b>3,979,879,086</b>	<b>3,601,476,987</b>	<b>976,897,174</b>	<b>890,352,778</b>
<b>EQUITY</b>					
Share capital	23	224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings		350,389,302	298,065,276	86,241,545	73,379,198
General reserves		380,415,116	210,415,116	93,768,951	51,979,374
Regulatory reserves	24	-	-	-	-
Other reserves		-	-	(1,013,364)	356,794
<b>TOTAL EQUITY</b>		<b>955,181,818</b>	<b>732,857,792</b>	<b>234,457,982</b>	<b>181,176,216</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,935,060,904</b>	<b>4,334,334,779</b>	<b>1,211,355,156</b>	<b>1,071,528,994</b>

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Interest income	25	714,118,444	665,618,450	175,545,340	163,261,822
Interest expense	25	(250,381,510)	(269,689,816)	(61,549,044)	(66,149,084)
<b>Net interest income</b>		<u>463,736,934</u>	<u>395,928,634</u>	<u>113,996,296</u>	<u>97,112,738</u>
Fee and commission income	26	22,850,455	19,548,817	5,617,123	4,794,902
Fee and commission expense	26	(564,860)	(698,829)	(138,854)	(171,408)
<b>Net fee and commission income</b>		<u>22,285,595</u>	<u>18,849,988</u>	<u>5,478,269</u>	<u>4,623,494</u>
Other operating income		1,977,742	4,452,855	486,171	1,092,189
Other gains/(losses) – net		1,207,156	(539,199)	296,744	(132,254)
<b>Total other operating income</b>		<u>3,184,898</u>	<u>3,913,656</u>	<u>782,915</u>	<u>959,935</u>
Credit impairment losses	27	(20,863,063)	(38,192,446)	(5,128,580)	(9,367,782)
Net losses on derecognition of financial assets measured at amortised cost		(2,782,676)	(3,367,892)	(684,040)	(826,071)
<b>Net other operating loss</b>		<u>(20,460,841)</u>	<u>(37,646,682)</u>	<u>(5,029,705)</u>	<u>(9,233,918)</u>
Personnel expenses	28	(132,772,062)	(115,708,934)	(32,638,167)	(28,380,901)
Depreciation and amortisation charges	29	(12,177,882)	(10,243,616)	(2,993,580)	(2,512,538)
Other operating expenses	30	(44,076,772)	(39,841,017)	(10,834,997)	(9,772,141)
<b>Profit before income tax</b>		<u>276,534,972</u>	<u>211,338,373</u>	<u>67,978,116</u>	<u>51,836,734</u>
Income tax expense	31	(54,210,946)	(31,887,752)	(13,326,192)	(7,821,377)
<b>Profit for the year</b>		<u>222,324,026</u>	<u>179,450,621</u>	<u>54,651,924</u>	<u>44,015,357</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	-	(1,370,158)	1,377,453
Other comprehensive income for the year, net of tax		-	-	(1,370,158)	1,377,453
<b>Total comprehensive income for the year</b>		<u>222,324,026</u>	<u>179,450,621</u>	<u>53,281,766</u>	<u>45,392,810</u>
<b>Profit attributable to:</b>					
Owners of the Company		<u>222,324,026</u>	<u>179,450,621</u>	<u>54,651,924</u>	<u>44,015,357</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		<u>222,324,026</u>	<u>179,450,621</u>	<u>53,281,766</u>	<u>45,392,810</u>



# Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Share capital KHR'000	Retained earnings KHR'000	General reserves KHR'000	Regulatory reserves KHR'000	Other reserves KHR'000	Total KHR'000	Share capital USD	Retained earnings USD	General reserves USD	Regulatory reserves USD	Other reserves USD	Total USD
<b>Balance at 1 January 2020</b>	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 year	-	179,450,621	-	-	-	179,450,621	-	44,015,357	-	-	-	44,015,357
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	1,377,453	1,377,453
<b>Total comprehensive income for the year</b>	-	179,450,621	-	-	-	179,450,621	-	44,015,357	-	-	1,377,453	45,392,810
<b>Transactions with owners in their capacity as owners:</b>												
Transfer from regulatory reserves	-	10,694,760	-	(10,694,760)	-	-	-	2,623,194	-	(2,623,194)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	(22,035)	-	(22,035)
<b>Total transactions with owners</b>	-	10,694,760	-	(10,694,760)	-	-	-	2,623,194	-	(2,645,229)	-	(22,035)
<b>Balance at 31 December 2020</b>	224,377,400	298,065,276	210,415,116	-	-	732,857,792	55,460,850	73,379,198	51,979,374	-	356,794	181,176,216
<b>Balance at 1 January 2021</b>	224,377,400	298,065,276	210,415,116	-	-	732,857,792	55,460,850	73,379,198	51,979,374	-	356,794	181,176,216
Profit for the year	-	222,324,026	-	-	-	222,324,026	-	54,651,924	-	-	-	54,651,924
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	(1,370,158)	(1,370,158)
<b>Total comprehensive income for the year</b>	-	222,324,026	-	-	-	222,324,026	-	54,651,924	-	-	(1,370,158)	53,281,766
<b>Transactions with owners in their capacity as owners:</b>												
Transfer to other reserves	-	(170,000,000)	170,000,000	-	-	-	-	(41,789,577)	41,789,577	-	-	-
<b>Total transactions with owners</b>	-	(170,000,000)	170,000,000	-	-	-	-	(41,789,577)	41,789,577	-	-	-
<b>Balance at 31 December 2021</b>	224,377,400	350,389,302	380,415,116	-	-	955,181,818	55,460,850	86,241,545	93,768,951	-	(1,013,364)	234,457,982

# Statement of Cash flows

for the year ended 31 December 2021

	Notes	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<b>Cash flows from operating activities</b>					
Cash used in operations	33	(728,945,224)	(191,252,146)	(179,190,072)	(46,910,020)
Interest received		716,587,809	665,080,424	176,152,362	163,129,856
Interest paid		(243,563,390)	(260,578,434)	(59,873,006)	(63,914,259)
Income tax paid	19	(48,122,227)	(13,931,299)	(11,829,456)	(3,417,047)
Employee benefits paid		220,865	-	54,293	-
<b>Cash (used in)/generated from operating activities</b>		<b>(303,822,167)</b>	<b>199,318,545</b>	<b>(74,685,879)</b>	<b>48,888,530</b>
<b>Cash flows from investing activities</b>					
Deposits and placements with the central bank		(520,707)	(1,618,372)	(128,001)	(396,952)
Purchases of property and equipment	10	(2,863,624)	(3,931,514)	(703,939)	(964,315)
Purchases of intangible assets	12	(6,510,991)	(1,643,662)	(1,600,539)	(403,155)
Proceeds from disposals of property and equipment		40,595	80,691	9,979	19,792
<b>Cash used in investing activities</b>		<b>(9,854,727)</b>	<b>(7,112,857)</b>	<b>(2,422,500)</b>	<b>(1,744,630)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	33(b)	588,781,570	247,769,133	144,734,899	60,772,414
Repayments of borrowings	33(b)	(498,543,837)	(582,666,925)	(122,552,566)	(142,915,606)
Proceeds from subordinated debts	33(b)	118,861,129	61,155,000	29,218,567	15,000,000
Repayments of subordinated debts	33(b)	(40,655,600)	(14,602,000)	(9,994,002)	(3,581,555)
Payment of transaction costs		(6,367,767)	(3,070,423)	(1,565,331)	(753,108)
Principal element of lease payments	33(b)	(6,278,911)	(4,781,532)	(1,543,488)	(1,172,806)
<b>Cash generated from/(used in) financing activities</b>		<b>155,796,584</b>	<b>(296,196,747)</b>	<b>38,298,079</b>	<b>(72,650,661)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(157,880,310)</b>	<b>(103,991,059)</b>	<b>(38,810,300)</b>	<b>(25,506,761)</b>
Cash and cash equivalents at beginning of year		648,240,207	752,231,266	160,257,158	184,596,630
Currency translation differences		-	-	(1,083,604)	1,167,289
<b>Cash and cash equivalents at end of year</b>	32	<b>490,359,897</b>	<b>648,240,207</b>	<b>120,363,254</b>	<b>160,257,158</b>

# Notes to the Financial Statements

for the year ended 31 December 2021

## 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 Company’s shareholder which is LOLC Private Limited changed name to LOLC Asia Private Limited, and the Company got approval from NBC to change its shareholder name on 15 December 2021. On 30 December 2021, MOC approved the change in shareholder name.

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 81 office locations (80 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 financial statements were authorised for issue by the Board of Directors on 18 March 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The financial statements are prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRS”) which are based on all standards published by the International Accounting Standard Board including other interpretations and amendments that may occur in any circumstances to each standard.

The financial statements have been prepared under the historical cost convention, except for financial asset of equity instrument that measured at fair value.

The Company discloses the amount for each asset and liability that expected to be recovered or settled no more than 12-month after the reporting period as current, and more than 12-month after the reporting period as non-current.

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language statutory financial statements shall prevail.

## 2.2 New standards and interpretation

### i) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19 Related Rent Concessions – amendment to CIFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendment to CIFRS 9, CIAS 39, CIFRS 7 and CIFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

### ii) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2.3 Foreign currency translation

### i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The functional currency is the Khmer Riel (“KHR”) because of the significant influence of the KHR on its operations. The financial statements are presented in KHR which is the Company’s functional currency.

### ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within interest expense. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within “other gains/(losses) – net”.

### iii) *Presentation in United States dollars (USD)*

The translation of KHR into USD is solely for management’s use only and is based on the official exchange rates published by the Central Bank as at the reporting dates and average rate for the year. The statement of profit or loss and other comprehensive income and cash flow statement are translated into USD using the average rate for the year. Assets and liabilities for each statement of financial position presented and other reserves are translated at the closing rate as of the reporting date. Shareholders’ capital is translated at the rate at the date of transaction. Resulting exchange difference arising from the translation of other reserves are recognised directly in equity; all other resulting exchange differences are recognised in other comprehensive income.

The Company has used the official rate of exchange published by the National Bank of Cambodia. As at the reporting date, the yearly average rate was USD 1 to KHR 4,068 (2020: USD 1 to KHR 4,077) and the closing rate was USD1 to KHR 4,074 (2020: USD 1 to KHR 4,045).

## 2.4 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, unrestricted deposits and placements with the central bank and banks, and other short-term highly liquid investments with original maturities of three months or less where the Company has full ability to withdraw for general purpose whenever needed and subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Deposits and placements with the central bank and banks are carried at amortised cost in the statement of financial position.

## 2.5 Financial assets

### a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost are cash on hand, deposits and placements with the central bank and banks, loans and advances at amortised cost, other assets, and
- those to be measured subsequently at fair value through other comprehensive income ("OCI").

The classification depends on the Company's model for managing financial assets and the contractual terms of the financial assets cash flows.

For assets measured at fair value, gains or losses will either be recorded in profit or loss or OCI. For investment in equity instruments that are held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(i) Financial assets at fair value through OCI comprise of:

- Equity securities which are not held for trading, and for which the Company have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

(ii) The Company classifies their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

### b) Recognition and derecognition

Financial assets are recognised when the Company becomes a party to the contractual provision of the instruments. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. A gain or loss on derecognition of a financial asset measured at amortised cost is recognised in profit or loss when the financial asset is derecognised. This includes the amount written off and reversal of subsequent recoveries from write off.

### c) **Measurement**

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest ("SPPI"), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### *Equity instruments*

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss allowing the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### d) **Reclassification of financial assets**

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

### e) **Impairment**

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

The Company applies a three-stage approach to measuring expected credit losses for debt instruments measured at amortised cost.

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

#### (a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

## 2.6 Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provision of the instruments. Financial liabilities of the Company include deposits from banks and other financial institutions, deposits from customers, borrowings, subordinated debts, debt securities and other financial liabilities.

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities that are not classified as fair value through profit or loss are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from banks and other financial institutions, deposits from customers, borrowings, subordinated debts, debt securities and other liabilities.

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

## 2.7 Offsetting financial instruments

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

## 2.8 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss in the financial year in which they are incurred.

Capital work-in-progress is not depreciated. Depreciation of property and equipment is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets at the following rates:

	<b>Years</b>
Leasehold improvement	Shorter of contractual lease period and its economic lives
Office furniture and equipment	3-5
Computer equipment	3
Motor vehicles	3-5

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

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

## 2.9 Intangible assets

Intangible assets, which comprise acquired computer software and licences and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licences are capitalised based on the cost incurred to acquire the specific software and bring it into use. The cost is amortised from 5 to 20 years using the straight-line basis.

Work-in-progress is not depreciated. Costs associated with maintaining intangible assets are recognised as an expense when incurred.

## 2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Any impairment loss is charged to profit or loss in the period in which it arises. Reversal of impairment losses is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

## 2.11 Leases

### *The Company as a lessee*

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

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

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

### **i) Lease liabilities**

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.



To determine the incremental borrowing rate, the Company where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## ii) **Right-of-use assets**

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

## iii) **Recognition exemptions**

Payments associated with all short-term leases and low value leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases comprise motorbike rental, car rental and staff house rental. Low-value leases comprise small items of office equipment.

## **2.12 Income tax**

The income tax expenses is the tax payables on the current's period taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in country where the Company operates and generates taxable income.

Deferred tax is provided in full, using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference 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 assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2.13 Provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

## 2.14 Regulatory reserves

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.

## 2.15 General reserves

General reserves are set up for any overall financial risk of the Company. The Board of Directors exercises its discretion for the use and maintenance of the general reserves by transferring from retained earnings.

## 2.16 Employee benefits

### i) Short-term employee benefits

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

### ii) Long term employment benefits - seniority payments

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued providing guidelines on the implementation of the law. In accordance with the law/Prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

- Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six month on 30 June and 31 December (7.5 days each payment).
- Past years of seniority service - employees are entitled to 15 days of their salary per year of service since the commencement of employment up to 31 December 2018 and still continue working with the Company. The past seniority payment depends on each staff past services and shall not exceed six months of average gross salaries. On 22 March 2019, the Ministry of Labour and Vocational Training issued guideline number 042/19 K.B/S.N.N.Kh.L, to delay the payment of the past years of seniority service which will be payable three days each in June and in December starting December 2021.

The annual service pay is considered as short-term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Company.

The past years of seniority service is classified as long term employee benefits. Past seniority liability is recognised at the present value of defined obligations at the reporting period. That obligation arises as employees render the services that the Company expected to pay in the future reporting periods. The present value of the past seniority payment is determined by discounting the estimate future payments by references to the high quality corporate bond of the currency that the liability is denominated.

## 2.17 Interest income and expense

Interest income and expense from financial instruments at amortised cost are recognised within “interest income” and “interest expense” respectively in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

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

## 2.18 Fee and commission income

Fees and commissions are recognised as income when all conditions precedent are fulfilled (performance obligations are satisfied and control is transferred over time or point in time).

Commitment fees for loans and advances that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

## 2.19 Rounding of amounts

All Khmer Riel amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company’s results and financial position are tested for sensitivity to changes in the underlying parameters. 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 financial year are outlined below:

### i) Expected credit loss allowance on loans and advances at amortised cost

The expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- grouping financial assets sharing similar credit risk characteristics for the purposes of measuring ECL
- choosing appropriate models and assumptions to measure ECL
- determining criteria for identifying loans to customers that have experienced a significant increase in credit risk (“SICR”)
- applying assumptions and analysis on expected future cash flows and forward-looking information
- applying a non-mechanistic approach to ECL by considering additional qualitative criteria for SICR on restructured loans due to COVID-19 which the existing ECL model was not built for.

#### ii) Other long term employee benefits - seniority payments

The present value of the seniority payment obligations depends on a number of factors that are determined on a basis using a number of assumptions. The assumptions used in determining the ultimate cost for seniority payment include the staff turnover and discount rate. Any changes in these assumptions will impact the carrying amount of seniority payment obligations.

#### iii) Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

#### iv) Functional and presentation 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 financial statements are therefore presented in KHR which is the Company’s functional and presentation currency.

### 4. CASH ON HAND

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
<i>Current:</i>				
Khmer Riel	18,209,162	16,187,628	4,469,603	4,001,886
US Dollars	72,558,901	68,975,478	17,810,236	17,052,034
Thai Baht	4,315,066	4,468,784	1,059,172	1,104,767
	<u>95,083,129</u>	<u>89,631,890</u>	<u>23,339,011</u>	<u>22,158,687</u>

### 5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

#### (a) By account types

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Settlement accounts	18,651,779	15,378,000	4,578,247	3,801,731
Current accounts	105,242,492	305,431,163	25,832,718	75,508,322
Negotiable certificate of deposits	2,339,259	1,818,552	574,192	449,580
	<u>126,233,530</u>	<u>322,627,715</u>	<u>30,985,157</u>	<u>79,759,633</u>

The Company has pledged negotiable certificate of deposits amounting to KHR 1,307,400 thousands as collateral for overdraft (31 December 2020: KHR 400,000 thousand) and KHR 1,014,800 thousand as collateral for Real time fund transfer (“RFT”) (31 December 2020: KHR 1,211,250 thousand).

**(b) By maturity**

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Current	126,233,530	322,627,715	30,985,157	79,759,633
Non-current	-	-	-	-
	<u>126,233,530</u>	<u>322,627,715</u>	<u>30,985,157</u>	<u>79,759,633</u>

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

	2021	2020
Settlement accounts	0%	0%
Current accounts	0%	0%
Negotiable certificates of deposits	0.12%-1.95%	0.18%-1.94%

**6. DEPOSITS AND PLACEMENTS WITH BANKS****(a) By account types**

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Deposits and placements with local banks:				
Savings deposits	81,630,520	84,330,797	20,036,946	20,848,157
Current accounts	189,751,977	85,715,464	46,576,332	21,190,473
Time deposits	-	67,752,893	-	16,749,789
	<u>271,382,497</u>	<u>237,799,154</u>	<u>66,613,278</u>	<u>58,788,419</u>
Less: Allowance for expected credit loss	<u>(2,507,987)</u>	<u>(1,889,969)</u>	<u>(615,607)</u>	<u>(467,236)</u>
	<u>268,874,510</u>	<u>235,909,185</u>	<u>65,997,671</u>	<u>58,321,183</u>

**(b) By maturity**

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Current	271,382,497	237,799,154	66,613,279	58,788,419
Non-current	-	-	-	-
	<u>271,382,497</u>	<u>237,799,154</u>	<u>66,613,279</u>	<u>58,788,419</u>

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

	2021	2020
Savings deposits	0% – 1.25%	0% – 1.20%
Current accounts	0% – 1.30%	0% – 1.30%
Term deposits	0%	0% – 3.25%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Non-current <i>Unlisted securities</i>				
Investment in Credit Bureau Cambodia	61,110	60,675	15,000	15,000

The Company designated 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 the investment at 31 December 2021 was KHR 61,110 thousands.

Dividend received during the year was KHR 47,520 thousand (2020: KHR 71,280 thousand).

There is no gain/loss recognised in other comprehensive income due to fair value approximate the carrying amount.

## 8. LOANS AND ADVANCES AT AMORTISED COST

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
<i>At amortised cost</i>				
Group loans	626,723,724	441,025,832	153,834,984	109,029,872
Individual loans:				
Staff loans	3,572,565,196	2,996,973,447	876,918,310	740,908,145
	<u>22,519,365</u>	<u>24,203,637</u>	<u>5,527,581</u>	<u>5,983,594</u>
Total gross loans	<u>4,221,808,285</u>	<u>3,462,202,916</u>	<u>1,036,280,875</u>	<u>855,921,611</u>
Less: Allowance for expected credit loss	<u>(86,894,993)</u>	<u>(67,327,999)</u>	<u>(21,329,159)</u>	<u>(16,644,746)</u>
Total net loans	<u>4,134,913,292</u>	<u>3,394,874,917</u>	<u>1,014,951,716</u>	<u>839,276,865</u>

### a) Allowance for expected credit loss

Allowance for expected credit loss by stages are as follow:

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
12-month ECL (Stage 1)	25,163,215	30,823,708	6,176,538	7,620,200
Lifetime ECL-not credit impaired (Stage 2)	3,715,030	5,132,755	911,888	1,268,913
Lifetime ECL-credit impaired (Stage 3)	<u>58,016,748</u>	<u>31,371,536</u>	<u>14,240,733</u>	<u>7,755,633</u>
	<u>86,894,993</u>	<u>67,327,999</u>	<u>21,329,159</u>	<u>16,644,746</u>

**b) By industry**

	<b>2021</b> <b>KHR'000</b>	<b>2020</b> <b>KHR'000</b>	<b>2021</b> <b>USD</b>	<b>2020</b> <b>USD</b>
Trade and commerce	875,579,429	628,357,223	214,918,858	155,341,711
Services	669,714,969	562,191,223	164,387,572	138,984,233
Manufacturing	75,093,602	44,961,931	18,432,401	11,115,434
Transportation	35,512,349	20,332,995	8,716,826	5,026,698
Agriculture	1,048,364,627	889,415,893	257,330,542	219,880,320
Construction	173,398,312	139,328,660	42,562,178	34,444,663
Household/family	1,343,563,880	1,177,200,085	329,789,858	291,025,979
Others	581,117	414,906	142,640	102,573
<b>Total gross loans</b>	<b>4,221,808,285</b>	<b>3,462,202,916</b>	<b>1,036,280,875</b>	<b>855,921,611</b>

**c) Analysis by loan classification**

	<b>2021</b> <b>KHR'000</b>	<b>2020</b> <b>KHR'000</b>	<b>2021</b> <b>USD</b>	<b>2020</b> <b>USD</b>
<i>Performing</i>				
Gross amount	3,932,943,702	3,295,828,183	965,376,461	814,790,651
Exposure at default	3,932,943,702	3,295,828,183	965,376,461	814,790,651
Allowance for expected credit loss	(25,163,215)	(30,823,708)	(6,176,538)	(7,620,200)
<i>Under-performing</i>				
Gross amount	181,173,597	101,152,077	44,470,691	25,006,694
Exposure at default	181,173,597	101,152,077	44,470,691	25,006,694
Allowance for expected credit loss	(3,715,030)	(5,132,755)	(911,888)	(1,268,913)
<i>Non-performing</i>				
Gross amount	107,690,986	65,222,656	26,433,723	16,124,266
Exposure at default	107,690,986	65,222,656	26,433,723	16,124,266
Allowance for expected credit loss	(58,016,748)	(31,371,536)	(14,240,733)	(7,755,633)
<b>Total gross loans</b>	<b>4,221,808,285</b>	<b>3,462,202,916</b>	<b>1,036,280,875</b>	<b>855,921,611</b>
<b>Exposure at default</b>	<b>4,221,808,285</b>	<b>3,462,202,916</b>	<b>1,036,280,875</b>	<b>855,921,611</b>
<b>Allowance for expected credit loss</b>	<b>(86,894,993)</b>	<b>(67,327,999)</b>	<b>(21,329,159)</b>	<b>(16,644,746)</b>

**d) By maturity**

	<b>2021</b> <b>KHR'000</b>	<b>2020</b> <b>KHR'000</b>	<b>2021</b> <b>USD</b>	<b>2020</b> <b>USD</b>
Not later than 1 year	240,410,337	233,862,319	59,010,883	57,815,159
Later than 1 year and no later than 3 years	1,377,467,302	1,217,226,898	338,111,758	300,921,359
Later than 3 years and no later than 5 years	1,330,534,774	1,607,082,736	326,591,746	397,301,047
Later than 5 years	1,273,395,872	404,030,963	312,566,488	99,884,046
<b>Total gross loans</b>	<b>4,221,808,285</b>	<b>3,462,202,916</b>	<b>1,036,280,875</b>	<b>855,921,611</b>

e) **By relationship**

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Related parties (including staff loans)	22,519,367	24,203,637	5,527,581	5,983,594
Non-related parties	4,199,288,918	3,437,999,279	1,030,753,294	849,938,017
Total gross loans	<u>4,221,808,285</u>	<u>3,462,202,916</u>	<u>1,036,280,875</u>	<u>855,921,611</u>

f) **By residency**

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
Residents	4,221,808,285	3,462,202,916	1,036,280,875	855,921,611
Non-residents	-	-	-	-
Total gross loans	<u>4,221,808,285</u>	<u>3,462,202,916</u>	<u>1,036,280,875</u>	<u>855,921,611</u>

g) **By interest rate**

	<u>2021</u>	<u>2020</u>
Short term loans	7.30% – 18.00%	11.00% - 18.00%
Long term loans	8.92% – 18.00%	9.00% - 18.00%

9. **STATUTORY DEPOSITS WITH THE CENTRAL BANK**

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
<i>Current</i>				
Reserve requirement	197,216,490	195,381,565	48,408,564	48,301,994
<i>Non-current</i>				
Capital guarantee deposit	22,437,740	22,437,740	5,507,545	5,547,031
	<u>219,654,230</u>	<u>217,819,305</u>	<u>53,916,109</u>	<u>53,849,025</u>

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 8% of customers' deposits. The reserve requirement on customers' deposits bear no interest.

(ii) Capital guarantee deposit

Pursuant to Prakas No. B7-01-163 on the licensing of deposit-taking microfinance institutions, dated 13 December 2007, issued by the Central Bank, the Company is required to maintain 10% of its registered capital as a statutory deposit with the Central Bank. The deposit, which is not available for use in the Company's day-to-day operations, is refundable should the Company voluntarily cease its operations in Cambodia.



Annual interest rates:

	<u>2021</u>	<u>2020</u>
Capital guarantee deposit	3%	3%
Reserve requirement	Nil	Nil

## 10. PROPERTY AND EQUIPMENT

Non-current	Office furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Total KHR'000
<b>For the year ended 31 December 2020</b>					
Opening net book value	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
Disposal	(408)	-	(867)	-	(1,275)
Depreciation charge	(563,412)	(766,822)	(2,660,328)	(240,770)	(4,231,332)
Closing net book value	<u>1,054,785</u>	<u>1,448,578</u>	<u>4,322,112</u>	<u>714,683</u>	<u>7,540,158</u>
<b>As at 31 December 2020</b>					
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 value	<u>1,054,785</u>	<u>1,448,578</u>	<u>4,322,112</u>	<u>714,683</u>	<u>7,540,158</u>
<b>In USD equivalent</b>	<u>260,763</u>	<u>358,116</u>	<u>1,068,507</u>	<u>176,683</u>	<u>1,864,069</u>
<b>For the year ended 31 December 2021</b>					
Opening net book value	1,054,785	1,448,578	4,322,112	714,683	7,540,158
Additions	171,858	817,216	1,547,335	327,215	2,863,624
Disposal	-	-	(2,362)	-	(2,362)
Depreciation charge	(533,747)	(500,059)	(2,728,920)	(229,933)	(3,992,659)
Closing net book value	<u>692,896</u>	<u>1,765,735</u>	<u>3,138,165</u>	<u>811,965</u>	<u>6,408,761</u>
<b>As at 31 December 2021</b>					
Cost	4,293,667	14,150,343	14,561,067	1,971,061	34,976,138
Accumulated depreciation	(3,600,771)	(12,384,608)	(11,422,902)	(1,159,096)	(28,567,377)
Net book value	<u>692,896</u>	<u>1,765,735</u>	<u>3,138,165</u>	<u>811,965</u>	<u>6,408,761</u>
<b>In USD equivalent</b>	<u>170,078</u>	<u>433,416</u>	<u>770,291</u>	<u>199,303</u>	<u>1,573,088</u>

## 11. LEASES

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

The Company leases various buildings for its head office and branch operation. Rental contracts are typically made for fixed periods of one to twelve years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

### a) Amounts recognised in the statement of financial position

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<i>Right-of-use assets (Non-current)</i>				
Buildings	27,730,520	20,687,945	6,806,706	5,114,449
	<u>27,730,520</u>	<u>20,687,945</u>	<u>6,806,706</u>	<u>5,114,449</u>
<i>Lease liabilities</i>				
Current	6,464,760	7,088,062	1,586,834	1,752,302
Non-current	18,763,668	11,141,103	4,605,711	2,754,290
	<u>25,228,428</u>	<u>18,229,165</u>	<u>6,192,545</u>	<u>4,506,592</u>

Additions to the right-of-use assets during the year were KHR 13,050,632 thousand (2020: KHR 8,218,494 thousand).

### b) Amounts recognised in the statement of profit or loss

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<i>Depreciation of right-of-use assets</i>				
Buildings (Note 29)	6,166,564	5,378,922	1,515,871	1,319,333
Interest expense (Note 25)	1,860,443	1,276,572	457,336	313,116
Expense relating to short-term lease and leases of low-value assets (included in operating expenses) (Note 30)	6,003,953	5,165,454	1,475,898	1,266,974
Total expenses related to leases	<u>14,030,960</u>	<u>11,820,948</u>	<u>3,449,105</u>	<u>2,899,423</u>

Total cash outflow for lease for year ended 31 December 2021 was KHR 6,278,911 thousand (2020: KHR 11,223,558 thousand).

## 12. INTANGIBLE ASSETS

Non-current	Software and license KHR'000	Work in progress KHR'000	Total KHR'000
<b>For the year ended 31 December 2020</b>			
Opening net book value	4,133,301	966,924	5,100,225
Additions	248,334	1,395,328	1,643,662
Transfer	966,923	(966,923)	-
Write-off	(826)	-	(826)
Amortisation charge	(633,362)	-	(633,362)
Closing net book value	<u>4,714,370</u>	<u>1,395,329</u>	<u>6,109,699</u>
<b>As at 31 December 2020</b>			
Cost	6,156,989	1,395,329	7,552,318
Accumulated amortisation	(1,442,619)	-	(1,442,619)
Net book value	<u>4,714,370</u>	<u>1,395,329</u>	<u>6,109,699</u>
<b>In USD equivalent</b>	<u>1,165,480</u>	<u>344,952</u>	<u>1,510,432</u>
<b>For the year ended 31 December 2021</b>			
Opening net book value	4,714,370	1,395,329	6,109,699
Additions	6,199,794	311,197	6,510,991
Transfer	78,701	(78,701)	-
Amortisation charge	(2,018,659)	-	(2,018,659)
Closing net book value	<u>8,974,206</u>	<u>1,627,825</u>	<u>10,602,031</u>
<b>As at 31 December 2021</b>			
Cost	12,435,484	1,627,825	14,063,309
Accumulated amortisation	(3,461,278)	-	(3,461,278)
Net book value	<u>8,974,206</u>	<u>1,627,825</u>	<u>10,602,031</u>
<b>In USD equivalent</b>	<u>2,202,800</u>	<u>399,564</u>	<u>2,602,364</u>

### 13. DEFERRED TAX ASSETS

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<i>Non-current</i>				
Deferred tax assets	31,771,714	29,586,894	7,798,653	7,314,436
Deferred tax liabilities	(5,546,102)	(4,137,589)	(1,361,340)	(1,022,890)
Net deferred tax assets	<u>26,225,612</u>	<u>25,449,305</u>	<u>6,437,313</u>	<u>6,291,546</u>

The movement of net deferred tax assets during the year as follows:

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
As at 1 January	25,449,305	9,127,261	6,291,546	2,239,819
Charged to profit or loss (Note 31(a))	776,307	16,322,044	190,832	4,003,445
Currency translation differences	-	-	(45,065)	48,282
As at 31 December	<u>26,225,612</u>	<u>25,449,305</u>	<u>6,437,313</u>	<u>6,291,546</u>

#### a) 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 2020	6,619,441	-	-	182,426	1,974,994	350,400	9,127,261
(Charged)/credited to profit or loss	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>
In USD equivalent	<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>
As at 1 January 2021	10,629,536	12,349,459	3,645,833	154,070	2,241,481	566,515	29,586,894
(Charged)/credited to profit or loss	(1,299,527)	2,617,193	1,399,853	240,625	(628,168)	(145,156)	2,184,820
As at 31 December 2021	<u>9,330,009</u>	<u>14,966,652</u>	<u>5,045,686</u>	<u>394,695</u>	<u>1,613,313</u>	<u>421,359</u>	<u>31,771,714</u>
In USD equivalent	<u>2,290,135</u>	<u>3,673,700</u>	<u>1,238,509</u>	<u>96,881</u>	<u>396,002</u>	<u>103,426</u>	<u>7,798,653</u>

**b) Deferred tax liabilities**

	<b>Right-of-use assets KHR'000</b>	<b>Total KHR'000</b>
As at 1 January 2020	-	-
Charged/(credited) to profit or loss	4,137,589	4,137,589
As at 31 December 2020	4,137,589	4,137,589
In USD equivalent	1,022,890	1,022,890
As at 1 January 2021	4,137,589	4,137,589
Charged/(credited) to profit or loss	1,408,513	1,408,513
As at 31 December 2021	5,546,102	5,546,102
In USD equivalent	1,361,340	1,361,340

**14. OTHER ASSETS**

	<b>2021 KHR'000</b>	<b>2020 KHR'000</b>	<b>2021 USD</b>	<b>2020 USD</b>
Account receivables	3,817,390	2,810,741	937,013	694,868
Prepayments	9,381,220	5,779,244	2,302,705	1,428,738
Office and house rental deposits	841,078	437,090	206,450	108,057
Supplies	255,100	95,629	62,617	23,641
Others	4,979,391	4,501,281	1,222,236	1,112,801
	<u>19,274,179</u>	<u>13,623,985</u>	<u>4,731,021</u>	<u>3,368,105</u>
	<b>2021 KHR'000</b>	<b>2020 KHR'000</b>	<b>2021 USD</b>	<b>2020 USD</b>
Current	16,629,336	13,357,144	4,524,571	3,302,137
Non-current	2,644,843	266,841	206,450	65,968
	<u>19,274,179</u>	<u>13,623,985</u>	<u>4,731,021</u>	<u>3,368,105</u>

**15. DEPOSITS FROM BANK AND OTHER FINANCIAL INSTITUTIONS**

	<b>2021 KHR'000</b>	<b>2020 KHR'000</b>	<b>2021 USD</b>	<b>2020 USD</b>
Savings deposits	5,653,893	1,443,040	1,387,799	356,747
Fixed deposits	186,507,446	129,991,365	45,779,933	32,136,308
	<u>192,161,339</u>	<u>131,434,405</u>	<u>47,167,732</u>	<u>32,493,055</u>
Accrued interest payables	3,408,887	2,798,199	836,742	691,767
	<u>195,570,226</u>	<u>134,232,604</u>	<u>48,004,474</u>	<u>33,184,822</u>

a) **By maturity**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Current	195,120,551	129,363,297	47,894,097	31,981,038
Non-current	449,675	4,869,307	110,377	1,203,784
	<u>195,570,226</u>	<u>134,232,604</u>	<u>48,004,474</u>	<u>33,184,822</u>

b) **By interest rate**

	<b>2021</b>	<b>2020</b>
Savings deposits	1.00%	1.00%
Fixed deposits	2.50%-6.50%	2.50%-6.50%

**16. DEPOSITS FROM CUSTOMERS**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Savings deposits	188,717,541	167,120,992	46,322,420	41,315,450
Fixed deposits	1,932,336,847	1,820,635,830	474,309,486	450,095,384
	<u>2,121,054,388</u>	<u>1,987,756,822</u>	<u>520,631,906</u>	<u>491,410,834</u>
Accrued interest payables	54,187,217	46,211,140	13,300,741	11,424,262
	<u>2,175,241,605</u>	<u>2,033,967,962</u>	<u>533,932,647</u>	<u>502,835,096</u>

a) **By maturity**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Current	1,880,583,014	1,736,804,660	461,606,042	429,370,744
Non-current	294,658,591	297,163,302	72,326,605	73,464,352
	<u>2,175,241,605</u>	<u>2,033,967,962</u>	<u>533,932,647</u>	<u>502,835,096</u>

b) **By interest rate**

	<b>2021</b>	<b>2020</b>
Savings deposits	3%-5%	3%-5%
Fixed deposits	3.5% - 10%	3.5%-10.5%

## 17. BORROWINGS

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Current borrowings	411,272,313	518,148,136	100,950,494	128,095,955
Non-current borrowings	740,840,507	565,138,194	181,845,976	139,712,779
	<u>1,152,112,820</u>	<u>1,083,286,330</u>	<u>282,796,470</u>	<u>267,808,734</u>

During the year, the Company obtained additional borrowings of KHR 583,419,932 thousand (USD143,416,896). The annual interest rates are ranging from 4.00% to 8.49% (2020: 4.71% to 8.72%).

All of the borrowings are unsecured.

## 18. DEBT SECURITIES

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Current	81,741,175	1,217,459	20,064,108	300,979
Non-current	-	80,132,838	-	19,810,343
	<u>81,741,175</u>	<u>81,350,297</u>	<u>20,064,108</u>	<u>20,111,322</u>

The Company issued corporate bond payables 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.

## 19. CURRENT INCOME TAX LIABILITIES

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
As at 1 January	47,899,684	13,621,187	11,841,702	3,342,623
Income tax expense (Note 31(a))	54,987,253	48,209,796	13,517,025	11,824,822
Income tax paid	(48,122,227)	(13,931,299)	(11,829,456)	(3,417,047)
Currency translation differences	-	-	(86,780)	91,304
As at 31 December	<u>54,764,710</u>	<u>47,899,684</u>	<u>13,442,491</u>	<u>11,841,702</u>

## 20. EMPLOYEE BENEFITS

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
<i>Provision on seniority payment:</i>				
Current	357,085	199,649	87,650	49,357
Non-current	2,091,922	2,450,676	513,481	605,853
	<u>2,449,007</u>	<u>2,650,325</u>	<u>601,131</u>	<u>655,210</u>

## 21. OTHER LIABILITIES

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Staff bonuses and incentives	32,608,525	23,668,826	8,004,056	5,851,378
Accrued expenses	2,302,719	1,996,481	565,223	493,568
Tax payables	2,327,707	1,990,734	571,357	492,147
Others	2,932,121	6,643,147	719,716	1,642,310
	<u>40,171,072</u>	<u>34,299,188</u>	<u>9,860,352</u>	<u>8,479,403</u>
	40,171,072	34,299,188	9,860,352	8,479,403
Current	40,171,072	34,299,188	9,860,352	8,479,403
Non-current	-	-	-	-
	<u>40,171,072</u>	<u>34,299,188</u>	<u>9,860,352</u>	<u>8,479,403</u>

## 22. SUBORDINATED DEBTS

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Current	30,032,038	32,694,213	7,371,634	8,082,624
Non-current	222,568,005	132,867,219	54,631,322	32,847,273
	<u>252,600,043</u>	<u>165,561,432</u>	<u>62,002,956</u>	<u>40,929,897</u>

During the year, the Company obtained additional subordinated debts of KHR117,855,000 thousand (USD28,971,239). The annual interest rates for all subordinated debts are ranging from 9.01% to 10.47% (2020: 9.77% to 12.21%).

## 23. SHARE CAPITAL

The total number of authorised share of the Company as at 31 December 2021 was 2,243,774 shares (2020 2,243,774 shares) with a par value of KHR 100 thousand per share (2020: KHR 100 thousand). All authorised shares are issued and fully paid up.

The Company's shareholder which is LOLC Private Limited changed name to LOLC Asia Private Limited, and the Company got approval from NBC to change its shareholder name on 15 December 2021. On 30 December 2021, MOC approved the change in shareholder name.

	2021			2020		
	Number of shares	%	KHR'000	Number of shares	%	KHR'000
<b>Shareholders:</b>						
LOLC Asia Private Limited	2,175,792	97%	217,579,200	2,175,792	97%	217,579,200
TPC-ESOP Co., Ltd	67,982	3%	6,798,200	67,982	3%	6,798,200
	<u>2,243,774</u>	<u>100%</u>	<u>224,377,400</u>	<u>2,243,774</u>	<u>100%</u>	<u>224,377,400</u>
In USD equivalent			<u>55,460,850</u>			<u>55,460,850</u>



## 24. REGULATORY RESERVES

As at the reporting date, the accumulated regulatory provision is lower than the accumulated impairment based on CIFRS 9, so no regulatory reserve is transferred from retained earnings as per the central bank's guidelines.

## 25. NET INTEREST INCOME

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<i>Interest income from financial assets at amortised cost</i>				
Loans and advances	711,282,724	662,360,723	174,848,261	162,462,772
Deposits and placements with banks	2,142,983	2,576,184	526,790	631,882
Deposits and placements with the central bank	692,737	681,543	170,289	167,168
Total interest income	<u>714,118,444</u>	<u>665,618,450</u>	<u>175,545,340</u>	<u>163,261,822</u>
<i>Interest expense on financial liabilities at amortised cost</i>				
Deposits from customers	(144,353,770)	(146,527,675)	(35,485,194)	(35,940,071)
Borrowings	(76,668,911)	(101,743,226)	(18,846,832)	(24,955,415)
Subordinated debts	(20,762,259)	(13,394,009)	(5,103,800)	(3,285,261)
Debt securities	(6,736,127)	(6,748,334)	(1,655,882)	(1,655,221)
Lease liabilities	(1,860,443)	(1,276,572)	(457,336)	(313,116)
Total interest expense	<u>(250,381,510)</u>	<u>(269,689,816)</u>	<u>(61,549,044)</u>	<u>(66,149,084)</u>
Net interest income	<u>463,736,934</u>	<u>395,928,634</u>	<u>113,996,296</u>	<u>97,112,738</u>

## 26. NET FEE AND COMMISSION INCOME

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Fee and commission income				
Fees and commission income on loans	2,001,230	2,179,240	491,944	534,520
Penalty income	20,831,141	17,349,235	5,120,733	4,255,392
Other fees	18,084	20,342	4,446	4,990
	<u>22,850,455</u>	<u>19,548,817</u>	<u>5,617,123</u>	<u>4,794,902</u>
Fee and commission expense	<u>(564,860)</u>	<u>(698,829)</u>	<u>(138,854)</u>	<u>(171,408)</u>
Net fee and commission income	<u>22,285,595</u>	<u>18,849,988</u>	<u>5,478,269</u>	<u>4,623,494</u>

**27. CREDIT IMPAIRMENT LOSSES**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
<i>Expected Credit Loss:</i>				
Loans and advances	20,264,682	37,058,791	4,981,485	9,089,721
Deposits and placements with banks	598,381	1,133,655	147,095	278,061
	<u>20,863,063</u>	<u>38,192,446</u>	<u>5,128,580</u>	<u>9,367,782</u>

**28. PERSONNEL EXPENSES**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Salaries and wages	122,994,223	107,564,240	30,234,568	26,383,184
Other benefits	9,777,839	8,144,694	2,403,599	1,997,717
	<u>132,772,062</u>	<u>115,708,934</u>	<u>32,638,167</u>	<u>28,380,901</u>

**29. DEPRECIATION AND AMORTISATION CHARGES**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Depreciation of property and equipment	3,992,659	4,231,332	981,480	1,037,854
Depreciation of right-of-use assets	6,166,564	5,378,922	1,515,871	1,319,333
Amortisation of intangible assets	2,018,659	633,362	496,229	155,351
	<u>12,177,882</u>	<u>10,243,616</u>	<u>2,993,580</u>	<u>2,512,538</u>

**30. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Professional fees	6,409,300	4,455,594	1,575,541	1,092,861
Insurance	6,107,646	6,234,101	1,501,388	1,529,090
Rental expense related to short-term lease and lease of low-value assets	6,003,953	5,165,454	1,475,898	1,266,974
Travelling expenses	4,365,310	3,755,077	1,073,085	921,039
Office supplies and stationery	3,341,023	2,792,506	821,294	684,941
Communication	1,812,187	1,695,915	445,474	415,971
Utilities	1,635,548	1,607,348	402,052	394,248
Advertising	1,434,727	1,605,704	352,686	393,844
Security guard	1,307,311	1,269,590	321,365	311,403
Board of directors' expenses (Note 35(g))	637,945	647,028	156,820	158,702
Repairs and maintenance	232,553	394,450	57,166	96,750
Charitable contributions	75,803	727,787	18,634	178,510
Others	10,713,466	9,490,463	2,633,594	2,327,808
	<u>44,076,772</u>	<u>39,841,017</u>	<u>10,834,997</u>	<u>9,772,141</u>

## 31. INCOME TAX EXPENSE

### a) Income tax expense

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Current income tax	54,987,253	48,209,796	13,517,025	11,824,822
Deferred income tax	(776,307)	(16,322,044)	(190,833)	(4,003,445)
	<u>54,210,946</u>	<u>31,887,752</u>	<u>13,326,192</u>	<u>7,821,377</u>

### b) Reconciliation of income tax expense and accounting profit

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Profit before income tax	276,534,972	211,338,373	67,978,116	51,836,734
Tax at 19.18% (2020: 19.02%)	53,051,202	40,198,860	13,041,102	9,859,912
Tax effect of reconciling items:				
Expenses not deductible for tax purposes	1,159,744	260,161	285,090	63,812
Unrecognised previous deferred tax	-	(8,571,269)	-	(2,102,347)
Income tax expense	<u>54,210,946</u>	<u>31,887,752</u>	<u>13,326,192</u>	<u>7,821,377</u>

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 ended 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 2021, the Company's bond issuance amount was approximately 1.63% (2020: 1.88%) of total assets. The Company has calculated the tax incentives for the year then ended 31 December 2021 based on pro-rata basis resulting in 4.08% (2020: 4.89%) incentive of tax on profit (20%). Therefore, the Company's income tax is calculated at 19.18% for the year then ended 31 December 2021 (2020: 19.02%).

c) **Other matter**

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

**32. CASH AND CASH EQUIVALENTS**

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>USD</b>	<b>USD</b>
Cash on hand	95,083,129	89,631,890	23,339,011	22,158,687
Deposits and placements with the central bank				
Current accounts	105,242,492	305,431,163	25,832,718	75,508,322
Settlement accounts	18,651,779	15,378,000	4,578,247	3,801,731
Deposits and placements with banks				
Current accounts	189,751,977	85,715,464	46,576,332	21,190,473
Savings accounts	81,630,520	84,330,797	20,036,946	20,848,157
Fixed deposits with maturity three months or less	-	67,752,893	-	16,749,788
	<u>490,359,897</u>	<u>648,240,207</u>	<u>120,363,254</u>	<u>160,257,158</u>

### 33. CASH FLOW INFORMATION

#### a) Cash flow from operations

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Profit before income tax	276,534,972	211,338,373	67,978,116	51,836,734
<i>Adjustments for:</i>				
Depreciation and amortisation charges (Note 29)	12,177,882	10,243,616	2,993,580	2,512,538
Credit impairment losses (Note 27)	20,863,063	38,192,446	5,128,580	9,367,782
Net losses on derecognition of financial assets measured at amortised cost	2,782,676	5,165,455	684,040	1,266,974
Gain on disposals of property and equipment	(38,233)	(78,590)	(9,398)	(19,276)
Remeasurement gain of employee benefit	(422,183)	(200,347)	(103,781)	(49,141)
Unrealised exchange gains	(10,586,591)	(2,247,809)	(2,602,407)	(551,339)
Net interest income (Note 25)	(463,736,934)	(395,928,634)	(113,996,296)	(97,112,738)
<i>Changes in working capital:</i>				
Reserve requirement deposits	(1,834,925)	(30,719,852)	(451,063)	(7,534,916)
Loans and advances	(758,931,141)	(323,695,237)	(186,561,244)	(79,395,447)
Other assets	(5,650,194)	1,707,617	(1,388,937)	418,842
Deposits from banks and other financial institutions	60,726,934	41,097,473	14,927,958	10,080,322
Deposits from customers	133,297,566	250,426,900	32,767,347	61,424,307
Other liabilities	5,871,884	3,446,443	1,443,433	845,338
Cash used in operations	<u>(728,945,224)</u>	<u>(191,252,146)</u>	<u>(179,190,072)</u>	<u>(46,910,020)</u>

#### b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

<b>Net debt</b>	<b>2021 KHR'000</b>	<b>2020 KHR'000</b>	<b>2021 USD</b>	<b>2020 USD</b>
Cash and cash equivalents	490,359,897	648,240,207	120,363,254	160,257,158
Borrowings (including overdraft)	(1,152,112,820)	(1,083,286,330)	(282,796,470)	(267,808,734)
Subordinated debts	(252,600,043)	(165,561,432)	(62,002,956)	(40,929,897)
Debt securities	(81,741,175)	(81,350,297)	(20,064,108)	(20,111,322)
Lease liabilities	(25,228,428)	(18,229,165)	(6,192,545)	(4,506,592)
Net debt	<u>(1,021,322,569)</u>	<u>(700,187,017)</u>	<u>(250,692,825)</u>	<u>(173,099,387)</u>
Cash and liquid investments	490,359,897	648,240,207	120,363,254	160,257,158
Gross debt – fixed interest rates	(1,475,294,568)	(1,207,601,428)	(362,124,342)	(298,541,762)
Gross debt – variable interest rates	(36,387,898)	(140,825,796)	(8,931,737)	(34,814,783)
Net debt	<u>(1,021,322,569)</u>	<u>(700,187,017)</u>	<u>(250,692,825)</u>	<u>(173,099,387)</u>

	Borrowings KHR'000	Leases KHR'000	Subordinated Debts KHR'000	Debt Securities KHR'000	Sub-total KHR'000	Cash/ bank overdraft KHR'000	Total KHR'000
<b>Net debt as at 1 January 2020</b>	(1,426,459,591)	(18,602,031)	(120,587,586)	(81,755,899)	(1,647,405,107)	752,231,266	(895,173,841)
Cash flows	334,897,792	4,781,532	(46,553,000)	-	293,126,324	(103,991,059)	189,135,265
New leases	-	(4,594,044)	-	-	(4,594,044)	-	(4,594,044)
Foreign exchange adjustments	5,588,385	185,378	1,679,009	398,513	7,851,285	-	7,851,285
Other changes (i)	2,687,084	-	(99,855)	7,089	2,594,318	-	2,594,318
<b>Net debt as at 31 December 2020</b>	<b>(1,083,286,330)</b>	<b>(18,229,165)</b>	<b>(165,561,432)</b>	<b>(81,350,297)</b>	<b>(1,348,427,224)</b>	<b>648,240,207</b>	<b>(700,187,017)</b>
In USD equivalent	(267,808,734)	(4,506,592)	(40,929,897)	(20,111,322)	(333,356,545)	160,257,158	(173,099,387)
<b>Net debt as at 1 January 2021</b>	(1,083,286,330)	(18,229,165)	(165,561,432)	(81,350,297)	(1,348,427,224)	648,240,207	(700,187,017)
Cash flows	(84,876,095)	(155,796,584)	(77,199,400)	-	(317,872,079)	(157,880,310)	(475,752,389)
New leases	-	(11,849,693)	-	-	(11,849,693)	-	(11,849,693)
Foreign exchange adjustments	14,363,216	232,047	(9,927,116)	(385,229)	4,282,918	-	4,282,918
Other changes (i)	1,686,389	160,414,967	87,905	(5,649)	162,183,612	-	162,183,612
<b>Net debt as at 31 December 2021</b>	<b>(1,152,112,820)</b>	<b>(25,228,428)</b>	<b>(252,600,043)</b>	<b>(81,741,175)</b>	<b>(1,511,682,466)</b>	<b>490,359,897</b>	<b>(1,021,322,569)</b>
In USD equivalent	(282,796,470)	(6,192,545)	(62,002,956)	(20,064,108)	(371,056,079)	120,363,254	(250,692,825)

(i) Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

## 34. COMMITMENTS AND CONTINGENCIES

### a) Loan commitment and guarantee

For the year ended 31 December 2021, the Company did not have any commitments on financial instruments that it commits to extend credit to customers, guarantees and other facilities.

### b) Lease commitments

The Company recognised right-of-use assets and lease liabilities for lease contracts where the Company is a lessee, except for short-term leases and low value leases, see Note 2.11.iii) and Note 11 for further information. The lease commitments of short-term leases and low value leases are as follows:

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Within one year	266,514	1,134,764	65,418	280,535
	<u>266,514</u>	<u>1,134,764</u>	<u>65,418</u>	<u>280,535</u>

### c) Capital commitments

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<i>Intangible assets:</i>				
Within one year	186,078	548,753	45,675	135,662
	<u>186,078</u>	<u>548,753</u>	<u>45,675</u>	<u>135,662</u>

## 35. RELATED-PARTY TRANSACTIONS

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 year end and relating expenses and income for the year are as follows:

### a) Related parties and relationships

The related parties of the Company are as follows:

Relationship	Related party
Ultimate parent Shareholders	LOLC Holdings Plc. LOLC Asia 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**

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Loans to key management personnel	2,368,233	2,602,339	581,304	643,347
Interest income	265,032	203,471	65,150	49,907

Loans and advances to key management personnel are secured and having interest rate of 8.92% to 9.48% per annum (2020: 9.4% to 12% per annum). Allowances for expected credit losses for loans to related parties was recognised during the year of KHR 2,321 thousand (2020: KHR 6,617 thousand).

**(c) Receivables from related parties**

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Receivables from related companies	-	1,187,960	-	293,686

The receivables are unsecured and bear no interest. There are no allowances against receivables from related parties (2020: nil).

**(d) Payables to related parties**

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Payables to related companies	-	81,568	-	20,165

The payables to related company are unsecured and bear no interest.

**(e) Deposits from related parties**

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
Shareholders	16,822	7,345,425	4,129	1,815,927
Board of directors	1,150,377	772,537	282,370	190,986
Key management personnel	6,271,331	4,871,465	1,539,355	1,204,318
Related companies	2,497,248	41,304	612,972	10,211
	<u>9,935,778</u>	<u>13,030,731</u>	<u>2,438,826</u>	<u>3,221,442</u>
Interest payable	110,117	126,666	27,029	31,314
Interest expense	395,045	302,735	97,110	74,254



Annual interest rates during the year are as follows:

	<u>2021</u>	<u>2020</u>
Shareholders	3.00%	3.00%
Board of directors	3.00% – 7.50%	3.00% – 8.75%
Key management personnel	3.00% – 7.70%	3.00% – 9.00%
Related companies	1.00% – 4.50%	3.00%

**(f) Transactions with related parties**

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>KHR'000</u>	<u>KHR'000</u>	<u>USD</u>	<u>USD</u>
<i>i) Incomes from related companies:</i>				
Rental income	54,348	37,671	13,360	9,240
Management fee income	76,820	59,712	18,884	14,646
	<u>131,168</u>	<u>97,383</u>	<u>32,244</u>	<u>23,886</u>
<i>ii) Expenses to related companies:</i>				
Purchases of assets for financial leasing products	63,786	2,359,971	15,680	578,850
License fees	6,871,076	596,379	1,689,055	146,279
IT consultancy and support fees	3,830,062	552,931	941,510	135,622
Rental expense	13,424	-	3,300	-
	<u>10,778,348</u>	<u>3,509,281</u>	<u>2,649,545</u>	<u>860,751</u>

Transactions with related parties were made on normal commercial terms and conditions and at market rate.

**(g) Key management compensation**

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>KHR'000</u>	<u>KHR'000</u>	<u>USD</u>	<u>USD</u>
Directors' fees	637,945	647,028	156,820	158,702
Salaries and other benefits to key management	9,376,378	10,372,013	2,304,911	2,544,031
	<u>10,014,323</u>	<u>11,019,041</u>	<u>2,461,731</u>	<u>2,702,733</u>

## 36. FINANCIAL RISK MANAGEMENT

The Company embraces risk management as an integral part of the Company's business, operations and decision-making process. In ensuring that the Company achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

Generally, the objectives of the Company's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholders' value through sound risk management framework.

	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<b>Financial assets</b>				
Financial assets at amortised costs				
Cash on hand	95,083,129	89,631,890	23,339,011	22,158,687
Deposits and placements with the central bank	126,233,530	322,627,715	30,985,157	79,759,633
Deposits and placements with banks	268,874,510	235,909,185	65,997,671	58,321,183
Loans and advances at amortised cost	4,134,913,292	3,394,874,917	1,014,951,716	839,276,865
Other financial assets	4,625,504	3,451,321	1,135,372	853,231
	<u>4,629,729,965</u>	<u>4,046,495,028</u>	<u>1,136,408,927</u>	<u>1,000,369,599</u>
Financial assets at fair value through other comprehensive income				
	61,110	60,675	15,000	15,000
Total financial assets	<u>4,629,791,075</u>	<u>4,046,555,703</u>	<u>1,136,423,927</u>	<u>1,000,384,599</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost				
Deposits from banks and other financial institutions	195,570,226	134,232,604	48,004,474	33,184,822
Deposits from customers	2,175,241,605	2,033,967,962	533,932,647	502,835,096
Borrowings	1,152,112,820	1,083,286,330	282,796,470	267,808,734
Subordinated debts	252,600,043	165,561,432	62,002,956	40,929,897
Debt securities	81,741,175	81,350,297	20,064,108	20,111,322
Lease liabilities	25,228,428	18,229,165	6,192,545	4,506,592
Other financial liabilities	2,660,094	2,290,727	652,944	566,311
Total financial liabilities	<u>3,885,154,391</u>	<u>3,518,918,517</u>	<u>953,646,144</u>	<u>869,942,774</u>
Net financial assets	<u>744,636,684</u>	<u>527,637,186</u>	<u>182,777,783</u>	<u>130,441,825</u>

## 36.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises from deposits and placements with the central bank and banks, loans and advances, other financial assets, and credit commitments and financial guarantee contracts. Credit exposure arises principally in lending activities.

### (a) Credit risk measurement

Credit risk is managed on a group basis.

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

Deposits and placements with the central bank and banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows a three-stage approach in note 36.1 (c).

### (b) Risk limit control and mitigation policies

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

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collaterals for loans and advances to customers, which is common practice. The Company implements guidelines on the acceptability of specific classes of collaterals or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Movable properties
- Cash in the form of margin deposits, if any.

### (c) Impairment (expected credit loss) policies

The measurement of expected credit loss allowance under the CIFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instruments for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

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

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

- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

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

(i) Significant increase in credit risk (“SICR”)

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition. A borrower is considered to have credit risk increased significantly since initial recognition if past due more than 30 days. For a loan that has been restructured once due to COVID 19 and exhibiting late or no payment for the six consecutive months is also considered to have significant increase in credit risk.

(ii) Definition of default and credit impaired

The Company defines a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

- Where the principal or interest or both of any of the credit facility is past due for more than 90 days or 3 months; or
- Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan exhibits credit weaknesses and is downgraded to Impaired High Risk ; or
- When the loan is classified as restructuring and rescheduling twice or more due to COVID 19. Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of an obligor/counterparty.
- When an obligor/counterparty has multiple loans with the Company and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts.

(iii) Measuring (ECL - inputs, assumptions and estimation techniques)

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

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

Probability of default

The PD represents the likelihood that a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instruments, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

The PD is derived using historical default rates adjusted for forward-looking information and reflecting current portfolio composition and market data.

For portfolios without sufficient default data, forward-looking proxy PDs are used.

### Exposure at Default

EAD is the total amount that the Company is exposed to at the time the borrower defaults.

For amortising products and bullet repayment loans, the 12-month and lifetime EADs are determined based on the expected payment profile which is the contractual repayments owed by the borrower over a 12-month or remaining maturity.

### Loss Given Default

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured facilities, this is based on historical recovery post default discounted to the default date with consideration of projected collateral value through collateral haircut varied by collateral type.
- For unsecured facilities, this is solely based on historical recovery post default discounted to the default date. The recovery is influenced by collection strategies post default which also include recovery post write off.

Among the seven portfolios, group loan portfolio shows correlation with macro-economic variables based on statistical regression analysis performed and thus forward looking information has been applied. For the other portfolios which has no correlation with any macro-economic variables, historical data are the reasonable and supportable information.

For portfolio without sufficient default data, Proxy LGD is used.

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

(iv) Forward-looking information incorporated into the ECL models

The calculation of ECL incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD vary by financial instrument. Expert judgement has also been applied in this process. The historical and forecasts of these economic variables (the "base economic scenario") are sourced from external research house. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates, while LGD is based historical recovery post default and the Company's consideration of projected collateral value through collateral haircut, except for Group loan portfolio that has incorporated forward-looking information and EAD is based on the expected payment profiles.

In addition to the based economic scenario, the Company considers other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2020 and 31 December 2021, the Company concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

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 year ended 31 December 2021, the management has refreshed the latest macroeconomics variables available which were up to 31 December 2021.

The percentages for probability-weighted scenarios used in macroeconomic variable assumptions have been restored to before COVID-19 pandemic period. Having reflected the most recent economic conditions due to COVID-19 within the existing ECL model, the management determines that the percentages for probability-weighted scenarios of 60% for base case, 20% for best case, and 20% for worst case reflect the current economic prospect from external research houses.

As with any economic forecasts, the projects and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

#### Macroeconomic variable assumptions

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

As at 31 December 2021	<b>Base</b>	<b>Best</b>	<b>Worst</b>
	%	%	%
Scenario probability weighting	60%	20%	20%
As at 31 December 2020	<b>Base</b>	<b>Best</b>	<b>Worst</b>
	%	%	%
Scenario probability weighting	60%	15%	25%

#### Sensitivity analysis

The Company has used different macro-economic variable pairs for each portfolio based on the result of statistical regression analysis and expert judgement which makes intuitive or business sense. The Company regularly performs statistical testing on its forward looking models and refreshes macro-economic variable pairs that are fit for use based on the latest qualitative and quantitative data available. The macro-economic variable pairs that have been used for the year ended 31 December 2021 and 31 December 2020 are as follows:

Model	Portfolio	2021	2020
PD	Group loan	US 1 year treasury yield curve rates	Interest rate loans 12 months
		Interest rate loans 12 months	Cambodia commodity imports
	Individual loan	Cambodia CPI All Items, 2010=100	Foreign direct investment (% of GDP)
			US 1 year treasury yield curve rates
			Cambodia CPI All Items, 2010=100
	Life improvement loan asset backed	Total export	Foreign direct investment (% of GDP)
		Cambodia commodity imports	US dollars to Cambodia riel currency exchange rate
	Home improvement loan	US 1 year treasury yield curve rates	Foreign direct investment (% of GDP)
		Interest rate loans 12 months	Interest rate loans 12 months
			Domestic private sector credit to GDP
	Seasonal loan	Foreign direct investment (% of GDP)	Foreign direct investment (% of GDP)
	SME loan	US 1 year treasury yield curve rates	US 1 year treasury yield curve rates
		Interest rate loans 12 months	Interest rate loans 12 months
Staff loan	Cambodia CPI All Items, 2010=100	Foreign direct investment (% of GDP)	
		US 1 year treasury yield curve rates	
		Cambodia CPI All Items, 2010=100	
LGD	Group loan	Cambodia CPI All Items, 2010=100	Total unemployment Cambodia (ILO standard)
			Cambodia composite index (containing all issues in the market)

Set out below are the estimated changes to the ECL for the year ended 31 December 2021 and 31 December 2020 due to the possible changes in the macro-economic variables from the actual assumption used. The changes in the macro-economic variables (“MEVs”) are set to change together with their own pairs and are each analysed for a sensitivity range within a standard deviation, a common statistical term predicting the variation from the forecasted macro-economic variables.

	ECL		ECL	
	2021 KHR'000	2020 KHR'000	2021 USD	2020 USD
<b>Group loan</b>				
Variation added to MEVs	(7,878,626)	(7,304,118)	(1,933,880)	(1,805,715)
Variation deducted from MEVs	3,846,820	3,805,662	944,237	940,831
<b>Individual loan</b>				
Variation added to MEVs	(2,795,486)	(5,156,918)	(686,177)	(1,274,887)
Variation deducted from MEVs	14,942,161	3,594,452	3,667,688	888,616
<b>Life improvement loan asset backed</b>				
Variation added to MEVs	(138,185)	298,078	(33,919)	73,690
Variation deducted from MEVs	128,177	(320,979)	31,462	(79,352)
<b>Home improvement loan</b>				
Variation added to MEVs	(1,738,881)	(1,123,580)	(426,824)	(277,770)
Variation deducted from MEVs	1,548,117	739,616	379,999	182,847
<b>Seasonal loan</b>				
Variation added to MEVs	533,032	703,038	130,838	173,804
Variation deducted from MEVs	(2,304,610)	(3,059,425)	(565,687)	(756,347)
<b>SME loan</b>				
Variation added to MEVs	(17,893,703)	(20,977,054)	(4,392,171)	(5,185,922)
Variation deducted from MEVs	6,142,606	7,384,119	1,507,758	1,825,493
<b>Staff loan</b>				
Variation added to MEVs	(15,497)	(38,669)	(3,804)	(9,560)
Variation deducted from MEVs	10,180	25,620	2,499	6,334

(v) Grouping of exposure for ECL measured on collective basis

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

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

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



(vi) Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

(vii) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different from the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Company monitors the subsequent performance of modified assets. The Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Company would have to pay if the obligations of the instruments issued are called upon. The table below shows the maximum exposure to credit risk for the Company on financial instruments subject to impairment:

	<b>2021</b> <b>KHR'000</b>	<b>2020</b> <b>KHR'000</b>	<b>2021</b> <b>USD</b>	<b>2020</b> <b>USD</b>
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with banks	268,874,510	235,909,185	65,997,671	58,321,183
Loans and advances at amortised cost	4,134,913,292	3,394,874,917	1,014,951,716	839,276,865
Other financial assets	4,625,504	3,451,321	1,135,372	853,231
Total maximum credit risk exposure that are subject to impairment	<u>4,408,413,306</u>	<u>3,634,235,423</u>	<u>1,082,084,759</u>	<u>898,451,279</u>

The above table represents a worst-case scenario of credit risk exposure to the Company, since collateral held and/or other credit enhancement attached were not taken into account. The exposures set out above are based on net carrying amounts. As shown above, 94% (2020: 93%) of total maximum exposure is derived from loans and advances. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Company's loans and advances due to the following:

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

(e) Credit quality of financial assets

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

Credit quality description is summarised as follows:

<b>Credit quality</b>	<b>Description</b>
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment.  The Company monitors obligors in this category by delinquency status. Obligors that are less than 30 days past due on its contractual payments for both short-term and long-term facilities are in standard monitoring.
Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments.  The Company monitors obligors in this category by delinquency status. Obligors that are 30 days past due on its contractual payments are included in special monitoring.
Default/Credit impaired	Obligors are assessed to be impaired.

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

<b>Credit quality</b>	<b>Description</b>
Sovereign	Refer to financial assets issued by the central bank/government or guarantee by the central bank/government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly exposed to default risk.
Un-graded	Refers to financial assets which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

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

	2021			2020		
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Total KHR'000	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Total KHR'000
<b>Deposits and placements with banks</b>						
Investment grade	75,898,100	-	75,898,100	90,474,482	-	90,474,482
Un-graded	195,484,397	-	195,484,397	147,324,672	-	147,324,672
Gross carrying amount	271,382,497	-	271,382,497	237,799,154	-	237,799,154
Less: Expected credit loss	(2,507,987)	-	(2,507,987)	(1,889,969)	-	(1,889,969)
Net carrying amount	268,874,510	-	268,874,510	235,909,185	-	235,909,185
In USD equivalent	65,997,671	-	65,997,671	58,321,183	-	58,321,183

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

	2021			2020				
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
<b>Loans and advances at amortised cost</b>								
Standard monitoring	3,932,943,702	-	-	3,932,943,702	3,295,828,183	-	-	3,295,828,183
Special monitoring	-	181,173,597	-	181,173,597	-	101,152,077	-	101,152,077
Default	-	-	107,690,986	107,690,986	-	-	65,222,656	65,222,656
Gross carrying amount	3,932,943,702	181,173,597	107,690,986	4,221,808,285	3,295,828,183	101,152,077	65,222,656	3,462,202,916
Less: Expected credit loss	(25,163,215)	(3,715,030)	(58,016,748)	(86,894,993)	(30,823,708)	(5,132,755)	(31,371,536)	(67,327,999)
Net carrying amount	3,907,780,487	177,458,567	49,674,238	4,134,913,292	3,265,004,475	96,019,322	33,851,120	3,394,874,917
In USD equivalent	959,199,923	43,558,803	12,192,990	1,014,951,716	807,170,451	23,737,781	8,368,633	839,276,865

(f) Loss allowance

(i) Expected credit loss reconciliation – loans and advances at amortised cost

	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
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January 2021	30,823,708	5,132,755	31,371,536	67,327,999
<i>Changes due to exposure:</i>				
Transfer to stage 1	585,586	(464,983)	(120,603)	-
Transfer to stage 2	(1,441,309)	1,849,465	(408,156)	-
Transfer to stage 3	(890,742)	(1,828,586)	2,719,328	-
Net remeasurement of loss allowance (*)	(10,848,741)	25,488	29,052,877	18,229,624
New financial assets originated	20,256,501	1,422,406	4,441,543	26,120,450
Financial assets derecognised during the year other than write off	(13,637,561)	(2,364,111)	(8,083,720)	(24,085,392)
Write-offs	(38,383)	(109,691)	(4,620,793)	(4,768,867)
Unwinding of discount (**)	-	-	2,850,455	2,850,455
Foreign exchange difference	354,156	52,287	814,281	1,220,724
Loss allowance as at 31 December 2021	<u>25,163,215</u>	<u>3,715,030</u>	<u>58,016,748</u>	<u>86,894,993</u>
In USDequivalent	<u>6,176,538</u>	<u>911,888</u>	<u>14,240,733</u>	<u>21,329,159</u>

(\*) Impact of the measurement of ECL due to changes in probability of default (“PD”) and loss given default (“LGD”) during the year arising from refreshing of inputs to models from the impact of COVID-19 pandemic on the macroeconomic forecasts.

(\*\*) The unwinding of discount on Stage 3 loans is reported within ‘Interest income’ so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

	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
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January 2021	3,295,828,183	101,152,077	65,222,656	3,462,202,916
<i>Changes due to exposure:</i>				
Transfer to stage 1	16,377,782	(16,014,180)	(363,602)	-
Transfer to stage 2	(153,426,213)	154,518,795	(1,092,582)	-
Transfer to stage 3	(44,578,655)	(22,567,818)	67,146,473	-
New financial assets originated or purchased	2,320,128,479	17,048,097	6,268,595	2,343,445,171
Financial assets derecognised during the year other than write off	(1,501,385,874)	(52,961,425)	(19,319,997)	(1,573,667,296)
Write-offs	-	(1,949)	(10,170,557)	(10,172,506)
Gross carrying amount as at 31 December 2021	<u>3,932,943,702</u>	<u>181,173,597</u>	<u>107,690,986</u>	<u>4,221,808,285</u>
In USD equivalent	<u>965,376,461</u>	<u>44,470,691</u>	<u>26,433,723</u>	<u>1,036,280,875</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
<b>Expected Credit Losses</b>				
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 (*)	(3,578,099)	3,030,983	21,516,547	20,969,431
New financial assets originated	19,519,136	1,321,941	3,902,334	24,743,411
Financial assets derecognised during the year 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 difference	126,173	34,246	162,348	322,767
Loss allowance as at 31 December 2020	<u>30,823,708</u>	<u>5,132,755</u>	<u>31,371,536</u>	<u>67,327,999</u>
In US\$ equivalent	<u>7,620,200</u>	<u>1,268,913</u>	<u>7,755,633</u>	<u>16,644,746</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
<b>Gross carrying amount</b>				
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 exposure:</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 year 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>
In USD equivalent	<u>814,790,651</u>	<u>25,006,694</u>	<u>16,124,266</u>	<u>855,921,611</u>

(g) Concentration of financial assets with credit risk exposure

(i) *Industry sector*

The following table breaks down the Company's main credit exposure at their gross carrying amounts less impairment if any, as categorised by the industry sectors of its counterparties.

	2021						2020					
	Deposits and placements with banks		Loans and advances at amortised cost		Other financial assets		Deposits and placements with banks		Loans and advances at amortised cost		Other financial assets	
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Financial institutions	271,382,497	-	-	271,382,497	-	237,799,154	-	-	-	-	-	237,799,154
Trade and commerce	-	875,579,429	-	875,579,429	-	-	628,357,223	-	-	-	-	628,357,223
Services	-	669,714,969	-	669,714,969	-	-	562,191,223	-	-	-	-	562,191,223
Manufacturing	-	75,093,602	-	75,093,602	-	-	44,961,931	-	-	-	-	44,961,931
Transportation	-	35,512,349	-	35,512,349	-	-	20,332,995	-	-	-	-	20,332,995
Agriculture	-	1,048,364,627	-	1,048,364,627	-	-	889,415,893	-	-	-	-	889,415,893
Construction	-	173,398,312	-	173,398,312	-	-	139,328,660	-	-	-	-	139,328,660
Household/family	-	1,343,563,880	-	1,343,563,880	-	-	1,177,200,085	-	-	-	-	1,177,200,085
Others	-	581,117	-	581,117	-	-	414,906	-	-	-	-	3,866,227
Gross carrying amount	271,382,497	4,221,808,285	4,625,504	4,497,816,286	4,625,504	237,799,154	3,462,202,916	3,451,321	3,451,321	3,703,453,391	-	-
Less: Expected credit loss	(2,507,987)	(86,894,993)	-	(89,402,980)	-	(1,889,969)	(67,327,999)	-	-	(69,217,968)	-	-
Net carrying amount	268,874,510	4,134,913,292	4,625,504	4,408,413,306	4,625,504	235,909,185	3,394,874,917	3,451,321	3,451,321	3,634,235,423	-	-
In US\$ equivalent	65,997,671	1,014,951,716	1,135,372	1,082,084,758	1,135,372	58,321,183	839,276,865	853,231	853,231	898,451,279	-	-

(ii) *Geographical sector*

All of the Company's financial assets are located in Cambodia. Therefore, the Company's credit exposure is within Cambodia only.

(h) *Reposessed collateral*

Reposessed collaterals are sold as soon as practicable. The Company does not utilise the reposessed collaterals for its business use.

The Company did not obtain assets by taking possession of collateral held as security as at 31 December 2021 and 31 December 2020.

## **36.2 Market risk**

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

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

(i) *Foreign exchange risk*

The Company operates in Cambodia and transacts in Khmer Riel, United States Dollars and Thai Baht ("THB"), and is exposed to various currency risks, primarily with respect to US\$ and THB.

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

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

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

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



	In KHR'000 equivalent			
	KHR	US\$	THB	Total
<b>As at 31 December 2021</b>				
<b>Financial assets</b>				
Cash on hand	18,209,162	72,558,901	4,315,066	95,083,129
Deposits and placements with the central bank	26,789,080	99,444,450	-	126,233,530
Deposits and placements with banks	26,965,067	241,909,443	-	268,874,510
Loans and advances at amortised cost	1,071,836,704	2,824,556,998	238,519,590	4,134,913,292
Financial assets at fair value through other comprehensive income	-	61,110	-	61,110
Other financial assets	1,344,165	3,205,148	76,191	4,625,504
<b>Total financial assets</b>	<b>1,145,144,178</b>	<b>3,241,736,050</b>	<b>242,910,847</b>	<b>4,629,791,075</b>
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	69,177	189,919,287	5,581,762	195,570,226
Deposits from customers	143,966,032	2,016,042,114	15,233,459	2,175,241,605
Borrowings	95,151,080	862,456,133	194,505,607	1,152,112,820
Subordinated debts	-	252,600,043	-	252,600,043
Debt securities	27,623,108	54,118,067	-	81,741,175
Lease liabilities	-	25,228,428	-	25,228,428
Other liabilities	1,095,043	1,544,752	20,299	2,660,094
<b>Total financial liabilities</b>	<b>267,904,440</b>	<b>3,401,908,824</b>	<b>215,341,127</b>	<b>3,885,154,391</b>
<b>Net on-balance sheet position</b>	<b>877,239,738</b>	<b>(160,172,774)</b>	<b>27,569,720</b>	<b>744,636,684</b>
<b>In USD equivalent</b>	<b>215,326,396</b>	<b>(39,315,850)</b>	<b>6,767,237</b>	<b>182,777,783</b>

	In KHR'000 equivalent			
	KHR	US\$	THB	Total
<b>As at 31 December 2020</b>				
<b>Financial assets</b>				
Cash on hand	16,187,629	68,975,478	4,468,783	89,631,890
Deposits and placements with the central bank	118,291,738	204,335,977	-	322,627,715
Deposits and placements with banks	57,830,109	178,079,076	-	235,909,185
Loans and advances at amortised cost	840,985,921	2,338,374,180	215,514,816	3,394,874,917
Financial assets at fair value through other comprehensive income	-	60,675	-	60,675
Other financial assets	803,113	2,581,248	66,960	3,451,321
<b>Total financial assets</b>	<b>1,034,098,510</b>	<b>2,792,406,634</b>	<b>220,050,559</b>	<b>4,046,555,703</b>
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	1,897	134,230,707	-	134,232,604
Deposits from customers	140,343,337	1,881,548,230	12,076,395	2,033,967,962
Borrowings	132,580,544	775,718,368	174,987,418	1,083,286,330
Subordinated debts	-	165,561,432	-	165,561,432
Debt securities	27,617,459	53,732,838	-	81,350,297
Lease liabilities	-	18,229,165	-	18,229,165
Other liabilities	958,561	1,312,613	19,553	2,290,727
<b>Total financial liabilities</b>	<b>301,501,798</b>	<b>3,030,333,353</b>	<b>187,083,366</b>	<b>3,518,918,517</b>
<b>Net on-balance sheet position</b>	<b>732,596,712</b>	<b>(237,926,719)</b>	<b>32,967,193</b>	<b>527,637,186</b>
<b>In USD equivalent</b>	<b>181,111,672</b>	<b>(58,819,955)</b>	<b>8,150,108</b>	<b>130,441,825</b>

## Sensitivity analysis

As shown in the table above, the Company is primarily exposed to changes in KHR/US\$ and KHR/THB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US\$ and THB denominated financial instruments.

	Impact on post tax profit KHR'000	Impact on other component of equity KHR'000	Impact on post tax profit USD	Impact on other component of equity USD
<b>2021</b>				
KHR/USD exchange rate- increase by 2%	2,538,135	-	623,008	-
KHR/USD exchange rate- decrease by 2%	(2,641,733)	-	(648,437)	-
KHR/THB exchange rate- increase by 5%	(1,060,984)	-	(260,428)	-
KHR/THB exchange rate- decrease by 5%	1,172,668	-	287,842	-
<b>2020</b>				
KHR/USD exchange rate- increase by 2%	3,777,852	-	933,956	-
KHR/USD exchange rate- decrease by 2%	(3,932,051)	-	(972,077)	-
KHR/THB exchange rate- increase by 6%	(1,511,121)	-	(373,577)	-
KHR/THB exchange rate- decrease by 6%	1,704,030	-	421,268	-

### (ii) Price risk

The Company's exposure to equity securities price risk arises from investment held by the Company and classified as FVOCI. The investment amount is insignificant, so the Company did not have any policy to manage its price risk arising from investments in equity securities.

### (iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise.

The Company's main interest rate risk arises from borrowings with variable rates, which exposes the Company to cash flow interest rate risk. The Company's borrowing consists of both fixed rates and variable rates, in which majority of the borrowings are at fixed rates as the Company's policy is to maintain at least 70% of its borrowing at fixed rate. The Company does not have fair value interest rate risk as the interest rates of financial instruments measured at amortised cost are similar to prevailing market rates.

The management of the Company at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch. In addition, the management regularly analyses and foresees the expected changes in the interest rates and manages cash flow interest rate risk by assessing its impacts and developed actions to respond to the interest rate risk.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

#### As at 31 December 2021

##### Financial assets

	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Non-interest rate sensitive KHR'000	Total KHR'000
Cash on hand	-	-	-	-	-	95,083,129	95,083,129
Deposits and placements with the central bank	407,202	-	1,932,057	-	-	123,894,271	126,233,530
Deposits and placements with banks	112,528,728	-	-	-	-	156,345,782	268,874,510
Financial assets at fair value through other comprehensive income	-	-	-	-	-	61,110	61,110
Loans and advances at amortised cost	11,601,115	30,082,931	177,136,432	2,653,459,015	1,262,633,799	-	4,134,913,292
Other financial assets	-	-	-	-	-	4,625,504	4,625,504
<b>Total financial assets</b>	<b>124,537,045</b>	<b>30,082,931</b>	<b>179,068,489</b>	<b>2,653,459,015</b>	<b>1,262,633,799</b>	<b>380,009,796</b>	<b>4,629,791,075</b>

##### Financial liabilities

Deposits from banks and other financial institutions	24,032,364	46,293,785	124,794,402	449,675	-	-	195,570,226
Deposits from customers	361,899,269	338,609,051	1,209,894,469	264,838,816	-	-	2,175,241,605
Borrowings	-	46,018,744	222,478,032	883,616,044	-	-	1,152,112,820
Subordinated debts	-	-	-	133,817,112	118,782,931	-	252,600,043
Debt securities	-	-	81,741,175	-	-	-	81,741,175
Lease liabilities	366,864	699,041	3,631,995	13,457,120	7,073,408	-	25,228,428
Other financial liabilities	-	-	-	-	-	2,660,094	2,660,094
<b>Total financial liabilities</b>	<b>386,298,497</b>	<b>431,620,621</b>	<b>1,642,540,073</b>	<b>1,296,178,767</b>	<b>125,856,339</b>	<b>2,660,094</b>	<b>3,885,154,391</b>
<b>Net interest repricing gap</b>	<b>(261,761,452)</b>	<b>(401,537,690)</b>	<b>(1,463,471,584)</b>	<b>1,357,280,248</b>	<b>1,136,777,460</b>	<b>377,349,702</b>	<b>744,636,684</b>
<b>In USD equivalent</b>	<b>(64,251,706)</b>	<b>(98,561,043)</b>	<b>(359,222,284)</b>	<b>333,156,664</b>	<b>279,032,268</b>	<b>92,623,884</b>	<b>182,777,783</b>

**As at 31 December 2020**

**Financial assets**

Cash on hand	-	-	-	-	-	-	-	89,631,890	89,631,890
Deposits and placements with the central bank	-	1,009,208	-	809,344	-	-	-	320,809,163	322,627,715
Deposits and placements with banks	67,751,386	67,333,610	-	-	-	-	-	100,824,189	235,909,185
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	60,675	60,675
Loans and advances at amortised cost	8,883,741	24,485,961	190,256,255	2,774,086,772	397,162,188	-	-	3,394,874,917	3,451,321
Other financial assets	-	-	-	-	-	-	-	3,451,321	3,451,321
<b>Total financial assets</b>	<b>76,635,127</b>	<b>92,828,779</b>	<b>191,065,599</b>	<b>2,774,086,772</b>	<b>397,162,188</b>	<b>-</b>	<b>514,777,238</b>	<b>4,046,555,703</b>	<b>4,046,555,703</b>

**Financial liabilities**

Deposits from banks and other financial institutions	29,503,739	37,555,405	62,304,153	4,869,307	-	-	-	-	134,232,604
Deposits from customers	374,713,967	371,772,211	990,318,482	297,163,302	-	-	-	-	2,033,967,962
Borrowings	20,907,070	39,495,120	248,549,086	774,335,054	-	-	-	-	1,083,286,330
Subordinated debits	-	12,449,902	2,480,053	89,897,312	60,734,165	-	-	-	165,561,432
Debt securities	-	-	-	81,350,297	-	-	-	-	81,350,297
Lease liabilities	17,873	34,696	138,659	398,670	17,639,267	-	-	-	18,229,165
Other financial liabilities	-	-	-	-	-	-	2,290,727	-	2,290,727
<b>Total financial liabilities</b>	<b>425,142,649</b>	<b>461,307,334</b>	<b>1,303,790,433</b>	<b>1,248,013,942</b>	<b>78,373,432</b>	<b>-</b>	<b>2,290,727</b>	<b>3,518,918,517</b>	<b>3,518,918,517</b>

Net interest repricing gap

	(348,507,522)	(368,478,555)	(1,112,724,834)	1,526,072,830	318,788,756	-	512,486,511	527,637,186
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In USD equivalent

	(86,157,607)	(91,094,822)	(275,086,486)	377,273,876	78,810,570	-	126,696,294	130,441,825
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## Sensitivity analysis

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

	Impact on post tax profit KHR'000	Impact on other component of equity KHR'000	Impact on post tax profit USD	Impact on other component of equity USD
<b>2021</b>				
Interest rate increase by 100 basis point	294,071	-	72,182	-
Interest rate decrease by 100 basis point	(294,071)	-	(72,182)	-
<b>2020</b>				
Interest rate increase by 100 basis point	1,140,392	-	281,926	-
Interest rate decrease by 100 basis point	(1,140,392)	-	(281,926)	-

### 36.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

#### (a) Liquidity risk management process

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and project for the next day, week and month respectively, as these are key periods for liquidity management. The management monitors the movement of the main depositors and projection of their withdrawals.

#### (b) Funding approach

The Company's main sources of liquidities arise from shareholder's paid-up capital, borrowing, subordinated debts and customers' deposits. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

#### (c) Non-derivative cash flows

The table below presents the cash flows payable by the Company under non-derivative financial liabilities based on remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
<b>As at 31 December 2021</b>						
<b>Financial assets</b>						
Cash on hand	95,083,129	-	-	-	-	95,083,129
Deposits and placements with the central bank	124,302,079	-	1,937,475	-	-	126,239,554
Deposits and placements with banks	268,874,510	-	-	-	-	268,874,510
Financial assets at fair value through other comprehensive income	61,110	-	-	-	-	61,110
Loans and advances at amortised cost	238,468,781	299,267,530	1,342,485,006	3,481,165,333	357,489,987	5,718,876,637
Other financial assets	4,143,273	19,555	36,666	109,998	316,012	4,625,504
<b>Total financial assets by remaining contractual maturities</b>	<b>730,932,882</b>	<b>299,287,085</b>	<b>1,344,459,147</b>	<b>3,481,275,331</b>	<b>357,805,999</b>	<b>6,213,760,444</b>
<b>Financial liabilities</b>						
Deposits from banks and other financial institutions	24,056,345	46,510,991	127,733,466	483,857	-	198,784,659
Deposits from customers	365,162,118	347,072,111	1,272,668,005	283,448,548	-	2,268,350,782
Borrowings	5,144,944	85,784,477	400,612,908	986,612,561	-	1,478,154,890
Subordinated debts	-	8,185,892	46,168,743	246,440,665	30,404,088	331,199,388
Debt securities	-	-	83,871,977	-	-	83,871,977
Lease liabilities	536,614	1,031,645	4,998,307	17,813,723	7,561,550	31,941,839
Other financial liabilities	2,660,094	-	-	-	-	2,660,094
<b>Total financial liabilities by remaining contractual maturities</b>	<b>397,560,115</b>	<b>488,585,116</b>	<b>1,936,053,406</b>	<b>1,534,799,354</b>	<b>37,965,638</b>	<b>4,394,963,629</b>
<b>Net liquidity (gap)/surplus</b>	<b>333,372,767</b>	<b>(189,298,031)</b>	<b>(591,594,259)</b>	<b>1,946,475,977</b>	<b>319,840,361</b>	<b>1,818,796,815</b>
In USD equivalent	81,829,349	(46,464,907)	(145,212,140)	477,780,063	78,507,698	446,440,063

As at 31 December 2021, the Company has undrawn overdraft facilities amounting to KHR 13,129,400 thousands (USD3,222,730) from local financial institutions.

	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
<b>As at 31 December 2020</b>						
<b>Financial assets</b>						
Cash on hand	89,631,890	-	-	-	-	89,631,890
Deposits and placements with the central bank	320,809,163	1,012,580	810,471	-	-	322,632,214
Deposits and placements with banks	168,156,292	67,979,886	-	-	-	236,136,178
Financial assets at fair value through other comprehensive income	60,675	-	-	-	-	60,675
Loans and advances at amortised cost	201,919,322	289,475,911	1,224,356,795	2,714,032,125	89,044,260	4,518,828,413
Other financial assets	3,055,242	13,146	116,092	122,968	143,873	3,451,321
<b>Total financial assets by remaining contractual maturities</b>	<b>783,632,584</b>	<b>358,481,523</b>	<b>1,225,283,358</b>	<b>2,714,155,093</b>	<b>89,188,133</b>	<b>5,170,740,691</b>
<b>Financial liabilities</b>						
Deposits from banks and other financial institutions	28,189,156	39,072,767	63,648,125	5,285,235	-	136,195,283
Deposits from customers	368,851,117	398,681,910	1,035,692,983	331,206,591	-	2,134,432,601
Borrowings	38,809,983	106,026,219	438,687,807	605,689,956	-	1,189,213,965
Subordinated debts	-	15,325,392	33,137,068	149,256,429	23,068,521	220,787,410
Debt securities	-	-	6,701,848	83,474,581	-	90,176,429
Lease liabilities	488,968	950,394	3,979,469	11,018,136	585,276	17,022,243
Other financial liabilities	2,290,727	-	-	-	-	2,290,727
<b>Total financial liabilities by remaining contractual maturities</b>	<b>438,629,951</b>	<b>560,056,682</b>	<b>1,581,847,300</b>	<b>1,185,930,928</b>	<b>23,653,797</b>	<b>3,790,118,658</b>
<b>Net liquidity (gap)/surplus</b>	<b>345,002,633</b>	<b>(201,575,159)</b>	<b>(356,563,942)</b>	<b>1,528,224,165</b>	<b>65,534,336</b>	<b>1,380,622,033</b>
In USD equivalent	85,291,133	(49,833,167)	(88,149,306)	377,805,727	16,201,319	341,315,706

As at 31 December 2020, the Company has undrawn overdraft facilities amounting to KHR 24,670,000 thousands (USD 6,098,888) from local financial institutions.

### 36.4 Fair value of financial assets and liabilities

Financial instruments comprise of financial assets and financial liabilities. 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. The information presented herein represents the estimates of fair values as at the statements of financial position date.

- (a) Financial instruments measured at fair value
  - i) Determination of fair value and fair value hierarchy

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2021 and 31 December 2020 on a recurring basis:

	Level 1 KHR'000	Level 2 KHR'000	Level 3 KHR'000	Total KHR'000
<b>As at 31 December 2021</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	61,110	61,110
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>61,110</b>	<b>61,110</b>
In USD equivalent	-	-	15,000	15,000
<b>As at 31 December 2020</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	60,675	60,675
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>60,675</b>	<b>60,675</b>
In US\$ equivalent	-	-	15,000	15,000

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- 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.



ii) Valuation techniques

The Company's financial asset at FVOCI is investment in unlisted equity securities where the fair values have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

(b) 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 are approximate to their carrying value as reporting date.

iii) Deposits from banks, other financial institutions and customers

The fair value of deposits from banks, other financial institutions and customers with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits from banks and customers with remaining maturities of more than one year 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 are not quoted in active market and their fair value approximates 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.

### 36.5 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' shown on the balance sheet, are:

- to comply with the capital requirement set by the central bank;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide a return for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support business development.

The central bank requires all micro-finance deposits taking institutions to i) hold the minimum capital requirement, ii) maintain the Company's net worth at least equal to the minimum capital and iii) comply with solvency and liquidity ratios.

The table below summarises the composition of regulatory capital:

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>US\$</b>	<b>USD</b>
<b>Tier I capital</b>				
Share capital	224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings	350,389,302	298,065,276	86,241,545	73,379,198
Other reserves	380,415,116	210,415,116	93,768,951	51,979,374
Less: Loans to related parties	<u>(2,370,554)</u>	<u>(2,618,151)</u>	<u>(581,874)</u>	<u>(647,256)</u>
	<u>952,811,264</u>	<u>730,239,641</u>	<u>234,889,472</u>	<u>180,172,166</u>
<b>Tier II complementary capital</b>				
Subordinated debts	<u>250,958,400</u>	<u>157,755,000</u>	<u>61,600,000</u>	<u>39,000,000</u>
	<u>250,958,400</u>	<u>157,755,000</u>	<u>61,600,000</u>	<u>39,000,000</u>
<b>Total Capital Tier I + Tier II</b>	<u>1,203,769,664</u>	<u>887,994,641</u>	<u>296,489,472</u>	<u>219,172,166</u>



# Branch Network of LOLC

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### 1. Operations Office

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Penh.  
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### 2. Khan Prampir Meakkakra Branch - Sangkat Boeng Proluet

#431, Preah Monivong Blvd, Sangkat Boeng  
Proluet, Khan Prampir Meakkara,  
Phnom Penh Capital.  
Tel: 081 500 222

### 3. Khan Prampir Meakkakra Branch - Sangkat Veal Vong

N° 35A, Street 169, Sangkat Veal Vong, Khan Prampir  
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### 4. Khan Saensokh Branch - Sangkat Phnom Penh Thmei

Phnom Penh Hanoi Friendship Blvd, Phum  
Bayab, Sangkat Phnom Penh Thmei, Khan  
Saensokh, Phnom Penh  
Tel: 081 900 268

### 5. Khan Tuol Kok Branch - Sangkat Boeng Kak Ti Muoy

#101A3E0E1 & 101A, Street 289, Phum 1 Village,  
Sangkat Boeng Kak Ti Muoy, Khan Tuol Kouk,  
Phnom Penh Capital.  
Tel: 081 700 001

### 6. Khan Doun Penh Branch - Sangkat Chakto Mukh

No. 25, Preah Suramarit Blvd, Phum Phum3, Sangkat  
Chakto Mukh, Khan Doun, Phnom Penh.  
Tel: 081 600 588

### 7. Banteay Meanchey Provincial Branch

National Road N°6A, Kampong Svay Village, Sangkat  
Kampong Svay, Krong Serei Saophoan, Banteay  
Meanchey Province.  
Tel: 081 800 315

### 8. Krong Paoy Paet Branch - Sangkat Phsar Kandal

National Road 5, Kilou Lekh Buon Village,  
Sangkat Phsar Kandal, Paoy Paet Municipality,  
Banteay Meanchey Province.  
Tel: 081 800 324

### 9. Preah Netr Preah District Branch - Chob Vari

National Road N°6, Chob Village, Chob Vari  
Commune, Preah Netr Preah District,  
Banteay Meanchey Province.  
Tel: 081 800 020

### 10. Thma Puok District Branch - Kumru Commune

National Road 56A, Andoung Khlong Village,  
Kumru Commune, Thma Puok District,  
Banteay Meanchey Province.  
Tel: 081 800 595

### 11. Battambang Provincial Branch

N°01.F59A N°02.F59A N°03.F59A National Road  
N°5, Prek MohaTep Village, Sangkat Svay Por,  
Krong Battambang, Battambang Province  
Tel: 081 800 317

### 12. Krong Battambang Branch - Sangkat Rottanak

Phum Rumchek 4, Sangkat Rottanak,  
Krong Battambang, Battambang Province.  
Tel: 081 800 536

### 13. Bavel District Branch - Bavel Commune

#63, Group 3, National Road No. 57B, Bavel Muoy  
Village, Bavel Commune, Bavel District, Battambang  
Province.  
Tel: 081 800 609

### 14. Kamrieng District Branch - Boeng Reang Commune

Street 79, Doung Village, Boeng Reang Commune,  
Kamrieng District, Battambang Province.  
Tel: 081 800 785

### 15. Moug Ruessei District Branch - Kear Commune

National Road N°5, Kear Bei Village, Kear Commune,  
Moug Ruessei District, Battambang Province.  
Tel: 081 800 319

### 16. Rotonak Mondol District Branch - Sdau Commune

N°491, Group 1, Sdau Village, Sdau Commune,  
Rotonak Mondol District, Battambang Province.  
Tel: 081 800 318

### 17. Samlout District Branch - Ta Sanh Commune

Street 10B, Ou Tontuem Village, Ta Sanh  
Commune, Samlout District, Battambang Province.  
Tel: 081 800 988

**18. Sampov Lun District Branch - Santepheap Commune**

National Road No. 57B, Trapeang Prolit Village,  
Santepheap Commune, Sampov Lun District, Battambang Province.  
Tel: 081 800 585

**19. Kampong Cham Provincial Branch**

Boeng Snay Village, Sangkat Sambuor Meas,  
Krong Kampong Cham, Kampong Cham Province.  
Tel: 081 800 298

**20. Chamkar Leu District Branch - Svay Teab Commune**

National Road N° 71, Thnol Baek Kaeut Village,  
Svay Teab Commune, Chamkar Leu District,  
Kampong Cham Province.  
Tel: 081 800 983

**21. Cheung Prey District Branch - Soutib Commune**

National Road N°6, Ta saen Village, Soutib  
Commune, Cheung Prey District,  
Kampong Cham Province.  
Tel: 081 800 301

**22. Prey Chhor District Branch - Chrey Vien Commune**

National Road No 7, Slaeng Village,  
Chrey Vien Commune, Prey Chhor District,  
Kampong Cham Province.  
Tel: 081 800 040

**23. Kampong Chhnang Provincial Branch**

N° A096, Ti Muoy Village, Sangkat Khsam,  
Kampong Chhnang Municipality,  
Kampong Chhnang Province.  
Tel: 081 400 241

**24. Kampong Tralach District Branch - Thma Edth Commune**

National Road No 5, Daeum Popel Village,  
Thma Edth Commune, Kampong Tralach District,  
Kampong Chhnang Province.  
Tel: 081 800 039

**25. Kampong Speu Provincial Branch**

National Road No3, Rumloung Village, Sangkat  
Sopoar Tep, Chbar Mon Municipality,  
Kampong Speu Province.  
Tel: 081 800 769

**26. Odongk District Branch - Veang Chas Commune**

National Road N°5, Srah Keo Village, Veang Chas  
Commune, Odongk District, Kampong Speu Province.  
Tel: 081 800 321

**27. Phnum Sruoch District Branch - Kiri Voan Commune**

National Road N°4, Phsar Trapeang Kraloeng Village,  
Kiri Voan Commune, Phnum Sruoch District,  
Kampong Speu Province.  
Tel: 081 500 060

**28. Kampong Thom Provincial Branch**

Ballangk Lech Village, Sangkat Damrei Choan  
Khla, Krong Stueng Saen, Kampong Thom Province.  
Tel: 081 800 977

**29. Baray District Branch - Ballangk Commune**

National Road N°6, Prey Ta Trav Village, Ballangk  
Commune, Baray District, Kampong Thom Province.  
Tel: 081 800 266

**30. Sandan District Branch - Sandan Commune**

Kampong Trabaek Village, Sandan Commune,  
Sandan District, Kampong Thom Province.  
Tel: 081 500 444

**31. Stoung District Branch - Kampong Chen Cheung Commune**

Tnaot Village, Kampong Chen Cheung Commune,  
Stoung District, Kampong Thom Province  
Tel: 081 800 967

**32. Kampot Provincial Branch**

National Road N°3, Svay Thum Village, Sangkat  
Krang Ampil, Kampot Municipality, Kampot Province.  
Tel: 081 800 297

**33. Angkor Chey District Branch - Phnum Kong Commune**

Pou Village, Phnum Kong Commune, Angkor Chey  
District, Kampot Province.  
Tel: 081 800 293

**34. Chhuk District Branch - Satv Pong Commune**

National Road N°3, Satv Pong Village, Satv Pong  
Commune, Chhuk District, Kampot Province.  
Tel: 081 800 290

**35. Kampong Trach District Branch - Ang Sophy Commune**

National Road N°31, Boeng Thum Khang Lech Village,  
Ang Sophy Commune, Kampong Trach District,  
Kampot Province.  
Tel: 081 800 202

**36. Kandal Provincial Branch**

#138, National Road N°2, Krapeu Ha Village, Sangkat  
Prek Ruessey, Ta Khmau Municipality,  
Kandal Province.  
Tel: 081 800 312

**37. Angk Snuol District Branch - Baek Chan Commune**

No. 28A & 29A, Svay Chrum Village, Baek Chan  
Commune, Angk Snuol District, Kandal Province  
Tel: 081 400 222

**38. Kaoh Thum District Branch - Preaek Thmei Commune**

National Road N°21, Preaek Thon Village, Preaek  
Thmei Commune, Kaoh Thum District,  
Kandal Province.  
Tel: 081 700 127

- 39. Kien Svay District Branch - Kokir Commune**  
National Road N°1, Chen kaoh Village, Kokir Commune, Kien Svay District, Kandal Province.  
Tel: 081 800 601
- 40. Mukh Kampul District Branch - Preaek Anhchanh Commune**  
National Road N°6, Preaek Anhchanh Commune, Mukh Kampul District, Kandal Province.  
Tel: 081 900 041
- 41. Krong Ta Khmau Branch - Sangkat Roka Khpos**  
National Road N°21, Preaek Khsev Village, Sangkat Roka Khpos, Takhmau Municipality, Kandal Province.  
Tel: 081 800 314
- 42. Koh Kong Provincial Branch**  
Phum Ti Muoy, Sangkat Smach Mean Chey, Khemara Phoumin Municipality, Koh Kong Province.  
Tel: 081 900 281
- 43. Kratie Provincial Branch**  
Street Sangkum Reah Niyum, Doun Chroam Village, Kratie Sangkat, Kratie Municipality, Kratie Province.  
Tel: 081 900 327
- 44. Chhloung District Branch - Chhloung Commune**  
Street 308, Chrouy Thma Kraom Village, Chhloung Commune, Chhloung District, Kratie Province.  
Tel: 081 900 328
- 45. Snuol District Branch - Snuol Commune**  
Street 74, Kbal Snuol Village, Snuol Commune, Snuol District, Kratie Province.  
Tel: 081 700 215
- 46. Mondul Kiri Provincial Branch**  
National Road N°76, Ou Spean Village, Sangkat Spean Mean Chey, Saen Monourom Municipality, Mondul Kiri Province.  
Tel: 081 700 111
- 47. Preah Vihear Provincial Branch**  
Andoung Pou Village, Sangkat Kampong Pranak, Preah Vihear Municipality, Preah Vihear Province.  
Tel: 081 800 996
- 48. Choam Ksant District Branch - Choam Ksant Commune**  
National Road N°9B, Choam Ksant Village, Choam Ksant Commune, Choam Ksant District, Preah Vihear Province.  
Tel: 081 900 855
- 49. Preah Sihanouk Provincial Branch**  
#19-20, Borey Kamakor Steet, Phum Bei Village, Sangkat Bei, Khan Mittapheap, Preah Sihanouk Municipality, Preah Sihanouk Province.  
Tel: 081 900 277
- 50. Prey Veng Provincial Branch**  
Phum Lekh Prampir, Sangkat Kampong Leav, Prey Veng Municipality, Prey Veng Province.  
Tel: 081 900 781
- 51. Kampong Trabaek District Branch - Prasat Commune**  
National Road N°1, Doung tung Village, Prasat Commune, Kampong Trabaek District, Prey Veng Province.  
Tel: 081 900 305
- 52. Me Sang District Branch - Chi Phoch Commune**  
Veang Village, Chi Phoch Commune, Me Sang District, Prey Veng Province.  
Tel: 081 700 010
- 53. Pea Reang District Branch - Roka Commune**  
National Road N°8, Snay Pol Village, Roka Commune, Pea Reang District, Prey Veng Province.  
Tel: 081 300 400
- 54. Peam Ro District Branch - Preaek Khsay Kha Commune**  
National Road N°1, Phum Muoy Village, Preaek Khsay Kha Commune, Peam Ro District, Prey Veng Province.  
Tel: 081 800 277
- 55. Pursat Provincial Branch**  
#256, National Road N°5, Thnal Bambaek Village, Sangkat Roleab, Pursat Municipality, Pursat Province.  
Tel: 081 800 889
- 56. Ratanak Kiri Provincial Branch**  
#B06 & B07, National Road N°78A, Akpiwat Village, Sangkat Labansiek, Ban Lung Municipality, Ratanak Kiri Province.  
Tel: 081 800 244
- 57. Bar Kaev District Branch - La Minh Commune**  
National Road N°78, Phum Muoy, La Minh Commune, Bar Kaev District, Ratanak Kiri Province.  
Tel: 081 900 248
- 58. Siem Reap Provincial Branch**  
Banteay Chas Village, Sangkat Sla Kram, Siem Reap Municipality, Siem Reap Province.  
Tel: 081 900 294
- 59. Krong Siemreap Branch - Sangkat Svay Dankum**  
No.286, National Road 6A, Phum Kruos, Sangkat Svay Dankum, Krong Siemreap, Siemreap Province.  
Tel: 081 600 228
- 60. Angkor Chum District Branch - Char Chhuk Commune**  
Street 231, Doun Sva Village, Char Chhuk Commune, Angkor Chum District, Siem Reap Province.  
Tel: 081 800 151


- 61. Chi Kraeng District Branch - Kampong Kdei Commune**  
#028, National Road N°6, Kampong Kdei Muoy Village,  
Kampong Kdei Commune, Chi Kraeng District,  
Siem Reap Province.  
Tel: 081 800 295
- 62. Puok District Branch - Puok Commune**  
N° 2709, Kouk Chuon Village, Puok Commune,  
Puok District, Siem Reap Province.  
Tel: 081 800 296
- 63. Sotr Nikom District Branch - Dam Daek Commune**  
Doun Hong Village, Dam Daek Commune,  
Sotr Nikom District, Siemreap Province.  
Tel: 081 800 297
- 64. Stung Traeng Provincial Branch**  
#22, Kandal Village, Sangkat Stueng Traeng,  
Stueng Traeng Municipality, Stung Treng Province.  
Tel: 081 800 959
- 65. Svay Rieng Provincial Branch**  
National Road No1, Sangkat Prey Chhlak,  
Svay Rieng Municipality, Svay Rieng Province.  
Tel: 081 800 302
- 66. Krong Bavet Branch - Sangkat Prey Angkunh**  
National Road No1, Chrey Thum Village,  
Sangkat Prey Angkunh, Bavet Municipality,  
Svay Rieng province.  
Tel: 081 800 783
- 67. Romeas Haek District Branch - Kampong Trach Commune**  
Ta Trav Village, Kampong Trach Commune,  
Romeas Haek District, Svay Rieng Province.  
Tel: 081 800 304
- 68. Takeo Provincial Branch**  
Phsar Ta Kao Village, Sangkat Roka Knong, Doun  
Kaev Municipality, Takeo Province.  
Tel: 081 800 199
- 69. Bati District Branch - Trapeang Sab Commune**  
National Road N°2, Smau Khnhei Village, Trapeang Sab  
Commune, Bati District, Takeo Province.  
Tel: 081 800 307
- 70. Kiri Vong District Branch - Preah Bat Choan Chum Commune**  
National Road N°2, Kampong Village, Preah Bat Choan  
Chum Commune, Kiri Vong District, Takeo Province.  
Tel: 081 800 289
- 71. Prey Kabbas District Branch - Prey Lvea Commune**  
Lvea Tnaot Village, Prey Lvea Commune,  
Prey Kabbas District, Takeo Province.  
Tel: 081 800 309
- 72. Tram Kak District Branch - Angk Ta Saom Commune**  
National Road N°3, Trapeang khlout Village,  
Angk Ta Saom Commune, Tram Kak District,  
Takeo Province.  
Tel: 081 800 288
- 73. Oddar Meanchey Provincial Branch**  
National Road N°68, Doun Kaen Village,  
Sangkat Samraong, Samraong Municipality,  
Oddar Meanchey Province.  
Tel: 081 800 316
- 74. Anlong Veang District Branch - Anlong Veang Commune**  
National Road N°67, Akphivoad Village,  
Anlong Veang Commune, Anlong Veang  
District, Oddar Meanchey Province.  
Tel: 081 800 211
- 75. Banteay Ampil District Branch - Kouk Mon Commune**  
National Road N°56A, Kouk Mon Village,  
Kouk Mon Commune, Banteay Ampil District,  
Oddar Meanchey Province.  
Tel: 081 300 311
- 76. Pailin Provincial Branch**  
National Road N° 57, Ou Ta Puk Leu Village,  
Sangkat Pailin, Pailin Municipality, Pailin Province.  
Tel: 081 800 242
- 77. Tboung Khmum Provincial Branch**  
Cheung Lang Village, Sangkat Suong,  
Suong Municipality, Tboung Khmum Province.  
Tel: 081 800 326
- 78. Dambae District Branch - Dambae Commune**  
National Road N°73, Sach Chey Sen Village,  
Dambae Commune, Dambae District,  
Tboung Khmum Province.  
Tel: 081 800 420
- 79. Memot District Branch - Memot Commune**  
National Road N°7, Masin Tuek Village,  
Memot Commune, Memot District,  
Tboung Khmum Province.  
Tel: 081 800 255
- 80. Ou Reang Ov District Branch - Ampil Ta Pok Commune**  
Lekh Bei Village, Ampil Ta Pok Commune,  
Ou Reang Ov District, Tboung Khmum Province.  
Tel: 081 800 578
- 81. Ponhea Kraek District Branch - Kaong Kang Commune**  
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*Ideas for Growth*

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