

LOLC (CAMBODIA) PLC.

**Condensed Interim Financial Statements
for the three-month and nine-month
periods ended 30 September 2023
and
Independent Auditors' Report on Review of
Condensed Interim Financial Statements**

Corporate information

Company	LOLC (Cambodia) Plc.
Registration No.	00012829
Registered office	Building No. 666B, Street 271 Sangkat Boeung Tumpun 2 Khan Mean Chey, Phnom Penh Kingdom of Cambodia
Shareholders	LOLC Asia Private Limited TPC-ESOP Co., Ltd.
Board of Directors	Mr. Brindley Chrisantha Gajanayake de Zylva, Chairman Mr. Indrajith Wijesiriwardana, Member Mr. Hans Michael Theodor Moormann, Member Mr. Dulip Rasika Samaraweera, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member
Executive committee	Mr. Sok Voeun, Chief Executive Officer Mr. Sok Sophal, Deputy Chief Executive Officer/Chief Finance Officer Mr. Damburæ Liyanage Duleep Roshan, Chief Information Officer Mrs. Svoeuy Sodyna, Chief Risk Officer Mr. Perera Hewa Ambepitiyage Chanaka Romesh, Chief Channel Officer Mrs. Chheang Kagna, Chief Digital Financial Services and Deposit Officer Mrs. Leng Thavy, Head of Human Resources Department Mrs. Keo Taraty, Head of Finance Department Ms. Try Sola ; Treasury Department Mr. Bun Bella, Head of Information Technology Department Mr. Phai Phalla, Head of Marketing Mr. Teng Pheap, Head of Internal Audit Department Mrs. Kith Marady, Head of Legal and Compliance Department Mr. Nuth Theng, Head of Business Department Mr. Muth Pisey, Head of Credit Department Mr. Thong Rithy, Head of iPay Sale and Digital Business Department Mr. Va Sok Oun, Head of Administration and Procurement Department Mr. Tun Komg, Deputy Head of Credit Department
Auditors	KPMG Cambodia Ltd

LOLC (Cambodia) Plc.

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Statement by the Board of Directors

The Board of Directors has pleasure in submitting the condensed interim financial statements of LOLC (Cambodia) Plc. ("the Company") for the three-month and nine-month periods ended 30 September 2023.

Board of Directors

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

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

In the opinion of the Board of Directors, the condensed interim financial statements of the Company together with the notes thereto, are prepared in all material respects, the financial position of the Company as at 30 September 2023 and its financial performance for the three-month and nine-month periods then ended, statements of changes in equity and cash flows of the Company for the nine-month period then ended, in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting".

On behalf of the Board of Directors

Mr. Brindley Chrishantha Gajanayake de Zylva
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 20 November 2023



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THE INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of LOLC (Cambodia) Plc.

Introduction

We have reviewed the accompanying 30 September 2023 condensed interim financial statements of LOLC (Cambodia) Plc. ("the Company"), as set out on pages 4 to 41 (hereafter referred to as "the condensed interim financial statements") which comprise the condensed interim statement of financial position as at 30 September 2023 and the condensed interim statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended and other explanatory notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the Cambodian International Accounting Standard 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Other Matter

The condensed interim financial statements of the Company as at 30 September 2022 and for the three-month and nine-month periods then ended were reviewed by another firm of auditors who expressed an unmodified conclusion on 14 November 2022. In addition, the financial statements of the Company for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 March 2023.



Conclusion

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

For **KPMG Cambodia Ltd**



Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

20 November 2023

LOLC (Cambodia) Plc.

Condensed interim statement of financial position As at 30 September 2023

		30 September 2023	31 December 2022	30 September 2023	31 December 2022
	Notes	KHR'000	KHR'000	US\$ (Note 2(b))	US\$ (Note 2(b))
ASSETS					
Cash on hand		125,200,393	106,809,850	30,373,700	25,943,612
Deposits and placements with the National Bank of Cambodia		234,383,262	194,853,393	56,861,539	47,328,976
Deposits and placements with banks		579,185,559	371,988,949	140,510,810	90,354,372
Financial assets at fair value through other comprehensive income		61,830	61,755	15,000	15,000
Loans and advances at amortised cost	5	4,918,242,161	5,006,724,473	1,193,168,889	1,216,109,904
Statutory deposits with the National Bank of Cambodia	6	374,025,576	290,813,000	90,738,859	70,637,114
Property and equipment	7	7,472,124	6,845,124	1,812,742	1,662,649
Right-of-use assets	8	27,884,638	28,364,039	6,764,832	6,889,492
Intangible assets	9	8,641,547	8,290,335	2,096,445	2,013,683
Deferred tax assets		48,801,545	38,944,143	11,839,288	9,459,350
Other assets		30,066,643	21,611,794	7,294,188	5,249,404
TOTAL ASSETS		6,353,965,278	6,075,306,855	1,541,476,292	1,475,663,556
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	10	273,966,304	121,960,652	66,464,411	29,623,671
Deposits from customers	11	3,291,610,635	3,036,496,755	798,546,976	737,550,827
Borrowings	12	1,051,477,346	1,269,650,543	255,089,118	308,392,165
Lease liabilities	8	26,620,556	26,341,727	6,458,165	6,398,282
Current income tax liabilities		43,283,653	64,678,039	10,500,644	15,709,992
Employee benefits		2,082,915	2,310,325	505,317	561,167
Other liabilities		25,510,829	44,620,119	6,188,944	10,838,020
Subordinated debts	13	290,708,078	314,179,268	70,525,977	76,312,671
TOTAL LIABILITIES		5,005,260,316	4,880,237,428	1,214,279,552	1,185,386,795
EQUITY					
Share capital	14	424,377,400	224,377,400	103,969,218	55,460,850
Retained earnings		543,912,446	590,276,911	133,836,670	144,936,825
General reserves		380,415,116	380,415,116	93,768,951	93,768,951
Regulatory reserves		-	-	-	-
Currency translation reserves		-	-	(4,378,099)	(3,889,865)
TOTAL EQUITY		1,348,704,962	1,195,069,427	327,196,740	290,276,761
TOTAL LIABILITIES AND EQUITY		6,353,965,278	6,075,306,855	1,541,476,292	1,475,663,556

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

LOLC (Cambodia) Plc.

Condensed interim statement of profit or loss and other comprehensive income for three-month and nine-month periods ended 30 September 2023

	Notes	Three-month period ended				Nine-month period ended			
		30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Interest income	15	223,395,134	224,347,873	54,051,569	54,705,651	677,847,372	636,494,651	165,046,840	156,233,346
Interest expense	15	(91,110,468)	(79,241,700)	(22,044,633)	(19,322,531)	(259,604,834)	(223,046,241)	(63,210,332)	(54,748,709)
Net interest income	15	<u>132,284,666</u>	<u>145,106,173</u>	<u>32,006,936</u>	<u>35,383,120</u>	<u>418,242,538</u>	<u>413,448,410</u>	<u>101,836,508</u>	<u>101,484,637</u>
Fee and commission income		5,761,309	7,640,809	1,393,977	1,863,158	18,207,300	21,053,345	4,433,236	5,167,733
Fee and commission expense		(229,369)	(217,188)	(55,497)	(52,960)	(667,817)	(712,385)	(162,605)	(174,861)
Net fee and commission income		<u>5,531,940</u>	<u>7,423,621</u>	<u>1,338,480</u>	<u>1,810,198</u>	<u>17,539,483</u>	<u>20,340,960</u>	<u>4,270,631</u>	<u>4,992,872</u>
Other operating income		1,766,555	930,972	427,427	227,011	4,108,104	2,189,106	1,000,269	537,336
Other losses– net		(3,121,930)	(6,025,617)	(755,367)	(1,469,304)	(5,532,174)	(7,116,769)	(1,347,011)	(1,746,875)
Credit impairment losses	16	(62,363,035)	(30,095,741)	(15,089,048)	(7,338,635)	(91,641,083)	(59,277,256)	(22,313,388)	(14,550,136)
Net gain on derecognition of financial assets measured at amortised cost		921,615	675,442	222,989	164,702	2,967,666	2,522,886	722,587	619,265
Net other operating losses		<u>(62,796,795)</u>	<u>(34,514,944)</u>	<u>(15,193,999)</u>	<u>(8,416,226)</u>	<u>(90,097,487)</u>	<u>(61,682,033)</u>	<u>(21,937,543)</u>	<u>(15,140,410)</u>
Personnel expenses	17	(21,772,173)	(36,106,421)	(5,267,886)	(8,804,297)	(100,489,724)	(108,837,671)	(24,467,914)	(26,715,187)
Depreciation and amortisation charges		(3,601,155)	(3,062,021)	(871,317)	(746,652)	(10,339,166)	(9,297,229)	(2,517,450)	(2,282,089)
Other operating expenses		<u>(13,718,434)</u>	<u>(15,197,603)</u>	<u>(3,319,244)</u>	<u>(3,705,829)</u>	<u>(40,774,750)</u>	<u>(40,507,839)</u>	<u>(9,928,111)</u>	<u>(9,943,014)</u>

LOLC (Cambodia) Plc.

Condensed interim statement of profit or loss and other comprehensive income (continued) for three-month and nine-month periods ended 30 September 2023

	Notes	Three-month period ended				Nine-month period ended			
		30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Profit before income tax		35,928,049	63,648,805	8,692,970	15,520,314	194,080,894	213,464,598	47,256,121	52,396,809
Income tax expense	18	(7,300,256)	(12,926,287)	(1,766,333)	(3,151,984)	(40,445,359)	(43,325,994)	(9,847,908)	(10,634,756)
Profit for the period		<u>28,627,793</u>	<u>50,722,518</u>	<u>6,926,637</u>	<u>12,368,330</u>	<u>153,635,535</u>	<u>170,138,604</u>	<u>37,408,213</u>	<u>41,762,053</u>
Other comprehensive income:									
<i>Items that will not be reclassified to profit or loss</i>									
Currency translation differences		-	-	(5,142,452)	(4,452,006)	-	-	(488,234)	(3,017,699)
Other comprehensive income for the period, net of tax		-	-	(5,142,452)	(4,452,006)	-	-	(488,234)	(3,017,699)
Total comprehensive income for the period		<u>28,627,793</u>	<u>50,722,518</u>	<u>1,784,185</u>	<u>7,916,324</u>	<u>153,635,535</u>	<u>170,138,604</u>	<u>36,919,979</u>	<u>38,744,354</u>
Profit attributable to:									
Owners of the Company		<u>28,627,793</u>	<u>50,722,518</u>	<u>6,926,637</u>	<u>12,368,330</u>	<u>153,635,535</u>	<u>170,138,604</u>	<u>37,408,213</u>	<u>41,762,053</u>
Total comprehensive income attributable to:									
Owners of the Company		<u>28,627,793</u>	<u>50,722,518</u>	<u>1,784,185</u>	<u>7,916,324</u>	<u>153,635,535</u>	<u>170,138,604</u>	<u>36,919,979</u>	<u>38,744,354</u>

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

LOLC (Cambodia) Plc.

Condensed interim statement of changes in equity For the nine-month period ended 30 September 2023

	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 US\$ (Note 2(b))	Retained earnings US\$ (Note 2(b))	General reserves US\$ (Note 2(b))	Regulatory reserves US\$ (Note 2(b))	Other reserve US\$ (Note 2(b))	Total US\$ (Note 2(b))
Balance at 1 January 2022	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
Profit for the period	-	170,138,604	-	-	-	170,138,604	-	41,762,053	-	-	-	41,762,053
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	(3,017,699)	(3,017,699)
Total comprehensive income for the period	-	170,138,604	-	-	-	170,138,604	-	41,762,053	-	-	(3,017,699)	38,744,354
Balance at 30 September 2022	<u>224,377,400</u>	<u>520,527,906</u>	<u>380,415,116</u>	<u>-</u>	<u>-</u>	<u>1,125,320,422</u>	<u>55,460,850</u>	<u>128,003,598</u>	<u>93,768,951</u>	<u>-</u>	<u>(4,031,063)</u>	<u>273,202,336</u>
Balance at 1 January 2023	224,377,400	590,276,911	380,415,116	-	-	1,195,069,427	55,460,850	144,936,825	93,768,951	-	(3,889,865)	290,276,761
Profit for the period	-	153,635,535	-	-	-	153,635,535	-	37,408,213	-	-	-	37,408,213
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	(488,234)	(488,234)
Total comprehensive income for the period	-	153,635,535	-	-	-	153,635,535	-	37,408,213	-	-	(488,234)	36,919,979
Transfer from retained earnings to share capital	200,000,000	(200,000,000)	-	-	-	-	48,508,368	(48,508,368)	-	-	-	-
Balance at 30 September 2023	<u>424,377,400</u>	<u>543,912,446</u>	<u>380,415,116</u>	<u>-</u>	<u>-</u>	<u>1,348,704,962</u>	<u>103,969,218</u>	<u>133,836,670</u>	<u>93,768,951</u>	<u>-</u>	<u>(4,378,099)</u>	<u>327,196,740</u>

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

LOLC (Cambodia) Plc.

Condensed interim statement of cash flows for the nine-month period ended 30 September 2023

	Notes	Nine-month period ended			
		30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Cash flows from operating activities					
Cash generated from/(used in) operations	19	166,293,302	(359,946,179)	40,490,211	(88,352,031)
Interest received		673,086,088	644,486,613	163,887,531	158,195,045
Interest paid		(241,008,017)	(188,286,910)	(58,682,254)	(46,216,718)
Income tax paid		(71,697,147)	(55,706,263)	(17,457,304)	(13,673,604)
Employee benefits paid		(4,341,637)	(4,043,646)	(1,057,131)	(992,549)
Net cash generated from operating activities		<u>522,332,589</u>	<u>36,503,615</u>	<u>127,181,053</u>	<u>8,960,143</u>
Cash flows from investing activities					
Deposits and placements with the National Bank of Cambodia - maturity more than three months		(311,488)	(525,824)	(75,843)	(129,068)
Purchases of property and equipment	7	(3,442,845)	(3,406,118)	(838,287)	(836,062)
Purchases of intangible assets	9	(2,918,078)	(129,811)	(710,513)	(31,863)
Proceeds from disposals of property and equipment		489,101	363,378	119,090	89,194
Net cash used in investing activities		<u>(6,183,310)</u>	<u>(3,698,375)</u>	<u>(1,505,553)</u>	<u>(907,799)</u>
Cash flows from financing activities					
Proceeds from borrowings		93,452,718	525,855,103	22,754,497	129,075,872
Repayments of borrowings		(315,486,714)	(324,455,505)	(76,816,828)	(79,640,527)
Proceeds from subordinated debts		-	70,022,750	-	17,187,715
Repayments of subordinated debts		(22,237,400)	(17,973,800)	(5,414,512)	(4,411,831)
Repayment of debt securities		-	(80,504,783)	-	(19,760,624)
Payment of transaction costs		(290,518)	(5,513,785)	(70,737)	(1,353,408)
Principal element of lease payment		(4,208,869)	(4,448,225)	(1,024,804)	(1,091,857)
Net cash (used in)/generated from financing activities		<u>(248,770,783)</u>	<u>162,981,755</u>	<u>(60,572,384)</u>	<u>40,005,340</u>
Net increase in cash and cash equivalents		<u>267,378,496</u>	<u>195,786,995</u>	<u>65,103,116</u>	<u>48,057,684</u>
Cash and cash equivalents at the beginning of period		672,183,723	490,359,898	163,270,275	120,363,254
Currency translation differences		-	-	(434,959)	(1,839,997)
Cash and cash equivalents at the end of period	19	<u>939,562,219</u>	<u>686,146,893</u>	<u>227,938,432</u>	<u>166,580,941</u>

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

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements for the three-month and nine-month periods ended 30 September 2023

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 liability 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.

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”).

The Company is owned by LOLC Asia Private Limited (based in Singapore) and TPC-ESOP Co., Ltd with 96.97% and 3.03% shares respectively.

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.

As at 30 September 2023, the Company has 83 office locations (82 branches and a Head Office in Phnom Penh). The Company’s registered office is at Building No. 666B, Street 271, Sangkat Boeung Tumpun 2, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia.

The condensed interim financial statements were authorised to issue by the Board of Directors on 20 November 2023.

This condensed interim financial statements for the three-month and nine-month periods ended 30 September 2023 has been reviewed, but not audited.

2. Basis of preparation

This condensed interim financial statements for the three-month and nine-month periods ended 30 September 2023 has been prepared in accordance with Cambodian International Accounting Standard 34, “Interim financial reporting” (“CIAS 34”) and should be read in conjunction with the last annual audited financial statements for the year ended 31 December 2022 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS).

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last annual financial statements.

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

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

2. Basis of preparation (continued)

(a) New and amended standards adopted by the Company

A number of amended standards became applicable for the current reporting period as follows:

- *CIFRS 17 Insurance Contracts*;
- *Disclosure of Accounting Policies* (Amendments to CIAS 1 and CIFRS Practice Statement 2);
- *Definition of Accounting Estimates* (Amendment to CIAS 8); and
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to CIAS12).

Those amended standards have no material impact on the Company. As a result, the Company did not have to change its accounting policies or make retrospective adjustments.

(b) Presentation in United States dollars (US\$)

The translation of Khmer Riel (KHR) into US\$ is solely for management's use only and is based on the official exchange rates published by the National Bank of Cambodia as at the reporting dates and average rate for the period. The translations of Khmer Riel ("KHR") into United States Dollars ("US\$") amounts meets the presentation requirements pursuant to the Law on Accounting and Auditing and has been done in accordance with the translation method of CIAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities are translated into US\$ at the closing rate as at the reporting date and share capital account is translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into US\$ using the average rate for the period, which have been deemed to approximate the exchange rates at the end of transactions as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as "Currency Translation Reserves" in other comprehensive income.

The Company has used the official rate of exchange published by the National Bank of Cambodia. As at the reporting date, the average rates and closing rates are based on the following exchange rates:

		Closing rate	Average rate nine-month	Average rate three-month
30 September 2023	USD1=	KHR 4,122	KHR 4,107	KHR 4,133
30 September 2022	USD1=	KHR 4,119	KHR 4,074	KHR 4,101
31 December 2022	USD1=	<u>KHR 4,117</u>	<u>N/A</u>	<u>N/A</u>

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

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

3. Critical accounting estimates, assumptions and judgements

The Company makes 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 interim 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 period are outlined below:

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the condensed interim financial statements is included in the following notes.

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have material risks that could give rise to any adjustments on the carrying amounts of assets and liabilities recognised in the next financial statements is included in the following notes.

- Determination of the fair value of financial instruments with significant unobservable inputs.
- Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- lease term: whether the Company is reasonably certain to exercise extension option.

4. Segment and revenue information

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

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Loans and advances at amortised cost

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Group loans	604,083,704	718,540,912	146,551,117	174,530,219
Individual loans	4,473,474,970	4,411,542,341	1,085,268,066	1,071,542,954
Staff loans	33,368,243	28,609,371	8,095,159	6,949,082
Total gross loans	<u>5,110,926,917</u>	<u>5,158,692,624</u>	<u>1,239,914,342</u>	<u>1,253,022,255</u>
Less: Allowance for expected credit loss	<u>(192,684,756)</u>	<u>(151,968,151)</u>	<u>(46,745,453)</u>	<u>(36,912,351)</u>
	<u>4,918,242,161</u>	<u>5,006,724,473</u>	<u>1,193,168,889</u>	<u>1,216,109,904</u>

(a) Analysis by industry

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Trade and commerce	983,921,235	979,707,174	238,699,960	237,966,280
Services	782,706,627	788,991,815	189,885,159	191,642,413
Manufacturing	331,384,579	324,771,580	80,394,124	78,885,494
Transportation	71,456,635	65,517,963	17,335,428	15,914,006
Agriculture	1,357,314,011	1,343,970,902	329,285,301	326,444,232
Construction	207,433,620	201,794,944	50,323,537	49,015,046
Household/family	1,376,076,633	1,441,102,623	333,837,126	350,037,071
Others	633,577	12,835,623	153,707	3,117,713
Total gross loans	<u>5,110,926,917</u>	<u>5,158,692,624</u>	<u>1,239,914,342</u>	<u>1,253,022,255</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Loans and advances at amortised cost (continued)

(b) Analysis by loan classification

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>Performing</i>				
Gross amount	4,793,641,285	4,948,939,886	1,162,940,632	1,202,074,298
Exposure at default	4,793,641,285	4,948,939,886	1,162,940,632	1,202,074,298
Allowance for expected credit loss	(67,049,716)	(57,944,061)	(16,266,307)	(14,074,341)
<i>Under-performing</i>				
Gross amount	126,157,538	73,840,698	30,605,904	17,935,559
Exposure at default	126,157,538	73,840,698	30,605,904	17,935,559
Allowance for expected credit loss	(27,382,269)	(10,213,409)	(6,642,957)	(2,480,789)
<i>Non-performing</i>				
Gross amount	191,128,094	135,912,040	46,367,806	33,012,398
Exposure at default	191,128,094	135,912,040	46,367,806	33,012,398
Allowance for expected credit loss	(98,252,771)	(83,810,681)	(23,836,189)	(20,357,221)
Total gross loans	<u>5,110,926,917</u>	<u>5,158,692,624</u>	<u>1,239,914,342</u>	<u>1,253,022,255</u>
Exposure at default	<u>5,110,926,917</u>	<u>5,158,692,624</u>	<u>1,239,914,342</u>	<u>1,253,022,255</u>
Allowance for expected credit loss	<u>(192,684,756)</u>	<u>(151,968,151)</u>	<u>(46,745,453)</u>	<u>(36,912,351)</u>

(c) Analysis by maturity

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Not later than 1 year	240,045,628	210,099,253	58,235,232	51,032,124
Later than 1 year and no later than 3 years	1,267,404,304	1,501,645,251	307,473,145	364,742,592
Later than 3 years and no later than 5 years	1,593,196,438	1,571,858,678	386,510,538	381,797,104
Later than 5 years	2,010,280,547	1,875,089,442	487,695,427	455,450,435
Total gross loans	<u>5,110,926,917</u>	<u>5,158,692,624</u>	<u>1,239,914,342</u>	<u>1,253,022,255</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Loans and advances at amortised cost (continued)

(d) Analysis by relationship

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Related parties (including staff loans)	33,368,243	28,609,371	8,095,159	6,949,082
Non-related parties	<u>5,077,558,674</u>	<u>5,130,083,253</u>	<u>1,231,819,183</u>	<u>1,246,073,173</u>
Total gross loans	<u>5,110,926,917</u>	<u>5,158,692,624</u>	<u>1,239,914,342</u>	<u>1,253,022,255</u>

(e) Analysis by residency

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Residents	5,110,926,917	5,158,692,624	1,239,914,342	1,253,022,255
Non-residents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total gross loans	<u>5,110,926,917</u>	<u>5,158,692,624</u>	<u>1,239,914,342</u>	<u>1,253,022,255</u>

(f) Interest rates

These loans and advances earn annual interest rates as below:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Short term loans	7.50% – 18.00%	8.87% - 18.00%
Long term loans	<u>6.78% – 18.00%</u>	<u>8.30% - 18.00%</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Loans and advances at amortised cost (continued)

(g) Allowance for expected credit loss

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
12-month ECL (Stage 1)	67,049,716	57,944,061	16,266,307	14,074,341
Lifetime ECL-not credit impaired (Stage 2)	27,382,269	10,213,409	6,642,957	2,480,789
Lifetime ECL-credit impaired (Stage 3)	98,252,771	83,810,681	23,836,189	20,357,221
	<u>192,684,756</u>	<u>151,968,151</u>	<u>46,745,453</u>	<u>36,912,351</u>

(h) Expected credit loss reconciliation – loans and advance

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit-Impaired KHR'000	Stage 3 Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2023	57,944,061	10,213,409	83,810,681	151,968,151
<i>Changes due to exposure:</i>				
Transfer to stage 1	2,668,514	(1,111,897)	(1,556,617)	-
Transfer to stage 2	(1,880,311)	3,877,985	(1,997,674)	-
Transfer to stage 3	(4,355,707)	(5,534,681)	9,890,388	-
Net remeasurement of loss allowance (*)	2,940,840	16,043,465	47,250,054	66,234,359
New financial assets originated purchased	27,695,056	9,428,880	7,872,688	44,996,624
Financial assets derecognised during the period other than write off	(16,086,107)	(2,580,430)	(3,518,244)	(22,184,781)
Write-offs	-	(1,866)	(37,758,675)	(37,760,541)
Unwinding of discount (**)	-	-	916,112	916,112
Foreign exchange differences	(1,876,630)	(2,952,596)	(6,655,942)	(11,485,168)
Loss allowance as at 30 September 2023	<u>67,049,716</u>	<u>27,382,269</u>	<u>98,252,771</u>	<u>192,684,756</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>16,266,307</u>	<u>6,642,957</u>	<u>23,836,189</u>	<u>46,745,453</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Loans and advances at amortised cost (continued)

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

(*) Impact of the measurement of ECL due to changes in loss given default (LGD) and probability of default (PD) during the period arising from refreshing of inputs to models.

(**) 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
Gross carrying amount				
Gross carrying amount as at 1 January 2023	4,948,939,886	73,840,698	135,912,040	5,158,692,624
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	10,533,298	(7,016,358)	(3,516,940)	-
Transfer to stage 2	(73,908,458)	78,547,562	(4,639,104)	-
Transfer to stage 3	(91,313,043)	(20,781,627)	112,094,670	-
New financial assets originated or purchased	1,364,182,099	25,404,955	19,616,146	1,409,203,200
Financial assets derecognised during the period other than write off	(1,364,792,497)	(23,830,311)	(9,447,833)	(1,398,070,641)
Write-offs	-	(7,381)	(58,890,885)	(58,898,266)
Gross carrying amount as at 30 September 2023	<u>4,793,641,285</u>	<u>126,157,538</u>	<u>191,128,094</u>	<u>5,110,926,917</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>1,162,940,632</u>	<u>30,605,904</u>	<u>46,367,806</u>	<u>1,239,914,342</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Loans and advances at amortised cost (continued)

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

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit-Impaired KHR'000	Stage 3 Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2022	25,163,215	3,715,030	58,016,748	86,894,993
<i>Changes due to exposure:</i>				
Transfer to stage 1	1,114,909	(796,449)	(318,460)	-
Transfer to stage 2	(489,137)	793,520	(304,383)	-
Transfer to stage 3	(520,267)	(1,142,598)	1,662,865	-
Net remeasurement of loss allowance (*)	6,793,574	6,191,585	25,258,639	38,243,798
New financial assets originated or purchased	30,522,624	2,192,637	1,988,671	34,703,932
Financial assets derecognised during the period other than write off	(5,398,527)	(1,089,541)	(7,623,239)	(14,111,307)
Unwinding of discount (**)	-	-	3,114,424	3,114,424
Foreign exchange differences	19,401	5,671	34,931	60,003
Loss allowance as at 30 September 2022	<u>57,205,792</u>	<u>9,869,855</u>	<u>81,830,196</u>	<u>148,905,843</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>13,888,272</u>	<u>2,396,177</u>	<u>19,866,520</u>	<u>36,150,969</u>

(*) Impact of the measurement of ECL due to changes in loss given default (LGD) and probability of default (PD) during the period arising from refreshing of inputs to models.

(**) 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).

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

5. Loans and advances at amortised cost (continued)

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

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit-Impaired KHR'000	Stage 3 Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2022	3,932,943,702	181,173,597	107,690,986	4,221,808,285
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	49,915,158	(49,298,834)	(616,324)	-
Transfer to stage 2	(62,333,395)	62,910,950	(577,555)	-
Transfer to stage 3	(27,992,103)	(21,051,044)	49,043,147	-
New financial assets originated or purchased	2,012,512,873	(7,891,768)	2,107,156	2,006,728,261
Financial assets derecognised during the period other than write off	(1,057,151,690)	(56,713,862)	(17,440,611)	(1,131,306,163)
Gross carrying amount as at 30 September 2022	<u>4,847,894,545</u>	<u>109,129,039</u>	<u>140,206,799</u>	<u>5,097,230,383</u>
<i>In US\$ equivalent (Note 2(b))</i>	<u>1,176,959,103</u>	<u>26,494,061</u>	<u>34,039,038</u>	<u>1,237,492,202</u>

6. Statutory deposits with the National Bank of Cambodia

	Note	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Capital guarantee	(a)	42,758,639	22,437,740	10,373,275	5,450,022
Reserve requirement	(b)	331,266,937	268,375,260	80,365,584	65,187,092
		<u>374,025,576</u>	<u>290,813,000</u>	<u>90,738,859</u>	<u>70,637,114</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

6. Statutory deposits with the National Bank of Cambodia (continued)

(a) Capital guarantee

Under Prakas No. B7-07-163 dated 13 December 2007 on Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. On 25 April 2023, the Company received approval from the National Bank of Cambodia (“NBC”) to transfer retained earnings amounting to KHR200,000 million to share capital. This deposit is not available for use in the Company’s day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia. The capital guarantee deposit earns annual interest rate at 3% (31 December 2022: 3%) during the periods.

(b) Reserve requirement

This represents the minimum reserve requirement which is calculated at 9.00% of the total deposits from customers (31 December 2022: 8.00%) as required by the NBC’s Prakas No. B7-07-163. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

On 9 January 2023, the NBC announced, through Prakas No. B7-023-005, the increase of the Reserve Requirements Rate (“RRR”) to 9% and 12.5% for foreign currencies deposits and borrowings, which is effective from 1 January 2023 to 31 December 2023, and from 1 January 2024 onward, respectively. While the RRR for local currency deposits and borrowings will remain at 7%. On 28 February 2023, the NBC announced through NBC letter B7-023-438 to delay in implementation of the reserve requirement against borrowings at daily average balance until 1 September 2023.

On 16 August 2023, Cambodia Microfinance Association (“CMA”) submitted a request letter No.194/2023 to the NBC for another delay in the implementation of reserve requirement against borrowings at daily average balance until end of June 2024. There has been no response from the NBC on the request matter as at the date of the condensed interim financial statements yet. However, the management is in the view that NBC would grant a positive response to the sector. As resulted, the Company has not maintained reserve requirement against borrowings in accordance with the Prakas No. B7-023-005 yet.

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

7. Property and equipment

2023	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	KHR'000	Total US\$ (Note 2(b))
Cost						
At 1 January	4,705,627	13,905,072	15,942,656	2,366,310	36,919,665	8,967,614
Additions	1,783,807	685,631	966,029	7,378	3,442,845	838,287
Disposals	(136,809)	(1,962,311)	(321,081)	(4,063)	(2,424,264)	(590,276)
Currency translation difference	-	-	-	-	-	(11,781)
At 30 September	<u>6,352,625</u>	<u>12,628,392</u>	<u>16,587,604</u>	<u>2,369,625</u>	<u>37,938,246</u>	<u>9,203,844</u>
Less: Accumulated depreciation						
At 1 January	3,986,758	11,921,287	12,745,490	1,421,006	30,074,541	7,304,965
Depreciation for the period	530,015	547,311	1,506,992	217,178	2,801,496	682,127
Disposals	(135,110)	(1,950,611)	(320,198)	(3,996)	(2,409,915)	(586,782)
Currency translation difference	-	-	-	-	-	(9,208)
At 30 September	<u>4,381,663</u>	<u>10,517,987</u>	<u>13,932,284</u>	<u>1,634,188</u>	<u>30,466,122</u>	<u>7,391,102</u>
Carrying amounts						
At 1 January	<u>718,869</u>	<u>1,983,785</u>	<u>3,197,166</u>	<u>945,304</u>	<u>6,845,124</u>	<u>1,662,649</u>
At 30 September	<u>1,970,962</u>	<u>2,110,405</u>	<u>2,655,320</u>	<u>735,437</u>	<u>7,472,124</u>	<u>1,812,742</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

7. Property and equipment (continued)

2022	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Total KHR'000	US\$ (Note 2(b))
Cost						
At 1 January	4,293,667	14,150,343	14,561,067	1,971,061	34,976,138	8,585,208
Additions	373,058	883,764	1,754,047	395,249	3,406,118	836,062
Disposals	(41,864)	(946,495)	(596,027)	-	(1,584,386)	(388,902)
Currency translation difference	-	-	-	-	-	(98,678)
At 30 September	<u>4,624,861</u>	<u>14,087,612</u>	<u>15,719,087</u>	<u>2,366,310</u>	<u>36,797,870</u>	<u>8,933,690</u>
Less: Accumulated depreciation						
At 1 January	3,600,771	12,384,608	11,422,902	1,159,096	28,567,377	7,012,120
Depreciation for the period	334,839	422,611	1,653,366	186,693	2,597,509	637,582
Disposals	(41,830)	(871,349)	(592,839)	-	(1,506,018)	(369,666)
Currency translation difference	-	-	-	-	-	(79,534)
At 30 September	<u>3,893,780</u>	<u>11,935,870</u>	<u>12,483,429</u>	<u>1,345,789</u>	<u>29,658,868</u>	<u>7,200,502</u>
Carrying amounts						
At 1 January	<u>692,896</u>	<u>1,765,735</u>	<u>3,138,165</u>	<u>811,965</u>	<u>6,408,761</u>	<u>1,573,088</u>
At 30 September	<u>731,081</u>	<u>2,151,742</u>	<u>3,235,658</u>	<u>1,020,521</u>	<u>7,139,002</u>	<u>1,733,188</u>

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

8. 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.

(i) Amounts recognised in the statement of financial position

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
<i>Right-of-use assets (Non-current)</i>				
Buildings	27,884,638	28,364,039	6,764,832	6,889,492
	<u>27,884,638</u>	<u>28,364,039</u>	<u>6,764,832</u>	<u>6,889,492</u>
<i>Lease liabilities</i>				
Current	5,498,024	5,006,649	1,333,824	1,216,092
Non-current	21,122,532	21,335,078	5,124,341	5,182,190
	<u>26,620,556</u>	<u>26,341,727</u>	<u>6,458,165</u>	<u>6,398,282</u>

Right-of-use assets' additions during the period were KHR4,456,112 thousand (2022: KHR6,401,945 thousand).

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

8. Leases (continued)

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

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

	Three-month period ended				Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
<i>Depreciation of right-of-use assets</i>								
Buildings	<u>1,707,792</u>	<u>1,595,553</u>	<u>413,209</u>	<u>389,064</u>	<u>4,970,804</u>	<u>4,700,292</u>	<u>1,210,325</u>	<u>1,153,729</u>
Interest expense (Note 15)	<u>533,809</u>	<u>540,444</u>	<u>129,159</u>	<u>131,783</u>	<u>1,549,761</u>	<u>1,607,197</u>	<u>377,346</u>	<u>394,500</u>
Expense relating to short-term lease and leases of low-value assets (included in operating expenses)	<u>2,269,390</u>	<u>2,099,838</u>	<u>549,090</u>	<u>512,031</u>	<u>6,791,893</u>	<u>5,812,505</u>	<u>1,653,736</u>	<u>1,426,732</u>
Total expenses related to leases	<u>4,510,991</u>	<u>4,235,835</u>	<u>1,091,458</u>	<u>1,032,878</u>	<u>13,312,458</u>	<u>12,119,994</u>	<u>3,241,407</u>	<u>2,974,961</u>

Total cash outflow for lease during the period was KHR5,464,567 thousand (2022: KHR6,401,945 thousand).

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

9. Intangible assets

2023	Software and license KHR'000	Work in progress KHR'000	Total KHR'000	US\$ (Note 2(b))
Cost				
At 1 January	14,132,015	316,425	14,448,440	3,509,458
Additions	1,462,985	1,455,093	2,918,078	710,513
Transfers	158,537	(158,537)	-	-
Currency translation difference	-	-	-	(6,842)
At 30 September	<u>15,753,537</u>	<u>1,612,981</u>	<u>17,366,518</u>	<u>4,213,129</u>
Less: Accumulated depreciation				
At 1 January	6,158,105	-	6,158,105	1,495,775
Amortisation for the period	2,566,866	-	2,566,866	624,998
Currency translation difference	-	-	-	(4,089)
At 30 September	<u>8,724,971</u>	<u>-</u>	<u>8,724,971</u>	<u>2,116,684</u>
Carrying amounts				
At 1 January	<u>7,973,910</u>	<u>316,425</u>	<u>8,290,335</u>	<u>2,013,683</u>
At 30 September	<u>7,028,566</u>	<u>1,612,981</u>	<u>8,641,547</u>	<u>2,096,445</u>
2022				
Cost				
At 1 January	12,435,484	1,627,825	14,063,309	3,451,966
Additions	11,615	118,196	129,811	31,864
Transfers	14,666	(14,666)	-	-
Currency translation difference	-	-	-	(38,061)
At 30 September	<u>12,461,765</u>	<u>1,731,355</u>	<u>14,193,120</u>	<u>3,445,769</u>
Less: Accumulated depreciation				
At 1 January	3,461,278	-	3,461,278	849,602
Amortisation for the period	1,999,429	-	1,999,429	490,778
Currency translation difference	-	-	-	(14,644)
At 30 September	<u>5,460,707</u>	<u>-</u>	<u>5,460,707</u>	<u>1,325,736</u>
Carrying amounts				
At 1 January	<u>8,974,206</u>	<u>1,627,825</u>	<u>10,602,031</u>	<u>2,602,364</u>
At 30 September	<u>7,001,058</u>	<u>1,731,356</u>	<u>8,732,413</u>	<u>2,120,032</u>

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

10. Deposits from banks and other financial institutions

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Savings deposits	3,087,780	6,372,888	749,098	1,547,945
Fixed deposits	266,915,431	113,255,124	64,753,865	27,509,139
	<u>270,003,211</u>	<u>119,628,012</u>	<u>65,502,963</u>	<u>29,057,084</u>
Accrued interest payables	3,963,093	2,332,640	961,448	566,587
	<u>273,966,304</u>	<u>121,960,652</u>	<u>66,464,411</u>	<u>29,623,671</u>
	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current	273,966,304	121,960,652	66,464,411	29,623,671
Non-current	-	-	-	-
	<u>273,966,304</u>	<u>121,960,652</u>	<u>66,464,411</u>	<u>29,623,671</u>

The annual interest rate for deposits from banks and other financial institutions are as below:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Savings deposits	1.00% - 3.00%	1.00% - 3.00%
Fixed deposits	<u>5.00% - 7.90%</u>	<u>4.00% - 6.25%</u>

11. Deposits from customers

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Savings deposits	177,462,915	185,279,195	43,052,624	45,003,448
Fixed deposits	3,018,333,254	2,769,286,884	732,249,696	672,646,802
	<u>3,195,796,169</u>	<u>2,954,566,079</u>	<u>775,302,320</u>	<u>717,650,250</u>
Accrued interest payables	95,814,466	81,930,676	23,244,656	19,900,577
	<u>3,291,610,635</u>	<u>3,036,496,755</u>	<u>798,546,976</u>	<u>737,550,827</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

11. Deposits from customers (continued)

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current	2,998,171,122	2,845,987,099	727,358,351	691,276,925
Non-current	293,439,513	190,509,656	71,188,625	46,273,902
	<u>3,291,610,635</u>	<u>3,036,496,755</u>	<u>798,546,976</u>	<u>737,550,827</u>

The annual interest rate for deposits from customers are as below:

	30 September 2023	31 December 2022
Savings deposits	1.00% - 5.00%	1.00% - 5.25%
Fixed deposits	2.90% - 9.40%	2.90% - 10.00%

12. Borrowings

During the period, the Company has breached covenants of twelve lenders, however five lenders had approved the covenants waivers as of 30 September 2023. The covenant states that at the end of each reporting period, the Company shall comply with the stated covenants. However, as at 30 September 2023, the Company's actual performance ratios exceed limits of the seven lenders as follows:

	Limit	Actual	30 September 2023 KHR'000	30 September 2023 US\$ (Note 2(b))
PAR (*) 30 days	<= 5.00%	5.79%	211,365,970	51,277,528
PAR (*) 30 days plus net charge-off last 12 months	<= 6.00%	6.97%	123,317,245	29,916,847
PAR (*) 90 days	<= 3.00%	3.58%	23,053,871	5,592,885
Open credit exposure	<= 10.00%	15.87%	59,627,734	14,465,729
Non-performance loan ratio	<= 7.00%	8.36%	<u>417,364,820</u>	<u>101,252,989</u>

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

12. Borrowings (continued)

(*) Portfolio at Risk

The Company has submitted official waiver letters with reasons and justifications on 15 August 2023 and 12 October 2023 respectively for the month which the covenants had been breached to request lenders to provide waiver on the breach of the above limits and revise the ratio where necessary to align with the industry as a whole. On 16 October 2023, the Company received an official waiver letter from one out of the seven lenders. While the other six lenders are still pending, however management has assessed the current situation and the prolong relationship with lenders, it is believed that the risk of waiver rejection is low.

Borrowings are further analysed as follows:

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current	438,677,531	457,438,448	106,423,467	111,109,655
Non-current	612,799,815	812,212,095	148,665,651	197,282,510
	<u>1,051,477,346</u>	<u>1,269,650,543</u>	<u>255,089,118</u>	<u>308,392,165</u>

During the period, the Company has obtained additional borrowings from various financial institutions of KHR93,162,200 thousand (2022: KHR521,143,068 thousand). The annual interest rates are ranging from 5.25% to 8.30% (2022: 4.75% to 8.30%).

13. Subordinated debts

As at 30 September 2023, the Company is in breach of two of the covenants on two subordinated debts. The covenant states that at the end of each reporting period, the Company's shall comply with the stated covenants. However, as at 30 September 2023, the Company's actual performance ratios exceed limits of the two lenders as follows:

	Limit	Actual	30 September 2023 KHR'000	30 September 2023 US\$ (Note 2(b))
PAR (*) 30 days	<= 5.00%	5.79%	58,443,076	14,178,330
PAR (*) 30 days	<= 5.00%	5.79%		
Risk coverage ratio (loan loss reserve >PAR(*)30 days plus renegotiated)	>100.00%	50.82%	<u>5,114,882</u>	<u>1,240,874</u>
			<u>63,557,958</u>	<u>15,419,204</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

13. Subordinated debts (continued)

(*) Portfolio at Risk

The Company has submitted official waiver letter with reasons and justifications on 15 August 2023 to request lenders to provide waiver on the breach of the above limits and revise the ratio where necessary to align with the industry as a whole. As of the date of these condensed interim financial statements, the Company has not received any response from lenders yet. However, management has assessed the current situation and the prolong relationship with lenders, it is believed that the risk of waiver rejection is low.

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Current	68,524,528	58,600,532	16,624,097	14,233,795
Non-current	<u>222,183,550</u>	<u>255,578,736</u>	<u>53,901,880</u>	<u>62,078,876</u>
	<u>290,708,078</u>	<u>314,179,268</u>	<u>70,525,977</u>	<u>76,312,671</u>

During the period, the Company repaid subordinated debts to various financial institutions amounting to KHR22,237,400 thousand (2022: KHR17,973,800 thousand). The annual interest rates for all subordinated debts are ranging from 7.50% to 10.47% (2022: 7.50% to 10.47%).

During the period, the Company converted subordinated debts from BlueOrchard to borrowings amounting to KHR4,132,000 thousand (US\$1,000,000).

14. Share capital

On 25 April 2023, the Company received approval from the National Bank of Cambodia (“NBC”) to transfer retained earnings amounting to KHR200,000 million to share capital and the Memorandum and Articles of Association (“MoAA”) of the Company had been updated to reflect this change and was endorsed by the Ministry of Commerce (“MoC”) on 10 May 2023.

The total number of authorised shares of the Company as at 30 September 2023 was 4,243,774 shares (2022: 2,243,774 shares) with a par value of KHR100 thousand per share (2022: KHR100 thousand). All authorised shares are issued and fully paid up.

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

14. Share capital (continued)

The detail of shareholders and shareholding structure are as follows:

	30 September 2023		
	%	Number of shares	KHR'000
Shareholders:			
LOLC Asia Private Limited	97	4,115,192	411,519,200
TPC-ESOP Co., Ltd	3	128,582	12,858,200
	<u>100</u>	<u>4,243,774</u>	<u>424,377,400</u>
In US\$ equivalent (Note 2(b))			<u>103,969,218</u>
	31 December 2022		
	%	Number of shares	KHR'000
Shareholders:			
LOLC Asia Private Limited	97	2,175,792	217,579,200
TPC-ESOP Co., Ltd	3	67,982	6,798,200
	<u>100</u>	<u>2,243,774</u>	<u>224,377,400</u>
In US\$ equivalent (Note 2(b))			<u>55,460,850</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

15. Net interest income

	Three-month period ended				Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
<i>Interest income from financial assets at amortised cost</i>								
Loans and advances	220,256,090	223,670,724	53,292,061	54,540,533	671,682,017	634,496,518	163,545,658	155,742,886
Deposits and placements with banks	2,794,728	498,993	676,198	121,676	5,332,203	1,470,567	1,298,321	360,964
Deposits and placements with the central bank	344,316	178,156	83,310	43,442	833,152	527,566	202,861	129,496
Total interest income	<u>223,395,134</u>	<u>224,347,873</u>	<u>54,051,569</u>	<u>54,705,651</u>	<u>677,847,372</u>	<u>636,494,651</u>	<u>165,046,840</u>	<u>156,233,346</u>
<i>Interest expense on financial liabilities at amortised cost</i>								
Deposits from customers	(64,736,573)	(47,518,425)	(15,663,337)	(11,587,034)	(176,558,394)	(129,992,677)	(42,989,626)	(31,907,874)
Borrowings	(18,667,614)	(24,028,558)	(4,516,722)	(5,859,195)	(59,414,348)	(68,422,698)	(14,466,605)	(16,794,968)
Subordinated debts	(7,172,472)	(7,154,273)	(1,735,415)	(1,744,519)	(22,082,331)	(20,905,035)	(5,376,755)	(5,131,329)
Debt securities	-	-	-	-	-	(2,118,634)	-	(520,038)
Lease liabilities	(533,809)	(540,444)	(129,159)	(131,783)	(1,549,761)	(1,607,197)	(377,346)	(394,500)
	<u>(91,110,468)</u>	<u>(79,241,700)</u>	<u>(22,044,633)</u>	<u>(19,322,531)</u>	<u>(259,604,834)</u>	<u>(223,046,241)</u>	<u>(63,210,332)</u>	<u>(54,748,709)</u>
Net interest income	<u>132,284,666</u>	<u>145,106,173</u>	<u>32,006,936</u>	<u>35,383,120</u>	<u>418,242,538</u>	<u>413,448,410</u>	<u>101,836,508</u>	<u>101,484,637</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

6. Credit impairment losses

	Three-month period ended				Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
<i>Expected Credit Loss (ECL):</i>								
Loans and advances	61,154,653	29,893,548	14,796,674	7,289,331	89,046,202	58,836,423	21,681,569	14,441,930
Deposits and placements with banks	1,208,382	202,193	292,374	49,304	2,594,881	440,833	631,819	108,206
	<u>62,363,035</u>	<u>30,095,741</u>	<u>15,089,048</u>	<u>7,338,635</u>	<u>91,641,083</u>	<u>59,277,256</u>	<u>22,313,388</u>	<u>14,550,136</u>

17. Personnel expenses

	Three-month period ended				Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Salaries and wage expenses	18,772,621	33,024,030	4,542,129	8,052,677	91,066,558	100,527,855	22,173,498	24,675,468
Other benefits	2,999,552	3,082,391	725,757	751,620	9,423,166	8,309,816	2,294,416	2,039,719
	<u>21,772,173</u>	<u>36,106,421</u>	<u>5,267,886</u>	<u>8,804,297</u>	<u>100,489,724</u>	<u>108,837,671</u>	<u>24,467,914</u>	<u>26,715,187</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

18. Income tax expense

(a) Income tax expense

	Three-month period ended				Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Current income tax	15,501,616	19,081,796	3,750,693	4,652,962	50,302,761	56,850,768	12,248,055	13,954,533
Deferred income tax	(8,201,360)	(6,155,509)	(1,984,360)	(1,500,978)	(9,857,402)	(13,524,774)	(2,400,147)	(3,319,777)
	<u>7,300,256</u>	<u>12,926,287</u>	<u>1,766,333</u>	<u>3,151,984</u>	<u>40,445,359</u>	<u>43,325,994</u>	<u>9,847,908</u>	<u>10,634,756</u>

(b) Reconciliation between income tax expenses and accounting profit

	Three-month period ended				Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Profit before income tax	35,928,049	63,648,805	8,692,970	15,520,314	194,080,894	213,464,598	47,256,121	52,396,809
Tax expenses at 20%	7,185,610	12,729,761	1,738,593	3,104,063	38,816,179	42,692,920	9,451,224	10,479,362
Tax effect of reconciling items: Expenses not deductible for tax purposes	114,646	196,526	27,740	47,921	1,629,180	633,074	396,684	155,394
Income tax expense	<u>7,300,256</u>	<u>12,926,287</u>	<u>1,766,333</u>	<u>3,151,984</u>	<u>40,445,359</u>	<u>43,325,994</u>	<u>9,847,908</u>	<u>10,634,756</u>

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

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

19. Cash generated from/(used in) operations

	Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Profit before income tax	194,080,894	213,464,598	47,256,121	52,396,809
<i>Adjustments for:</i>				
Depreciation and amortisation charges	10,339,166	9,297,229	2,517,450	2,282,089
Credit impairment losses	91,641,083	59,277,256	22,313,388	14,550,136
Net losses on derecognition of financial assets measured at amortised cost	(2,967,666)	(2,522,886)	(722,587)	(619,265)
Gain on disposals of property and equipment	(474,752)	(285,010)	(115,596)	(69,958)
Provision for employee benefits	4,114,227	5,249,850	1,001,760	1,288,623
Unrealised exchange gains	(46,155,754)	(4,421,919)	(11,238,314)	(1,085,400)
Net interest income (Note 15)	(418,242,538)	(413,448,410)	(101,836,508)	(101,484,637)
<i>Changes in working capital:</i>				
Reserve requirement deposits (*)	(83,212,576)	(69,482,437)	(20,261,158)	(17,055,090)
Loans and advances	53,130,068	(880,469,723)	12,936,467	(216,119,225)
Other assets	(8,454,849)	(15,634,578)	(2,058,644)	(3,837,648)
Deposits from banks and other financial institutions	150,375,199	36,904,800	36,614,365	9,058,616
Deposits from customers	241,230,090	704,059,710	58,736,326	172,817,798
Other liabilities	(19,109,290)	(1,934,659)	(4,652,859)	(474,879)
Cash generated from/ (used in) operations	<u>166,293,302</u>	<u>(359,946,179)</u>	<u>40,490,211</u>	<u>(88,352,031)</u>

For purpose of preparing the condensed interim statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Cash on hand	125,200,393	116,933,068	30,373,700	28,388,703
<i>Balances with the NBC</i>				
Current accounts	198,433,072	151,136,106	48,139,998	36,692,427
Settlement accounts	31,131,742	29,525,342	7,552,582	7,168,085
<i>Balances with other banks</i>				
Current accounts	312,487,712	199,073,538	75,809,731	48,330,551
Savings accounts	252,287,108	189,478,839	61,205,024	46,001,175
Term deposits (original maturity up to three months)	20,022,192	-	4,857,397	-
	<u>939,562,219</u>	<u>686,146,893</u>	<u>227,938,432</u>	<u>166,580,941</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

20. Related party transactions and balances

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

(a) Related parties and relationship

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

Relationship	Related party
Ultimate parent	LOLC Holdings Plc.
Shareholders	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

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Loans to key management personnel	<u>3,437,660</u>	<u>2,725,576</u>	<u>833,879</u>	<u>662,030</u>

Loans and advances to key management personnel are secured and having interest rate range from 6.78% to 10.25% (2022: 8.30% to 12%) per annum. Allowances for expected credit losses for loans to related parties recognised during the period was KHR4,541 thousand (2022: KHR4,184 thousand).

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

20. Related party transactions and balances (continued)

(c) Related parties balances

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Receivables from related companies	<u>21</u>	<u>134,663</u>	<u>5</u>	<u>32,709</u>
Payables to related companies	<u>313,057</u>	<u>480,017</u>	<u>75,948</u>	<u>116,594</u>

Deposits from related parties

	30 September 2023 KHR'000	31 December 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	31 December 2022 US\$ (Note 2(b))
Shareholders	96,546	215,211	23,422	52,274
Board of directors	1,872,328	1,706,698	454,228	414,549
Key management personnel	13,319,249	9,030,492	3,231,259	2,193,464
Related companies	<u>294,193</u>	<u>1,710,763</u>	<u>71,371</u>	<u>415,536</u>
	<u>15,582,316</u>	<u>12,663,164</u>	<u>3,780,280</u>	<u>3,075,823</u>
Interest payables	<u>347,186</u>	<u>187,187</u>	<u>84,228</u>	<u>45,467</u>

The receivables are unsecured and bear no interest. There are no allowances against receivables from related parties.

Annual interest rates during the period are as follows:

	30 September 2023	31 December 2022
Shareholders	3.00% - 8.50%	3.00%
Board of directors	3.00% - 8.75%	3.00% - 7.90%
Key management personnel	1.00% - 9.13%	1.00% - 9.00%
Related companies	<u>1.00% - 3.00%</u>	<u>3.00%</u>

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

20. Related party transactions and balances (continued)

(d) Transactions with related parties

	Three-month period ended				Nine-month period ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
<i>(i) Incomes from related companies:</i>								
Rental income	13,887	32,972	3,360	8,040	44,109	49,132	10,740	12,060
Management fee income	46,963	100,241	11,363	24,443	143,527	148,640	34,947	36,485
	<u>60,850</u>	<u>133,213</u>	<u>14,723</u>	<u>32,483</u>	<u>187,636</u>	<u>197,772</u>	<u>45,687</u>	<u>48,545</u>
<i>(ii) Expenses to related companies:</i>								
License fees	158,591	305,188	38,372	74,418	472,781	445,298	115,116	109,302
IT consultancy and support fees	313,087	311,094	75,753	75,858	511,905	514,651	124,642	126,326
Rental expense	-	13,533	-	3,300	6,777	20,166	1,650	4,950
Insurance expense	543,357	1,309,708	131,468	319,363	2,318,911	1,301,083	564,624	319,363
	<u>1,015,035</u>	<u>1,939,523</u>	<u>245,593</u>	<u>472,939</u>	<u>3,310,374</u>	<u>2,281,198</u>	<u>806,032</u>	<u>559,941</u>
<i>(iii) Interest income/expense</i>								
Interest income	74,731	49,389	18,082	12,043	198,335	167,454	48,292	41,103
Interest expense	228,051	159,912	55,178	38,818	571,725	378,387	139,207	92,878

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

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

20. Related party transactions and balances (continued)

(e) Key management compensation

	Three-month periods ended				Nine-month periods ended			
	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))	30 September 2023 KHR'000	30 September 2022 KHR'000	30 September 2023 US\$ (Note 2(b))	30 September 2022 US\$ (Note 2(b))
Directors' fees	241,088	366,237	58,332	89,304	593,849	533,110	144,594	130,857
Salaries and other benefits to key management	<u>509,912</u>	<u>5,309,316</u>	<u>123,376</u>	<u>1,294,639</u>	<u>6,940,013</u>	<u>7,959,353</u>	<u>1,689,801</u>	<u>1,953,695</u>
	<u>751,000</u>	<u>5,675,553</u>	<u>181,708</u>	<u>1,383,943</u>	<u>7,533,862</u>	<u>8,492,463</u>	<u>1,834,395</u>	<u>2,084,552</u>

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

21. Fair value measurement of financial instruments

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

(a) Fair value hierarchy

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

The following table presents the Company's financial assets measured and recognised at fair value at 30 September 2023 and 31 December 2022 on a recurring basis:

	Level 1 KHR'000	Level 2 KHR'000	Level 3 KHR'000	Total KHR'000
As at 30 September 2023				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	61,830	61,830
Total financial assets	-	-	61,830	61,830
<i>In US\$ equivalent (Note 2(b))</i>	<i>-</i>	<i>-</i>	<i>15,000</i>	<i>15,000</i>
As at 31 December 2022				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	61,755	61,755
Total financial assets	-	-	61,755	61,755
<i>In US\$ equivalent (Note 2(b))</i>	<i>-</i>	<i>-</i>	<i>15,000</i>	<i>15,000</i>

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

21. Fair value measurement of financial instruments (continued)

(a) Fair value hierarchy (continued)

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

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

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

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

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

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

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

(c) Financial instruments not measured at fair value

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

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

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

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

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

21. Fair value measurement of financial instruments (continued)

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

(ii) Loans and advances

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

(iv) 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.

(v) Borrowings and subordinated debts

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

22. Tax contingency

On 15 June 2023, the General Department of Taxation (“GDT”) issued a notice of tax reassessment (“NTR”) for comprehensive tax audit for the period from 1 January 2019 to 31 December 2019 with total reassessed amount of KHR1,716,338,470 (equivalent to US\$416,385).

Subsequently, the Company has submitted the protest letter and the supporting documents on 14 July 2023 to clarify GDT’s findings in the reassessment. The Company has not made a provision in these condensed interim financial statements yet as management has assessed the current situation and believes that they have fully complied with the relevant tax regulations.

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 2023

22. Tax contingency (continued)

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

23. Seasonality

The principal businesses of the Company are mainly to providing lending and other financial services to the citizens and small and medium size enterprises, and to engage in all other activities that support these objectives. There is no significant seasonality factor associated with these businesses.

24. Subsequent event

On 15 August 2023, the Board of Directors approved for a dividend to be paid to its shareholders amounting to KHR10,096,983 thousand (2022: Nil). The dividend distribution was requested on 23 August 2023, approved by the National Bank of Cambodia on 6 October 2023 and paid on 9 October 2023.