

LOLC (CAMBODIA) PLC.

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

LOLC (CAMBODIA) PLC.

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

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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 in the statement of profit or loss and other comprehensive income on page 10.

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 Chrisantha Gajanayake de Zylva	Chairman
2. Mr. Indrajith Wijesiriwardana	Member
3. Mr. Hans Michael Theodor Moormann	Member
4. Mr. Dulp 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 data-bbox="277 414 869 472">Allowances for expected credit losses on loans to customers</p> <p data-bbox="277 506 379 533">Refer to:</p> <ul data-bbox="277 568 869 815" style="list-style-type: none"> <li data-bbox="277 568 869 627">• Note 2.5.e – Summary of significant accounting policies on impairment on loans to customers <li data-bbox="277 636 869 721">• Note 3.1 – Assumptions and judgments on allowances for expected credit losses on loans to customers <li data-bbox="277 730 869 788">• Note 8.a – Allowances for expected credit losses on loans to customers <li data-bbox="277 797 587 815">• Note 36.1 – Credit risk <p data-bbox="277 848 869 1001">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 data-bbox="277 1034 869 1621" style="list-style-type: none"> <li data-bbox="277 1034 869 1120">• grouping financial assets sharing similar credit risk characteristics for the purposes of measuring ECL <li data-bbox="277 1153 869 1211">• choosing appropriate models and assumptions to measure ECL <li data-bbox="277 1245 869 1330">• determining criteria for identifying loans to customers that have experienced a significant increase in credit risk ("SICR") <li data-bbox="277 1364 869 1449">• applying assumptions and analysis on expected future cash flows and forward-looking information <li data-bbox="277 1482 869 1621">• 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. <p data-bbox="277 1655 869 1740">We focused on this area because significant management judgement was required to make an appropriate and accurate estimation.</p>	<p data-bbox="888 414 1477 472">These were the procedures used to examine management's estimation for ECL:</p> <ul data-bbox="888 506 1477 1980" style="list-style-type: none"> <li data-bbox="888 506 1477 591">• obtaining an understanding of and evaluating the credit policies, procedures and controls put in place by management <li data-bbox="888 624 1477 683">• obtaining an understanding of and evaluating CIFRS 9 accounting policies <li data-bbox="888 716 1477 775">• testing loan samples to check compliance with the Company's credit policies and procedures <li data-bbox="888 808 1477 893">• assessing the appropriateness of grouping financial assets that share similar credit risk characteristics <li data-bbox="888 927 1477 1057">• 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 data-bbox="888 1090 1477 1301">• 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 data-bbox="888 1335 1477 1545">• 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 data-bbox="888 1579 1477 1695">• testing the reliability of data, on a sample basis, of historical loan data, loan data at 31 December 2021, and historical macro-economic <li data-bbox="888 1729 1477 1845">• assessing the reasonableness of and testing the selection of forward-looking macro-economic variables conforming to model methodology <li data-bbox="888 1879 1477 1980">• testing the criteria and thresholds used to determine SICR against the requirements of CIFRS 9

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • 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 • assessing the reasonableness of and testing assumptions used for determining percentages for probability-weighted scenarios, by benchmarking to reasonable and supportable information • on a sample basis, recomputing ECL and reconciling ECL balances to accounting records and testing ECL movement <p>These were the procedures relating to the impact of COVID-19 impact on ECL measurement:</p> <ul style="list-style-type: none"> • evaluating the design and testing operating effectiveness of internal controls on credit risk assessment and on approval for loan restructuring • on a sample basis, recomputing gain/loss from loan modifications due to restructuring • assessing qualitative criteria for SICR for restructured loans due to COVID-19 against requirements of CIFRS 9 • on a sample basis, tracing transfers between stages due to COVID-19 restructuring to check they have been reflected in the ECL calculation <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

LOLC (CAMBODIA) PLC.

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

	Notes	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
ASSETS					
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
TOTAL ASSETS		4,935,060,904	4,334,334,779	1,211,355,156	1,071,528,994
LIABILITIES AND EQUITY					
LIABILITIES					
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
TOTAL LIABILITIES		3,979,879,086	3,601,476,987	976,897,174	890,352,778
EQUITY					
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
TOTAL EQUITY		955,181,818	732,857,792	234,457,982	181,176,216
TOTAL LIABILITIES AND EQUITY		4,935,060,904	4,334,334,779	1,211,355,156	1,071,528,994

The accompanying notes on pages 13 to 71 form an integral part of these financial statements

LOLC (CAMBODIA) PLC.
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
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)
Net interest income		<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)
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>
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)
Total other operating income		<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)
Net other operating loss		<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)
Profit before income tax		<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)
Profit for the year		<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
Total comprehensive income for the year		<u>222,324,026</u>	<u>179,450,621</u>	<u>53,281,766</u>	<u>45,392,810</u>
Profit attributable to:					
Owners of the Company		<u>222,324,026</u>	<u>179,450,621</u>	<u>54,651,924</u>	<u>44,015,357</u>
Total comprehensive income attributable to:					
Owners of the Company		<u>222,324,026</u>	<u>179,450,621</u>	<u>53,281,766</u>	<u>45,392,810</u>

The accompanying notes on pages 13 to 71 form an integral part of these financial statements.

LOLC (CAMBODIA) PLC.

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 US\$	Retained earnings US\$	General reserves US\$	Regulatory reserves US\$	Other reserves US\$	Total US\$
Balance at 1 January 2020	224,377,400	107,919,895	210,415,116	10,694,760	-	553,407,171	55,460,850	26,740,647	51,979,374	2,645,229	(1,020,659)	135,805,441
Profit for the 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
Total comprehensive income for the year	-	179,450,621	-	-	-	179,450,621	-	44,015,357	-	-	1,377,453	45,392,810
Transactions with owners in their capacity as owners:												
Transfer from regulatory reserves	-	10,694,760	-	(10,694,760)	-	-	-	2,623,194	-	(2,623,194)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	(22,035)	-	(22,035)
Total transactions with owners	-	10,694,760	-	(10,694,760)	-	-	-	2,623,194	-	(2,645,229)	-	(22,035)
Balance at 31 December 2020	<u>224,377,400</u>	<u>298,065,276</u>	<u>210,415,116</u>	<u>-</u>	<u>-</u>	<u>732,857,792</u>	<u>55,460,850</u>	<u>73,379,198</u>	<u>51,979,374</u>	<u>-</u>	<u>356,794</u>	<u>181,176,216</u>
Balance at 1 January 2021	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)
Total comprehensive income for the year	-	222,324,026	-	-	-	222,324,026	-	54,651,924	-	-	(1,370,158)	53,281,766
Transactions with owners in their capacity as owners:												
Transfer to other reserves	-	(170,000,000)	170,000,000	-	-	-	-	(41,789,577)	41,789,577	-	-	-
Total transactions with owners	-	(170,000,000)	170,000,000	-	-	-	-	(41,789,577)	41,789,577	-	-	-
Balance at 31 December 2021	<u>224,377,400</u>	<u>350,389,302</u>	<u>380,415,116</u>	<u>-</u>	<u>-</u>	<u>955,181,818</u>	<u>55,460,850</u>	<u>86,241,545</u>	<u>93,768,951</u>	<u>-</u>	<u>(1,013,364)</u>	<u>234,457,982</u>

The accompanying notes on pages 13 to 71 form an integral part of these financial statements.

LOLC (CAMBODIA) PLC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
Cash flows from operating activities					
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	-
Cash (used in)/generated from operating activities		(303,822,167)	199,318,545	(74,685,879)	48,888,530
Cash flows from investing activities					
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
Cash used in investing activities		(9,854,727)	(7,112,857)	(2,422,500)	(1,744,630)
Cash flows from financing activities					
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)
Cash generated from/(used in) financing activities		155,796,584	(296,196,747)	38,298,079	(72,650,661)
Net decrease in cash and cash equivalents		(157,880,310)	(103,991,059)	(38,810,300)	(25,506,761)
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
Cash and cash equivalents at end of year	32	490,359,897	648,240,207	120,363,254	160,257,158

The accompanying notes on pages 13 to 71 form an integral part of these financial statements.

LOLC (CAMBODIA) PLC.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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”.

LOLC (CAMBODIA) PLC.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

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

The translation of KHR into US\$ 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 US\$ 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 US\$ 1 to KHR 4,068 (2020: US\$ 1 to KHR 4,077) and the closing rate was US\$1 to KHR 4,074 (2020: US\$ 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Classification (continued)

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

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.

LOLC (CAMBODIA) PLC.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial liabilities (continued)

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:

	Years
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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases (continued)

i) Lease liabilities (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Income tax (continued)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Interest income and expense (continued)

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.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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).

LOLC (CAMBODIA) PLC.

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

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK (continued)

(b) By maturity

	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
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 US\$	2020 US\$
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 US\$	2020 US\$
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%

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<i>At amortised cost</i>				
Group loans	626,723,724	441,025,832	153,834,984	109,029,872
Individual loans:	3,572,565,196	2,996,973,447	876,918,310	740,908,145
Staff loans	<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:

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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>

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8. LOANS AND ADVANCES AT AMORTISED COST (continued)

b) By industry

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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
Total gross loans	4,221,808,285	3,462,202,916	1,036,280,875	855,921,611

c) Analysis by loan classification

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<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)
Total gross loans	4,221,808,285	3,462,202,916	1,036,280,875	855,921,611
Exposure at default	4,221,808,285	3,462,202,916	1,036,280,875	855,921,611
Allowance for expected credit loss	(86,894,993)	(67,327,999)	(21,329,159)	(16,644,746)

d) By maturity

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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
Total gross loans	4,221,808,285	3,462,202,916	1,036,280,875	855,921,611

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8. LOANS AND ADVANCES AT AMORTISED COST (continued)

e) By relationship

	<u>2021</u> <u>KHR'000</u>	<u>2020</u> <u>KHR'000</u>	<u>2021</u> <u>US\$</u>	<u>2020</u> <u>US\$</u>
Related parties (including staff loans)	22,519,367	24,203,637	5,527,581	5,983,594
Non-related parties	<u>4,199,288,918</u>	<u>3,437,999,279</u>	<u>1,030,753,294</u>	<u>849,938,017</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>

f) By residency

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

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>US\$</u>	<u>2020</u> <u>US\$</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	<u>22,437,740</u>	<u>22,437,740</u>	<u>5,507,545</u>	<u>5,547,031</u>
	<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.

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9. STATUTORY DEPOSITS WITH THE CENTRAL BANK (continued)

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
For the year ended 31 December 2020					
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>
As at 31 December 2020					
Cost	4,164,831	13,451,294	13,585,069	1,643,846	32,845,040
Accumulated depreciation	(3,110,046)	(12,002,716)	(9,262,957)	(929,163)	(25,304,882)
Net book 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>
In US\$ equivalent	<u>260,763</u>	<u>358,116</u>	<u>1,068,507</u>	<u>176,683</u>	<u>1,864,069</u>
For the year ended 31 December 2021					
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>
As at 31 December 2021					
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>
In US\$ equivalent	<u>170,078</u>	<u>433,416</u>	<u>770,291</u>	<u>199,303</u>	<u>1,573,088</u>

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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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<i>Right-of-use assets (Non-current)</i>				
Buildings	<u>27,730,520</u>	<u>20,687,945</u>	<u>6,806,706</u>	<u>5,114,449</u>
	<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	<u>6,464,760</u>	<u>7,088,062</u>	<u>1,586,834</u>	<u>1,752,302</u>
Non-current	<u>18,763,668</u>	<u>11,141,103</u>	<u>4,605,711</u>	<u>2,754,290</u>
	<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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<i>Depreciation of right-of-use assets</i>				
Buildings (Note 29)	<u>6,166,564</u>	<u>5,378,922</u>	<u>1,515,871</u>	<u>1,319,333</u>
Interest expense (Note 25)	<u>1,860,443</u>	<u>1,276,572</u>	<u>457,336</u>	<u>313,116</u>
Expense relating to short-term lease and leases of low-value assets (included in operating expenses) (Note 30)	<u>6,003,953</u>	<u>5,165,454</u>	<u>1,475,898</u>	<u>1,266,974</u>
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).

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12. INTANGIBLE ASSETS

Non-current	Software and license KHR'000	Work in progress KHR'000	Total KHR'000
For the year ended 31 December 2020			
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>
As at 31 December 2020			
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>
In US\$ equivalent	<u>1,165,480</u>	<u>344,952</u>	<u>1,510,432</u>
For the year ended 31 December 2021			
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>
As at 31 December 2021			
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>
In US\$ equivalent	<u>2,202,800</u>	<u>399,564</u>	<u>2,602,364</u>

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13. DEFERRED TAX ASSETS

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<i>Non-current</i>				
Deferred tax assets	31,771,714	29,586,894	7,798,653	7,314,436
Deferred tax liabilities	<u>(5,546,102)</u>	<u>(4,137,589)</u>	<u>(1,361,340)</u>	<u>(1,022,890)</u>
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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	<u>-</u>	<u>-</u>	<u>(45,065)</u>	<u>48,282</u>
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	Unamortised loan fee	Lease liabilities	Accelerated depreciation	Accrued expense	Others	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	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	<u>4,010,095</u>	<u>12,349,459</u>	<u>3,645,833</u>	<u>(28,356)</u>	<u>266,487</u>	<u>216,115</u>	<u>20,459,633</u>
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 US\$ 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	<u>(1,299,527)</u>	<u>2,617,193</u>	<u>1,399,853</u>	<u>240,625</u>	<u>(628,168)</u>	<u>(145,156)</u>	<u>2,184,820</u>
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 US\$ 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>

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13. DEFERRED TAX ASSETS (continued)

b) Deferred tax liabilities

	Right-of-use assets KHR'000	Total KHR'000
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 US\$ 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 US\$ equivalent	1,361,340	1,361,340

14. OTHER ASSETS

	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
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>
	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
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

	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
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>

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15. DEPOSITS FROM BANK AND OTHER FINANCIAL INSTITUTIONS (continued)

a) By maturity

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

	2021	2020
Savings deposits	1.00%	1.00%
Fixed deposits	2.50%-6.50%	2.50%-6.50%

16. DEPOSITS FROM CUSTOMERS

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

	2021	2020
Savings deposits	3%-5%	3%-5%
Fixed deposits	3.5% - 10%	3.5%-10.5%

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17. BORROWINGS

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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 (US\$143,416,896). 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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<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>

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21. OTHER LIABILITIES

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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>
	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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 (US\$28,971,239). 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
Shareholders:						
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>	100%	<u>224,377,400</u>	<u>2,243,774</u>	100%	<u>224,377,400</u>
In US\$ equivalent			<u>55,460,850</u>			<u>55,460,850</u>

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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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<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	<u>692,737</u>	<u>681,543</u>	<u>170,289</u>	<u>167,168</u>
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	<u>(1,860,443)</u>	<u>(1,276,572)</u>	<u>(457,336)</u>	<u>(313,116)</u>
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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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>

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27. CREDIT IMPAIRMENT LOSSES

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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>

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31. INCOME TAX EXPENSE

a) Income tax expense

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
Current income tax	54,987,253	48,209,796	13,517,025	11,824,822
Deferred income tax	<u>(776,307)</u>	<u>(16,322,044)</u>	<u>(190,833)</u>	<u>(4,003,445)</u>
	<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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	<u>-</u>	<u>(8,571,269)</u>	<u>-</u>	<u>(2,102,347)</u>
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%).

LOLC (CAMBODIA) PLC.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****31. INCOME TAX EXPENSE** (continued)**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

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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>

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33. CASH FLOW INFORMATION

a) Cash flow from operations

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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.

Net debt	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	<u>(36,387,898)</u>	<u>(140,825,796)</u>	<u>(8,931,737)</u>	<u>(34,814,783)</u>
Net debt	<u>(1,021,322,569)</u>	<u>(700,187,017)</u>	<u>(250,692,825)</u>	<u>(173,099,387)</u>

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33. CASH FLOW INFORMATION (continued)

b) Net debt reconciliation (continued)

	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
Net debt as at 1 January 2020	(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
Net debt as at 31 December 2020	<u>(1,083,286,330)</u>	<u>(18,229,165)</u>	<u>(165,561,432)</u>	<u>(81,350,297)</u>	<u>(1,348,427,224)</u>	<u>648,240,207</u>	<u>(700,187,017)</u>
In US\$ equivalent	<u>(267,808,734)</u>	<u>(4,506,592)</u>	<u>(40,929,897)</u>	<u>(20,111,322)</u>	<u>(333,356,545)</u>	<u>160,257,158</u>	<u>(173,099,387)</u>
Net debt as at 1 January 2021	(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
Net debt as at 31 December 2021	<u>(1,152,112,820)</u>	<u>(25,228,428)</u>	<u>(252,600,043)</u>	<u>(81,741,175)</u>	<u>(1,511,682,466)</u>	<u>490,359,897</u>	<u>(1,021,322,569)</u>
In US\$ equivalent	<u>(282,796,470)</u>	<u>(6,192,545)</u>	<u>(62,002,956)</u>	<u>(20,064,108)</u>	<u>(371,056,079)</u>	<u>120,363,254</u>	<u>(250,692,825)</u>

(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.

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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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
<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)

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35. RELATED-PARTY DISCLOSURES (continued)

(b) Loans and advances to key management personnel

	2021	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
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

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35. RELATED-PARTY DISCLOSURES (continued)

(e) Deposits from related parties (continued)

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>US\$</u>	<u>US\$</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>US\$</u>	<u>US\$</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>

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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	2020	2021	2020
	KHR'000	KHR'000	US\$	US\$
Financial assets				
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>
Financial liabilities				
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. FINANCIAL RISK MANAGEMENT (continued)

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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

- 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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

(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.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

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

Loss Given Default (continued)

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.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

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

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:

	Base %	Best %	Worst %
As at 31 December 2021	60%	20%	20%
Scenario probability weighting	60%	20%	20%
	Base %	Best %	Worst %
As at 31 December 2020	60%	15%	25%
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:

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**NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

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

Sensitivity analysis (continued)

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
	Life improvement loan asset backed		Cambodia CPI All Items, 2010=100
		Total export	Foreign direct investment (% of GDP)
	Home improvement loan	Cambodia commodity imports	US dollars to Cambodia riel currency exchange rate
		US 1 year treasury yield curve rates	Foreign direct investment (% of GDP)
	Seasonal loan	Interest rate loans 12 months	Interest rate loans 12 months
			Domestic private sector credit to GDP
	SME loan	Foreign direct investment (% of GDP)	Foreign direct investment (% of GDP)
	Staff 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
LGD	Group 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	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.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

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

Sensitivity analysis (continued)

	ECL		ECL	
	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
Group loan				
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
Individual loan				
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
Life improvement loan asset backed				
Variation added to MEVs	(138,185)	298,078	(33,919)	73,690
Variation deducted from MEVs	128,177	(320,979)	31,462	(79,352)
Home improvement loan				
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
Seasonal loan				
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)
SME loan				
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
Staff loan				
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.

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

36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

(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:

	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
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>

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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

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:

Credit quality	Description
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment.
Special monitoring	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. 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:

Credit quality	Description
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.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

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
Deposits and placements with banks								
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 US\$ equivalent	65,997,671	-	-	65,997,671	58,321,183	-	-	58,321,183

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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

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
Loans and advances at amortised cost								
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 US\$ 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

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

(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
Expected Credit Losses				
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 US\$ equivalent	<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
Gross carrying amount				
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 US\$ equivalent	<u>965,376,461</u>	<u>44,470,691</u>	<u>26,433,723</u>	<u>1,036,280,875</u>

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

(f) Loss allowance (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	KHR'000	not Credit-	Credit-	KHR'000
	KHR'000	Impaired	Impaired	KHR'000
	KHR'000	KHR'000	KHR'000	KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2020	24,377,268	552,581	6,361,357	31,291,206
<i>Changes due to exposure:</i>				
Transfer to stage 1	35,243	(23,035)	(12,208)	-
Transfer to stage 2	(733,340)	735,036	(1,696)	-
Transfer to stage 3	(604,659)	(324,448)	929,107	-
Net remeasurement of loss allowance (*)	(3,578,099)	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>
Gross carrying amount				
Gross carrying amount as at 1 January 2020	3,127,350,043	3,646,766	15,776,322	3,146,773,131
<i>Changes due to 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 US\$ equivalent	<u>814,790,651</u>	<u>25,006,694</u>	<u>16,124,266</u>	<u>855,921,611</u>

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

(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 KHR'000	Loans and advances at amortised cost KHR'000	Other financial assets KHR'000	Total KHR'000	Deposits and placements with banks KHR'000	Loans and advances at amortised cost KHR'000	Other financial assets KHR'000	Total 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	4,625,504	5,206,621	-	414,906	3,451,321	3,866,227
Gross carrying amount	271,382,497	4,221,808,285	4,625,504	4,497,816,286	237,799,154	3,462,202,916	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	235,909,185	3,394,874,917	3,451,321	3,634,235,423
In US\$ equivalent	65,997,671	1,014,951,716	1,135,372	1,082,084,758	58,321,183	839,276,865	853,231	898,451,279

36. FINANCIAL RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

(g) Concentration of financial assets with credit risk exposure (continued)

(iii) *Geographical sector*

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

(h) Repossessed collateral

Repossessed collaterals are sold as soon as practicable. The Company does not utilise the repossessed 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.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.2 Market risk (continued)

(i) Foreign exchange risk (continued)

	In KHR'000 equivalent			
	KHR	US\$	THB	Total
As at 31 December 2021				
Financial assets				
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
Total financial assets	1,145,144,178	3,241,736,050	242,910,847	4,629,791,075
Financial liabilities				
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
Total financial liabilities	267,904,440	3,401,908,824	215,341,127	3,885,154,391
Net on-balance sheet position	877,239,738	(160,172,774)	27,569,720	744,636,684
In US\$ equivalent	215,326,396	(39,315,850)	6,767,237	182,777,783
As at 31 December 2020				
Financial assets				
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
Total financial assets	1,034,098,510	2,792,406,634	220,050,559	4,046,555,703
Financial liabilities				
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
Total financial liabilities	301,501,798	3,030,333,353	187,083,366	3,518,918,517
Net on-balance sheet position	732,596,712	(237,926,719)	32,967,193	527,637,186
In US\$ equivalent	181,111,672	(58,819,955)	8,150,108	130,441,825

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36. FINANCIAL RISK MANAGEMENT (continued)

36.2 Market risk (continued)

(i) Foreign exchange risk (continued)

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 US\$	Impact on other component of equity US\$
2021				
KHR/US\$ exchange rate- increase by 2%	2,538,135	-	623,008	-
KHR/US\$ 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	-
2020				
KHR/US\$ exchange rate- increase by 2%	3,777,852	-	933,956	-
KHR/US\$ 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.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.2 Market risk (continued)

(iii) Interest rate risk (continued)

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.

	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
As at 31 December 2021							
Financial assets							
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
Total financial assets	124,537,045	30,082,931	179,068,489	2,653,459,015	1,262,633,799	380,009,796	4,629,791,075
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
Total financial liabilities	386,298,497	431,620,621	1,642,540,073	1,296,178,767	125,856,339	2,660,094	3,885,154,391
Net interest repricing gap	(261,761,452)	(401,537,690)	(1,463,471,584)	1,357,280,248	1,136,777,460	377,349,702	744,636,684
In US\$ equivalent	(64,251,706)	(98,561,043)	(359,222,284)	333,156,664	279,032,268	92,623,884	182,777,783

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36. FINANCIAL RISK MANAGEMENT (continued)

36.2 Market risk (continued)

(iii) Interest rate risk (continued)

	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
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
Other financial assets	-	-	-	-	-	3,451,321	3,451,321
Total financial assets	76,635,127	92,828,779	191,065,599	2,774,086,772	397,162,188	514,777,238	4,046,555,703
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 debts	-	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
Total financial liabilities	425,142,649	461,307,334	1,303,790,433	1,248,013,942	78,373,432	2,290,727	3,518,918,517
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
In US\$ 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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36. FINANCIAL RISK MANAGEMENT (continued)

36.2 Market risk (continued)

(iii) Interest rate risk (continued)

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 US\$	Impact on other component of equity US\$
2021				
Interest rate increase by 100 basis point	294,071	-	72,182	-
Interest rate decrease by 100 basis point	(294,071)	-	(72,182)	-
2020				
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.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	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
As at 31 December 2021						
Financial assets						
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
Total financial assets by remaining contractual maturities	730,932,882	299,287,085	1,344,459,147	3,481,275,331	357,805,999	6,213,760,444
Financial liabilities						
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
Total financial liabilities by remaining contractual maturities	397,560,115	488,585,116	1,936,053,406	1,534,799,354	37,965,638	4,394,963,629
Net liquidity (gap)/surplus	333,372,767	(189,298,031)	(591,594,259)	1,946,475,977	319,840,361	1,818,796,815
In US\$ 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 (US\$ 3,222,730) from local financial institutions.

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36. FINANCIAL RISK MANAGEMENT (continued)

36.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	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
As at 31 December 2020						
Financial assets						
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
Total financial assets by remaining contractual maturities	783,632,584	358,481,523	1,225,283,358	2,714,155,093	89,188,133	5,170,740,691
Financial liabilities						
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
Total financial liabilities by remaining contractual maturities	438,629,951	560,056,682	1,581,847,300	1,185,930,928	23,653,797	3,790,118,658
Net liquidity (gap)/surplus	345,002,633	(201,575,159)	(356,563,942)	1,528,224,165	65,534,336	1,380,622,033
In US\$ 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 (US\$ 6,098,888) from local financial institutions.

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**NOTES TO THE FINANCIAL STATEMENTS
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36. FINANCIAL RISK MANAGEMENT (continued)

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
As at 31 December 2021				
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	61,110	61,110
Total financial assets	-	-	61,110	61,110
In US\$ equivalent	-	-	15,000	15,000
As at 31 December 2020				
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	60,675	60,675
Total financial assets	-	-	60,675	60,675
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.

36. FINANCIAL RISK MANAGEMENT (continued)

36.4 Fair value of financial assets and liabilities (continued)

(a) Financial instruments measured at fair value (continued)

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.

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

36. FINANCIAL RISK MANAGEMENT (continued)

36.4 Fair value of financial assets and liabilities (continued)

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

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:

	2021 KHR'000	2020 KHR'000	2021 US\$	2020 US\$
Tier I capital				
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	(2,370,554)	(2,618,151)	(581,874)	(647,256)
	<u>952,811,264</u>	<u>730,239,641</u>	<u>234,889,472</u>	<u>180,172,166</u>
Tier II complementary capital				
Subordinated debts	250,958,400	157,755,000	61,600,000	39,000,000
	<u>250,958,400</u>	<u>157,755,000</u>	<u>61,600,000</u>	<u>39,000,000</u>
Total Capital Tier I + Tier II	<u>1,203,769,664</u>	<u>887,994,641</u>	<u>296,489,472</u>	<u>219,172,166</u>