

**LOLC (CAMBODIA) PLC.**

**Financial Statements  
for the year ended 31 December 2023  
and  
Report of the Independent Auditors**

## Corporate information

Company	LOLC (Cambodia) Plc.
Registration No.	00012829
Registered office	Building No. 666B, Street 271 Sangkat Boeung Tumpun 2 Khan Mean Chey, Phnom Penh Kingdom of Cambodia
Shareholders	LOLC Asia Private Limited TPC-ESOP Co., Ltd.
Board of Directors	Mr. Brindley Chrishantha Gajanayake de Zylva, Chairman Mr. Indrajith Wijesiriwardana, Member Mr. Hans Michael Theodor Moormann, Member (Term ended on 31 December 2023) Mr. Chitral Nalin Wijesinha, Member (Appointed on 15 January 2024) Mr. Dulip Rasika Samaraweera, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosch Dias, Member
Executive committee	Mr. Sok Voeun, Chief Executive Officer Mr. Sok Sophal, Deputy Chief Executive Officer/Chief Finance Officer Mr. Damburæ Liyanage Duleep Roshan, Chief Information Officer Mrs. Svoeuy Sodyna, Chief Risk Officer Mr. Perera Hewa Ambepitiyage Chanaka Romesh, Chief Channel Officer Mrs. Chheang Kagna, Chief Digital Financial Services and Deposit Officer Mrs. Leng Thavy, Head of Human Resources Department Mrs. Keo Taraty, Head of Finance Department Ms. Try Sola, Head of Treasury Department Mr. Bun Bella, Head of Information Technology Department Mr. Phai Phalla, Head of Marketing Mr. Teng Pheap, Head of Internal Audit Department Mrs. Kith Marady, Head of Legal and Compliance Department Mr. Nuth Theng, Head of Business Department Mr. Muth Pisey, Head of Credit Department Mr. Thong Rithy, Head of iPay Sale and Digital Business Department Mr. Va Sok Oun, Head of Administration and Procurement Department Mr. Tun Korng, Deputy Head of Credit Department
Auditors	KPMG Cambodia Ltd

# **LOLC (Cambodia) Plc.**

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## Report of the 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 2023.

### 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 results

The financial results of the Company for the year ended 31 December 2023 were as follows:

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note2.4(iii))	2022 US\$ (Note2.4(iii))
Profit before income tax	339,091,115	300,965,785	82,503,922	73,639,781
Income tax expense	<u>(69,005,113)</u>	<u>(61,078,176)</u>	<u>(16,789,565)</u>	<u>(14,944,501)</u>
Profit for the year	<u>270,086,002</u>	<u>239,887,609</u>	<u>65,714,357</u>	<u>58,695,280</u>

### Dividends

On 15 August 2023, the Board of Directors approved for a dividend to be paid to its shareholders amounting to KHR10,096,982 thousand (2022: Nil). The dividend distribution was approved by the National Bank of Cambodia (“NBC”) on 6 October 2023 and paid on 9 October 2023.

Subsequently, on 14 February 2024, the Board of Directors approved for a dividend to be paid to its shareholders amounting to KHR53,895,930 thousand. On 19 February 2024, the Company has submitted a request letter to the National Bank of Cambodia (“NBC”) for the dividend distribution. As at the date of these financial statements, there has been no response from the NBC yet.

### Share capital

The total number of authorised shares of the Company as at 31 December 2023 was 4,243,774 shares (2022: 2,243,774 shares) with a par value of KHR100 thousand per share (2022: KHR100 thousand).

On 25 April 2023, the Company received approval from the NBC to transfer retained earnings amounting to KHR200,000 million to the share capital and the Memorandum and Articles of Association (“MoAA”) of the Company had been updated to reflect this change and was endorsed by the Ministry of Commerce (“MoC”) on 10 May 2023. Refer to Note 22 for details.

# **LOLC (Cambodia) Plc.**

## **Reserves and provisions**

There were no other movements to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

## **Expected credit losses on loans and advances**

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances and 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.

## **Valuation methods**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate.

## **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.

# LOLC (Cambodia) Plc.

## 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 financial year and up to the date of this report are:

Mr. Brindley Chrishantha Gajanayake de Zylva	Chairman
Mr. Indrajith Wijesiriwardana	Member
Mr. Hans Michael Theodor Moomann	Member (Term ended on 31 December 2023)
Mr Chitral Nalin Wijesinha	Member (Appointed on 15 January 2024)
Mr. Dulip Rasika Samaraweera	Member
Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Member

## Directors' interests

None of the Directors held or dealt directly or indirectly in the shares of the Company during the financial year.

## Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

## LOLC (Cambodia) Plc.

### 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 2023 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:

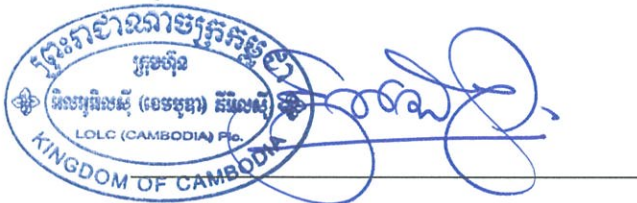
- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of CIFRS or, if there have been any departures in the interest of fair presentation, these have been appropriately 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

I, on behalf of the Board of Directors, hereby approve the accompanying financial statements, together with the notes thereto, which in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and the financial performance and cash flows of the Company for the year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRS").

*Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors,*



Mr. Brindley Chrishantha Gajanayake de Zylva  
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 14 March 2024



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## **Report of the Independent Auditors**

### **To the shareholders of**

### **LOLC (Cambodia) Plc.**

#### ***Opinion***

We have audited the financial statements of LOLC (Cambodia) Plc. (“the Company”), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information as set out on pages 8 to 98 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Cambodia International Financial Reporting Standards (“CIFRSs”).

#### ***Basis for Opinion***

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

#### ***Other Information***

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 1 to 4, and the annual report, which is expected to be made available to us after the date of auditors’ report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





### ***Other Matter***

The financial statements of the Company as of and for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 March 2023.

### ***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 the CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

As part of an audit in accordance with the CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the 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.

For KPMG Cambodia Ltd

  
  
Guek Teav  
Partner

Phnom Penh, Kingdom of Cambodia

14 March 2024

# LOLC (Cambodia) Plc.

## Statement of financial position As at 31 December 2023

	Notes	31 December		31 December	
		2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<b>ASSETS</b>					
Cash on hand	4	124,372,008	106,809,850	30,446,024	25,943,612
Deposits and placements with the National Bank of Cambodia	5	134,192,224	194,853,393	32,849,994	47,328,976
Deposits and placements with banks	6	672,287,486	371,988,949	164,574,660	90,354,372
Financial assets at fair value through other comprehensive income	7	61,275	61,755	15,000	15,000
Loans and advances at amortised cost	8	5,003,139,376	5,006,724,473	1,224,758,721	1,216,109,904
Statutory deposits with the National Bank of Cambodia	9	371,611,761	290,813,000	90,969,831	70,637,114
Property and equipment	10	12,145,516	6,845,124	2,973,198	1,662,649
Right-of-use assets	11	28,661,010	28,364,039	7,016,159	6,889,492
Intangible assets	12	7,818,094	8,290,335	1,913,854	2,013,683
Deferred tax assets - net	13	29,627,908	38,944,143	7,252,854	9,459,350
Other assets	14	20,679,113	21,611,794	5,062,207	5,249,404
<b>TOTAL ASSETS</b>		<u>6,404,595,771</u>	<u>6,075,306,855</u>	<u>1,567,832,502</u>	<u>1,475,663,556</u>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Deposits from banks and other financial institutions	15	193,575,862	121,960,652	47,386,992	29,623,671
Deposits from customers	16	3,498,928,575	3,036,496,755	856,530,863	737,550,827
Borrowings	17	884,096,100	1,269,650,543	216,424,994	308,392,165
Lease liabilities	11	27,481,666	26,341,727	6,727,458	6,398,282
Current income tax liabilities	18	50,339,592	64,678,039	12,323,034	15,709,992
Employee benefits	19	2,099,290	2,310,325	513,902	561,167
Other liabilities	20	39,263,064	44,620,119	9,611,521	10,838,020
Subordinated debts	21	253,753,175	314,179,268	62,118,280	76,312,671
<b>TOTAL LIABILITIES</b>		<u>4,949,537,324</u>	<u>4,880,237,428</u>	<u>1,211,637,044</u>	<u>1,185,386,795</u>
<b>EQUITY</b>					
Share capital	22A	424,377,400	224,377,400	103,969,218	55,460,850
Retained earnings		623,203,250	590,276,911	153,048,830	144,936,825
General reserves		380,415,116	380,415,116	93,768,951	93,768,951
Regulatory reserves	23	21,938,040	-	5,367,761	-
Other reserves	24	5,124,641	-	1,254,502	-
Currency translation reserves		-	-	(1,213,804)	(3,889,865)
<b>TOTAL EQUITY</b>		<u>1,455,058,447</u>	<u>1,195,069,427</u>	<u>356,195,458</u>	<u>290,276,761</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>6,404,595,771</u>	<u>6,075,306,855</u>	<u>1,567,832,502</u>	<u>1,475,663,556</u>

The accompanying notes 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 2023

	Notes	2023 KHR'000	2022 KHR'000	2023 US\$ (Note2.4(iii))	2022 US\$ (Note2.4(iii))
Interest income	25	891,105,944	864,653,123	216,814,098	211,561,811
Interest expense	25	<u>(354,216,437)</u>	<u>(306,307,880)</u>	<u>(86,184,048)</u>	<u>(74,946,875)</u>
<b>Net interest income</b>		<u>536,889,507</u>	<u>558,345,243</u>	<u>130,630,050</u>	<u>136,614,936</u>
Fee and commission income	26	22,222,917	27,072,105	5,407,036	6,623,955
Fee and commission expense	26	<u>(832,034)</u>	<u>(898,943)</u>	<u>(202,441)</u>	<u>(219,952)</u>
<b>Net fee and commission income</b>		<u>21,390,883</u>	<u>26,173,162</u>	<u>5,204,595</u>	<u>6,404,003</u>
Other operating income		5,671,028	3,720,546	1,379,812	910,337
Other gains/(losses) – net		2,892,912	(1,852,013)	703,872	(453,147)
Credit impairment reversal/(losses)	27	19,600,358	(68,813,287)	4,768,944	(16,837,115)
Net losses on derecognition of financial assets measured at amortised cost		<u>(29,849,686)</u>	<u>(5,091,311)</u>	<u>(7,262,697)</u>	<u>(1,245,733)</u>
<b>Net other operating loss</b>		<u>(1,685,388)</u>	<u>(72,036,065)</u>	<u>(410,069)</u>	<u>(17,625,658)</u>
Personnel expenses	28	(148,471,679)	(144,087,145)	(36,124,496)	(35,254,990)
Depreciation and amortisation charges	29	(14,201,166)	(12,511,187)	(3,455,272)	(3,061,215)
Other operating expenses	30	<u>(54,831,042)</u>	<u>(54,918,223)</u>	<u>(13,340,886)</u>	<u>(13,437,295)</u>
<b>Profit before income tax</b>		339,091,115	300,965,785	82,503,922	73,639,781
Income tax expense	31	<u>(69,005,113)</u>	<u>(61,078,176)</u>	<u>(16,789,565)</u>	<u>(14,944,501)</u>
<b>Profit for the year</b>		<u>270,086,002</u>	<u>239,887,609</u>	<u>65,714,357</u>	<u>58,695,280</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	-	2,676,061	(2,876,501)
Other comprehensive income for the year, net of tax		-	-	2,676,061	(2,876,501)
<b>Total comprehensive income for the year</b>		<u>270,086,002</u>	<u>239,887,609</u>	<u>68,390,418</u>	<u>55,818,779</u>
<b>Profit attributable to:</b>					
Owners of the Company		<u>270,086,002</u>	<u>239,887,609</u>	<u>65,714,357</u>	<u>58,695,280</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		<u>270,086,002</u>	<u>239,887,609</u>	<u>68,390,418</u>	<u>55,818,779</u>

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

## LOLC (Cambodia) Plc.

### Statement of changes in equity For the year ended 31 December 2023

	Attributable to owners of the Company													
	Share capital KHR'000	Retained earnings KHR'000	General reserves KHR'000	Regulatory reserves KHR'000	Other reserves KHR'000	Currency translation reserves KHR'000	Total KHR'000	Share capital US\$ (Note 2.4(iii))	Retained earnings US\$ (Note 2.4(iii))	General reserves US\$ (Note 2.4(iii))	Regulatory reserves US\$ (Note 2.4(iii))	Other reserves US\$ (Note 2.4(iii))	Currency translation reserves US\$ (Note 2.4(iii))	Total US\$ (Note 2.4(iii))
<b>Balance at 1 January 2022</b>	224,377,400	350,389,302	380,415,116	-	-	-	955,181,818	55,460,850	86,241,545	93,768,951	-	-	(1,013,364)	234,457,982
Profit for the year	-	239,887,609	-	-	-	-	239,887,609	-	58,695,280	-	-	-	-	58,695,280
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(2,876,501)	(2,876,501)
<b>Total comprehensive income for the year</b>	-	239,887,609	-	-	-	-	239,887,609	-	58,695,280	-	-	-	(2,876,501)	55,818,779
<b>Balance at 31 December 2022</b>	224,377,400	590,276,911	380,415,116	-	-	-	1,195,069,427	55,460,850	144,936,825	93,768,951	-	-	(3,889,865)	290,276,761
<b>Balance at 1 January 2023</b>	224,377,400	590,276,911	380,415,116	-	-	-	1,195,069,427	55,460,850	144,936,825	93,768,951	-	-	(3,889,865)	290,276,761
Profit for the year	-	270,086,002	-	-	-	-	270,086,002	-	65,714,357	-	-	-	-	65,714,357
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	2,676,061	2,676,061
<b>Total comprehensive income for the year</b>	-	270,086,002	-	-	-	-	270,086,002	-	65,714,357	-	-	-	2,676,061	68,390,418
<b>Transactions with owners in their capacity as owners:</b>														
Transfer from retained earnings to share capital (Note 22A)	200,000,000	(200,000,000)	-	-	-	-	-	48,508,368	(48,508,368)	-	-	-	-	-
Dividends (Note 22B)	-	(10,096,982)	-	-	-	-	(10,096,982)	-	(2,471,721)	-	-	-	-	(2,471,721)
Transfer from retained earnings to regulatory reserves (Note 23)	-	(21,938,040)	-	21,938,040	-	-	-	-	(5,367,761)	-	5,367,761	-	-	-
Transfer from retained earnings to other reserves (Note 24)	-	(5,124,641)	-	-	5,124,641	-	-	-	(1,254,502)	-	-	1,254,502	-	-
<b>Total transactions with owners</b>	200,000,000	(237,159,663)	-	21,938,040	5,124,641	-	(10,096,982)	48,508,368	(57,602,352)	-	5,367,761	1,254,502	-	(2,471,721)
<b>Balance at 31 December 2023</b>	424,377,400	623,203,250	380,415,116	21,938,040	5,124,641	-	1,455,058,447	103,969,218	153,048,830	93,768,951	5,367,761	1,254,502	(1,213,804)	356,195,458

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

# LOLC (CAMBODIA) PLC.

## Statement of cash flows For the year ended 31 December 2023

	Notes	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<b>Cash flows from operating activities</b>					
Cash generated from/(used in) operations	33(a)	256,281,782	(415,976,948)	62,355,666	(101,780,511)
Interest received		890,607,708	870,515,683	216,692,873	212,996,252
Interest paid		(340,407,104)	(280,205,951)	(82,824,113)	(68,560,301)
Income tax paid	18	(74,027,325)	(63,883,378)	(18,011,515)	(15,630,873)
Employee benefits paid		(7,355,020)	(7,441,853)	(1,789,542)	(1,820,860)
<b>Net cash generated from operating activities</b>		<u>725,100,041</u>	<u>103,007,553</u>	<u>176,423,369</u>	<u>25,203,708</u>
<b>Cash flows from investing activities</b>					
Deposits and placements with the National Bank of Cambodia		(269,560)	(2,167,701)	(65,586)	(530,389)
Purchases of property and equipment	10	(9,256,605)	(3,996,501)	(2,252,215)	(977,857)
Purchases of intangible assets	12	(3,024,926)	(503,329)	(735,992)	(123,154)
Proceeds from disposals of property and equipment		550,858	411,259	134,029	100,626
<b>Net cash used in investing activities</b>		<u>(12,000,233)</u>	<u>(6,256,272)</u>	<u>(2,919,764)</u>	<u>(1,530,774)</u>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	33(b)	97,365,032	584,899,233	23,689,789	143,112,120
Repayments of borrowings	33(b)	(479,619,214)	(451,276,784)	(116,695,673)	(110,417,613)
Proceeds from subordinated debts	33(b)	-	70,022,751	-	17,133,044
Repayments of subordinated debts	33(b)	(54,382,800)	(26,236,000)	(13,231,825)	(6,419,379)
Repayments of debt securities	33(b)	-	(80,504,783)	-	(19,697,769)
Payment of transaction costs	33(b)	(290,518)	(6,000,915)	(70,686)	(1,468,293)
Payment of dividend to shareholders	33(b)	(10,096,982)	-	(2,456,687)	-
Principal element of lease payments	33(b)	(5,931,236)	(5,830,957)	(1,443,123)	(1,426,708)
<b>Net cash (used in)/generated from financing activities</b>		<u>(452,955,718)</u>	<u>85,072,545</u>	<u>(110,208,205)</u>	<u>20,815,402</u>
<b>Net increase in cash and cash equivalents</b>		260,144,090	181,823,826	63,295,400	44,488,336
Cash and cash equivalents at beginning of the year		672,183,723	490,359,897	163,270,275	120,363,254
Currency translation differences		-	-	1,666,348	(1,581,315)
<b>Cash and cash equivalents at end of the year</b>	32	<u>932,327,813</u>	<u>672,183,723</u>	<u>228,232,023</u>	<u>163,270,275</u>

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

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements For the year ended 31 December 2023

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. General information

LOLC (Cambodia) Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) (the Company), a licensed micro-finance institution, incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (MoC) as a public limited liability company under the registration number Co. 1413 E/2002, dated 23 May 2002 and changed to the new registration number 00012829 dated 28 September 2015.

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

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

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

As at 31 December 2023, the Company has 83 office locations (82 branches and a Head Office in Phnom Penh). The Company’s registered office is at Building No. 666B, Street 271, Sangkat Boeung Tumpun 2, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia.

The financial statements were authorised for issue by the Board of Directors on 14 March 2024.

### 2. Material accounting policies

The material 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 indicated.

#### 2.1 Changes in material accounting policies

##### (i) Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12)*** from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.1 Changes in material accounting policies (continued)**

##### **(i) Deferred tax related to assets and liabilities arising from a single transaction (continued)**

The Company previously accounted for deferred tax on leases by applying the “integrally linked” approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets. Under the amendments, there was no impact on retained earnings as at 1 January 2022 on adoption of the amendments.

##### **(ii) Material accounting policy information**

The Company also adopted Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, it impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made update to the information disclosed in Note 2 Material accounting policies (2022: Summary of significant accounting policies) in certain instances in line with the amendments.

#### **2.2 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.



# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material accounting policies (continued)

#### 2.2 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 to the financial statements.

#### 2.3 New standards and interpretation

##### Accounting standards issued but not yet effective

A number of new accounting standards and amendments to accounting standard are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted any of the new or amended accounting standards in preparing these financial statements.

Effective date	New accounting standards or amendments
1 January 2024	Classification of liabilities as current or non-current (Amendment to CIAS 1)
	Non-current liabilities with covenants (Amendment to CIAS 1)
	Supplier finance arrangements (amendment to CIAS 7 and CIFRS 7)
	Lease liability in sale and leaseback (Amendment to CIFRS 16)
1 January 2025	Lack of exchangeabilities (Amendment to CIAS 21)

#### 2.4 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. All amounts have been rounded to the nearest thousand Riel, except when otherwise indicated.

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material accounting policies (continued)

#### 2.4 Foreign currency translation (continued)

##### (ii) Transactions and balances

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

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

##### (iii) Presentation in United States dollars (“US\$”)

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

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

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

		Closing rate	Average rate
31 December 2023	USD1=	KHR4,085	KHR4,110
31 December 2022	USD1=	<u>KHR4,117</u>	<u>KHR4,087</u>

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

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.5 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 National Bank of Cambodia 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 National Bank of Cambodia and banks are carried at amortised cost in the statement of financial position.

#### **2.6 Financial instruments**

##### **(a) Recognition**

The Company initially recognises loans and advances, deposits, borrowings and subordinated debts on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

##### **(b) Classification**

###### **Financial assets**

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.6 Financial instruments (continued)**

##### **(b) Classification (continued)**

###### **Financial assets (continued)**

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### **Business model assessment**

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### (b) Classification (continued)

###### Financial assets (continued)

###### Business model assessment (continued)

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

###### Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

###### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### (c) Derecognition

###### **Financial assets**

The Company derecognised a financial asset 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit and loss.

###### **Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

##### (d) 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.

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### (d) Measurement (continued)

###### *Debt instruments (continued)*

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.

##### (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.

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.6 Financial instruments (continued)**

##### **(e) Impairment (continued)**

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.

##### **(f) 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 and other financial liabilities.

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

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

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



# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### (g) 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.

#### 2.7 Property and equipment

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

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

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

	<b>Years</b>
Leasehold improvements	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.

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.8 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.

#### **2.9 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.

#### **2.10 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.

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material accounting policies (continued)

#### 2.10 Leases (continued)

##### *The Company as a lessee (continued)*

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

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

##### (i) Lease liabilities

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

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

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

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

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

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

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

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

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.10 Leases (continued)**

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

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.

#### **2.11 Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under *CIAS 37 Provisions, Contingent Liabilities and Contingent Assets* and has recognised the related expenses in 'other expenses'.

##### **(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous period. It is measured using tax rates exacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

##### **(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.11 Income tax (continued)**

##### **(ii) Deferred tax (continued)**

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

#### **2.12 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.

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.13 Regulatory reserves**

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity shall compare the provision calculated in accordance with Articles 49 to 71 and the provision calculated in accordance with Article 72, and the record:

- (i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Articles 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and
- (ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Articles 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated loss account into regulatory reserves in shareholders' equity of the statement of the financial position.

The regulatory reserves are not an item to be included in the calculation of the Company's net worth.

#### **2.14 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.

#### **2.15 Other reserves**

Other reserves are set up for the variance of provision between loan and advances impairment in accordance with CIFRSs or NBC provision whichever is higher and loan and advances provision covering 100% risk coverage ratio of Non-Performing Loan or portfolio at risk "PAR 90 days" in accordance with lender covenants. The Company records:

- (i) In case the loan and advances impairment in accordance with CIFRSs is higher than the portfolio of NPL, the entity records the provision calculated in accordance with CIFRSs; and
- (ii) In case the loan and advances impairment in accordance with CIFRSs is lower than the portfolio of NPL, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated loss account into other reserves in shareholders' equity of the statement of the financial position (The Company gives priority to regulatory reserve first, and transfer the remaining difference to other reserves; if any).

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 2. Material 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) Pension obligations

The Company pays monthly contributions for the compulsory pension scheme to National Social Security Fund (“NSSF”), a publicly administered social security scheme for pension in Cambodia. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(iii) 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.

# **LOLC (CAMBODIA) PLC.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **2. Material accounting policies (continued)**

#### **2.17 Interest income and expense**

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

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

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

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

#### **2.18 Fee and commission income**

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

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

### **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:



# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 3. Critical accounting estimates and judgements (continued)

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

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

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

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

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

#### (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).

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 3. Critical accounting estimates and judgements (continued)

##### (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 National Bank of Cambodia, 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

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
<i>Current:</i>			(Note 2.4(iii))	(Note 2.4(iii))
Khmer Riel	31,087,701	20,874,144	7,610,208	5,070,232
US Dollars	78,918,818	78,383,571	19,319,172	19,039,002
Thai Baht	14,365,489	7,552,135	3,516,644	1,834,378
	<u>124,372,008</u>	<u>106,809,850</u>	<u>30,446,024</u>	<u>25,943,612</u>

#### 5. Deposits and placements with the National Bank of Cambodia

##### (a) By account types

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4 (iii))	(Note 2.4(iii))
Settlement accounts	33,309,182	18,889,464	8,154,023	4,588,162
Current accounts	96,106,522	171,456,969	23,526,688	41,646,094
Negotiable certificate of deposits	4,776,520	4,506,960	1,169,283	1,094,720
	<u>134,192,224</u>	<u>194,853,393</u>	<u>32,849,994</u>	<u>47,328,976</u>

The Company has pledged negotiable certificate of deposits amounting to KHR2,429,072 thousands as collateral for overdraft (31 December 2022: KHR1,623,400 thousands) and KHR2,344,191 thousands as collateral for Real time fund transfer (RFT) (31 December 2022: KHR1,223,400 thousands).

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 5. Deposits and placements with the National Bank of Cambodia (continued)

##### (b) By maturity

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Current	134,192,224	194,853,393	32,849,994	47,328,976
Non-current	-	-	-	-
	<u>134,192,224</u>	<u>194,853,393</u>	<u>32,849,994</u>	<u>47,328,976</u>

Annual interest rates of deposits and placements with the National Bank of Cambodia are as follows:

	31 December	
	2023	2022
Settlement accounts	0%	0%
Current accounts	0%	0%
Negotiable certificates of deposits	<u>1.00% – 1.60%</u>	<u>1.05% - 3.69%</u>

#### 6. Deposits and placements with banks

##### (a) By account types

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Deposits and placements with local banks:				
Savings deposits	203,438,836	146,908,461	49,801,429	35,683,376
Current accounts	272,879,251	175,144,437	66,800,306	42,541,763
Time deposits	<u>202,222,014</u>	<u>52,974,542</u>	<u>49,503,553</u>	<u>12,867,268</u>
	678,540,101	375,027,440	166,105,288	91,092,407
Less: Allowance for expected credit loss	<u>(6,252,615)</u>	<u>(3,038,491)</u>	<u>(1,530,628)</u>	<u>(738,035)</u>
	<u>672,287,486</u>	<u>371,988,949</u>	<u>164,574,660</u>	<u>90,354,372</u>

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 6. Deposits and placements with banks (continued)

##### (b) By maturity

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Current	678,540,101	375,027,440	166,105,288	91,092,407
Non-current	-	-	-	-
	<u>678,540,101</u>	<u>375,027,440</u>	<u>166,105,288</u>	<u>91,092,407</u>

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

	31 December	
	2023	2022
Savings deposits	0% – 2.50%	0% – 2.50%
Current accounts	0% – 2.50%	0% – 1.39%
Term deposits	<u>3.20% – 4.50%</u>	<u>3.00%</u>

#### 7. Financial assets at fair value through other comprehensive income

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Non-current				
<i>Unlisted securities</i>				
Investment in Credit Bureau Cambodia	<u>61,275</u>	<u>61,755</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 2023 was KHR61,275 thousands.

Dividend received during the year was KHR166,253 thousand (2022: KHR47,520 thousand).

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

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 8. Loans and advances at amortised cost

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<i>At amortised cost</i>				
Group loans	574,400,820	718,540,912	140,612,196	174,530,219
Individual loans	4,483,991,759	4,411,542,341	1,097,672,401	1,071,542,954
Staff loans	33,588,984	28,609,371	8,222,517	6,949,082
Total gross loans	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Less: Allowance for expected credit loss	(88,842,187)	(151,968,151)	(21,748,393)	(36,912,351)
Loans and advances at amortised cost	<u>5,003,139,376</u>	<u>5,006,724,473</u>	<u>1,224,758,721</u>	<u>1,216,109,904</u>

##### (a) Allowance for expected credit loss

Allowance for expected credit loss by stages are as follow:

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
12-month ECL (Stage 1)	23,447,275	57,944,061	5,739,847	14,074,341
Lifetime ECL-not credit impaired (Stage 2)	5,771,271	10,213,409	1,412,796	2,480,789
Lifetime ECL-credit impaired (Stage 3)	59,623,641	83,810,681	14,595,750	20,357,221
	<u>88,842,187</u>	<u>151,968,151</u>	<u>21,748,393</u>	<u>36,912,351</u>

##### (b) By industry

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Household/family	1,361,399,479	1,441,102,623	333,267,926	350,037,071
Agriculture	1,358,578,944	1,343,970,902	332,577,465	326,444,232
Trade and commerce	979,429,343	979,707,174	239,762,385	237,966,280
Services	778,684,244	788,991,815	190,620,378	191,642,413
Manufacturing	334,987,960	324,771,580	82,004,397	78,885,494
Construction	206,357,866	201,794,944	50,516,001	49,015,046
Transportation	72,543,727	65,517,963	17,758,562	15,914,006
Others	-	12,835,623	-	3,117,713
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 8. Loans and advances at amortised cost (continued)

##### (c) Analysis by loan classification

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
<i>Performing</i>				
Gross amount	4,921,687,690	4,948,939,886	1,204,819,508	1,202,074,299
Exposure at default	4,921,687,690	4,948,939,886	1,204,819,508	1,202,074,299
Allowance for expected credit loss	(23,447,275)	(57,944,061)	(5,739,847)	(14,074,340)
<i>Under-performing</i>				
Gross amount	50,381,792	73,840,698	12,333,364	17,935,559
Exposure at default	50,381,792	73,840,698	12,333,364	17,935,559
Allowance for expected credit loss	(5,771,271)	(10,213,409)	(1,412,796)	(2,480,789)
<i>Non-performing</i>				
Gross amount	119,912,081	135,912,040	29,354,242	33,012,397
Exposure at default	119,912,081	135,912,040	29,354,242	33,012,397
Allowance for expected credit loss	(59,623,641)	(83,810,681)	(14,595,750)	(20,357,221)
Total gross loans	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Exposure at default	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Allowance for expected credit loss	(88,842,187)	(151,968,151)	(21,748,393)	(36,912,351)

##### (d) By maturity

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Not later than 1 year	246,252,875	210,099,253	60,282,222	51,032,124
Later than 1 year and no later than 3 years	1,207,365,443	1,501,645,251	295,560,696	364,742,592
Later than 3 years and no later than 5 years	1,578,918,479	1,571,858,678	386,516,152	381,797,104
Later than 5 years	2,059,444,766	1,875,089,442	504,148,044	455,450,435
Total gross loans	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 8. Loans and advances at amortised cost (continued)

##### (e) By large exposure

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Large exposure	-	-	-	-
Non-large exposure	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

##### (f) By relationship

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Related parties (including staff loans)	33,588,984	28,609,371	8,222,518	6,949,082
Non-related parties	<u>5,058,392,579</u>	<u>5,130,083,253</u>	<u>1,238,284,596</u>	<u>1,246,073,173</u>
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

##### (g) By residency

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Residents	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Non-residents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total gross loans	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 8. Loans and advances at amortised cost (continued)

##### (h) By security

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Secured	4,382,983,974	4,361,664,888	1,072,945,893	1,059,427,954
Non-secured	708,997,589	797,027,736	173,561,221	193,594,301
	<u>5,091,981,563</u>	<u>5,158,692,624</u>	<u>1,246,507,114</u>	<u>1,253,022,255</u>

##### (i) By interest rate

Annual interest rate for loans and advances are as follows:

	31 December	
	2023	2022
Short term loans	6.78% – 18.00%	8.87% - 18.00%
Long term loans	6.78% – 18.00%	8.30% - 18.00%

#### 9. Statutory deposits with the National Bank of Cambodia

	Note	31 December		31 December	
		2023	2022	2023	2022
		KHR'000	KHR'000	US\$	US\$
				(Note 2.4(iii))	(Note 2.4(iii))
Capital guarantee deposit	(a)	329,174,021	22,437,740	80,581,155	5,450,022
Reserve requirement	(b)	<u>42,437,740</u>	<u>268,375,260</u>	<u>10,388,676</u>	<u>65,187,092</u>
		<u>371,611,761</u>	<u>290,813,000</u>	<u>90,969,831</u>	<u>70,637,114</u>

##### (a) Capital guarantee deposit

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



# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

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

#### (b) Reserve requirement

This represents the minimum reserve requirement which is calculated at 7% of the total deposits from customers (31 December 2022: 8%) as required by the NBC's Prakas No. B7-07-163. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

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

On 16 August 2023, Cambodia Microfinance Association ("CMA") submitted a request letter No.194/2023 to the NBC for another delay in the implementation of reserve requirement against borrowings at daily average balance until end of June 2024. On 23 November 2023, the NBC has responded to CMA through letter No. B7-023-2621.CHHOR T allows the institution to maintain reserve requirement at the rate of 7% until 31 December 2024.

Annual interest rate are as follows:

	31 December	
	2023	2022
Capital guarantee deposit	3.00%	3.00%
Reserve requirement	Nil	Nil

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 10. Property and equipment

2023	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvements KHR'000	KHR'000	Total US\$ (Note2.4(iii))
<b>Cost</b>						
At 1 January	4,705,627	13,905,072	15,942,656	2,366,310	36,919,665	8,967,614
Additions	1,862,668	685,631	6,517,690	190,616	9,256,605	2,252,215
Disposals	(160,312)	(2,077,469)	(449,735)	(4,063)	(2,691,579)	(654,885)
Currency translation difference	-	-	-	-	-	80,023
At 31 December	6,407,983	12,513,234	22,010,611	2,552,863	43,484,691	10,644,967
<b>Less: Accumulated depreciation</b>						
At 1 January	3,986,758	11,921,287	12,745,490	1,421,006	30,074,541	7,304,965
Depreciation for the year	752,945	731,044	2,174,023	282,439	3,940,451	958,747
Disposals	(157,713)	(2,065,769)	(448,339)	(3,996)	(2,675,817)	(651,050)
Currency translation difference	-	-	-	-	-	59,107
At 31 December	4,581,990	10,586,562	14,471,174	1,699,449	31,339,175	7,671,769
<b>Carrying amounts</b>						
At 1 January	718,869	1,983,785	3,197,166	945,304	6,845,124	1,662,649
At 31 December	1,825,993	1,926,672	7,539,437	853,414	12,145,516	2,973,198

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 10. Property and equipment (continued)

2022	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvements KHR'000	KHR'000	Total US\$ (Note2.4(iii))
<b>Cost</b>						
At 1 January	4,293,667	14,150,343	14,561,067	1,971,061	34,976,138	8,585,208
Additions	478,935	883,764	2,238,553	395,249	3,996,501	977,857
Disposals	(66,975)	(1,129,035)	(856,964)	-	(2,052,974)	(502,318)
Currency translation difference	-	-	-	-	-	(93,133)
At 31 December	<u>4,705,627</u>	<u>13,905,072</u>	<u>15,942,656</u>	<u>2,366,310</u>	<u>36,919,665</u>	<u>8,967,614</u>
<b>Less: Accumulated depreciation</b>						
At 1 January	3,600,771	12,384,608	11,422,902	1,159,096	28,567,377	7,012,120
Depreciation for the year	452,061	590,569	2,176,364	261,910	3,480,904	851,701
Disposals	(66,074)	(1,053,890)	(853,776)	-	(1,973,740)	(482,931)
Currency translation difference	-	-	-	-	-	(75,925)
At 31 December	<u>3,986,758</u>	<u>11,921,287</u>	<u>12,745,490</u>	<u>1,421,006</u>	<u>30,074,541</u>	<u>7,304,965</u>
<b>Carrying amounts</b>						
At 1 January	<u>692,896</u>	<u>1,765,735</u>	<u>3,138,165</u>	<u>811,965</u>	<u>6,408,761</u>	<u>1,573,088</u>
At 31 December	<u>718,869</u>	<u>1,983,785</u>	<u>3,197,166</u>	<u>945,304</u>	<u>6,845,124</u>	<u>1,662,649</u>

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 11. Leases

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

The Company leases various buildings for its head office's and branches' operations. Rental contracts are typically made for fixed periods of 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

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
<i>Right-of-use assets (Non-current)</i>				
Buildings	<u>28,661,010</u>	<u>28,364,039</u>	<u>7,016,159</u>	<u>6,889,492</u>
<i>Lease liabilities</i>				
Current	5,733,058	5,006,649	1,403,441	1,216,092
Non-current	<u>21,748,608</u>	<u>21,335,078</u>	<u>5,324,017</u>	<u>5,182,190</u>
	<u>27,481,666</u>	<u>26,341,727</u>	<u>6,727,458</u>	<u>6,398,282</u>

Additions to the right-of-use assets during the year were KHR7,284,149 thousand (2022: KHR6,671,803 thousand).

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

	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
<i>Depreciation of right-of-use assets</i>				
Buildings (Note 29)	<u>6,763,548</u>	<u>6,333,456</u>	<u>1,645,632</u>	<u>1,549,659</u>
Interest expense (Note 25)	<u>2,117,106</u>	<u>2,140,901</u>	<u>515,111</u>	<u>523,831</u>
Expense relating to short-term lease and leases of low-value assets (included in operating expenses) (Note 30)	<u>9,214,371</u>	<u>7,950,156</u>	<u>2,241,939</u>	<u>1,945,230</u>
Total expenses related to leases	<u>18,095,025</u>	<u>16,424,513</u>	<u>4,402,682</u>	<u>4,018,720</u>

Total cash outflow for lease during the period was KHR5,931,236 thousand (2022: KHR5,830,957 thousand).

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 12. Intangible assets

2023	Software and license KHR'000	Work in progress KHR'000	Total	
			KHR'000	US\$ (Note 2.4(iii))
<b>Cost</b>				
At 1 January	14,132,015	316,425	14,448,440	3,509,458
Additions	1,462,985	1,561,941	3,024,926	735,992
Transfers	158,537	(158,537)	-	-
Currency translation difference	-	-	-	31,996
At 31 December	<u>15,753,537</u>	<u>1,719,829</u>	<u>17,473,366</u>	<u>4,277,446</u>
<b>Less: Accumulated amortisation</b>				
At 1 January	6,158,105	-	6,158,105	1,495,775
Amortisation for the year	3,497,167	-	3,497,167	850,893
Currency translation difference	-	-	-	16,924
At 31 December	<u>9,655,272</u>	<u>-</u>	<u>9,655,272</u>	<u>2,363,592</u>
<b>Carrying amounts</b>				
At 1 January	<u>7,973,910</u>	<u>316,425</u>	<u>8,290,335</u>	<u>2,013,683</u>
At 31 December	<u>6,098,265</u>	<u>1,719,829</u>	<u>7,818,094</u>	<u>1,913,854</u>
<b>2022</b>				
<b>Cost</b>				
At 1 January	12,435,484	1,627,825	14,063,309	3,451,966
Additions	334,262	169,067	503,329	123,154
Transfers	1,362,269	(1,362,269)	-	-
Write-off	-	(118,198)	(118,198)	(28,920)
Currency translation difference	-	-	-	(36,742)
At 31 December	<u>14,132,015</u>	<u>316,425</u>	<u>14,448,440</u>	<u>3,509,458</u>
<b>Less: Accumulated amortisation</b>				
At 1 January	3,461,278	-	3,461,278	849,602
Amortisation for the year	2,696,827	-	2,696,827	659,855
Currency translation difference	-	-	-	(13,682)
At 31 December	<u>6,158,105</u>	<u>-</u>	<u>6,158,105</u>	<u>1,495,775</u>
<b>Carrying amounts</b>				
At 1 January	<u>8,974,206</u>	<u>1,627,825</u>	<u>10,602,031</u>	<u>2,602,364</u>
At 31 December	<u>7,973,910</u>	<u>316,425</u>	<u>8,290,335</u>	<u>2,013,683</u>

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 13. Deferred tax assets - net

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<i>Non-current</i>				
Deferred tax assets	35,360,110	44,616,949	8,656,086	10,837,248
Deferred tax liabilities	(5,732,202)	(5,672,806)	(1,403,232)	(1,377,898)
Net deferred tax assets	<u>29,627,908</u>	<u>38,944,143</u>	<u>7,252,854</u>	<u>9,459,350</u>

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

	2023	2022	2023	2022
	KHR'000	KHR'000	US\$ (Note 2.4(iii))	US\$ (Note 2.4(iii))
As at 1 January	38,944,143	26,225,612	9,459,350	6,437,313
Charged to profit or loss (Note 31(a))	(9,316,235)	12,718,531	(2,266,724)	3,111,948
Currency translation differences	-	-	60,228	(89,911)
As at 31 December	<u>29,627,908</u>	<u>38,944,143</u>	<u>7,252,854</u>	<u>9,459,350</u>

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 13. Deferred tax assets - net (continued)

(i) Deferred tax assets:

	Impairment loss KHR'000	Unamortised loan fee KHR'000	Lease liabilities KHR'000	Accelerated depreciation KHR'000	Accrued expense KHR'000	Others KHR'000	Total KHR'000
As at 1 January 2023	17,497,407	18,962,891	5,268,345	462,239	1,340,472	1,085,595	44,616,949
(Charged)/credited to profit or loss	<u>(10,383,799)</u>	<u>(768,386)</u>	<u>227,988</u>	<u>14,203</u>	<u>59,676</u>	<u>1,593,479</u>	<u>(9,256,839)</u>
As at 31 December 2023	<u>7,113,608</u>	<u>18,194,505</u>	<u>5,496,333</u>	<u>476,442</u>	<u>1,400,148</u>	<u>2,679,074</u>	<u>35,360,110</u>
In US\$ equivalent (Note2.4(iii))	<u>1,741,397</u>	<u>4,453,979</u>	<u>1,345,492</u>	<u>116,632</u>	<u>342,753</u>	<u>655,833</u>	<u>8,656,086</u>
As at 1 January 2022	9,330,009	14,966,652	5,045,686	394,695	1,613,313	421,359	31,771,714
(Charged)/credited to profit or loss	<u>8,167,398</u>	<u>3,996,239</u>	<u>222,659</u>	<u>67,544</u>	<u>(272,841)</u>	<u>664,236</u>	<u>12,845,235</u>
As at 31 December 2022	<u>17,497,407</u>	<u>18,962,891</u>	<u>5,268,345</u>	<u>462,239</u>	<u>1,340,472</u>	<u>1,085,595</u>	<u>44,616,949</u>
In US\$ equivalent (Note2.4(iii))	<u>4,250,038</u>	<u>4,605,998</u>	<u>1,279,656</u>	<u>112,276</u>	<u>325,594</u>	<u>263,686</u>	<u>10,837,248</u>

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 13. Deferred tax assets - net (continued)

#### (ii) Deferred tax liabilities

	Right-of- use assets KHR'000
As at 1 January 2023	5,672,806
Charged to profit or loss	59,396
As at 31 December 2023	<u>5,732,202</u>
In US\$ equivalent (Note 2.4(iii))	<u>1,403,232</u>
As at 1 January 2022	5,546,102
Charged to profit or loss	126,704
As at 31 December 2022	<u>5,672,806</u>
In US\$ equivalent (Note 2.4(iii))	<u>1,377,898</u>

### 14. Other assets

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Account receivables	4,681,965	3,863,083	1,146,136	938,325
Prepayments	7,533,997	9,263,163	1,844,308	2,249,978
Office and house rental deposits	2,506,335	1,110,182	613,546	269,658
Supplies	453,804	152,065	111,090	36,936
Others	5,503,012	7,223,301	1,347,127	1,754,507
	<u>20,679,113</u>	<u>21,611,794</u>	<u>5,062,207</u>	<u>5,249,404</u>
	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Current	20,007,670	20,566,332	4,448,661	4,979,746
Non-current	671,443	1,045,462	613,546	269,658
	<u>20,679,113</u>	<u>21,611,794</u>	<u>5,062,207</u>	<u>5,249,404</u>



## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued)

For the year ended 31 December 2023

#### 15. Deposits from banks and other financial institutions

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Savings deposits	3,195,172	6,372,888	782,172	1,547,945
Fixed deposits	190,380,690	115,587,764	46,604,820	28,075,726
	<u>193,575,862</u>	<u>121,960,652</u>	<u>47,386,992</u>	<u>29,623,671</u>

##### (a) By maturity

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Current	193,575,862	121,960,652	47,386,992	29,623,671
Non-current	-	-	-	-
	<u>193,575,862</u>	<u>121,960,652</u>	<u>47,386,992</u>	<u>29,623,671</u>

##### (b) By interest rate

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

	31 December	
	2023	2022
Savings deposits	1.00% - 3.00%	1.00% - 3.00%
Fixed deposits	5.00% - 7.90%	4.00% - 6.25%

#### 16. Deposits from customers

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Savings deposits	198,741,416	185,279,195	48,651,509	45,003,448
Fixed deposits	3,300,187,159	2,851,217,560	807,879,354	692,547,379
	<u>3,498,928,575</u>	<u>3,036,496,755</u>	<u>856,530,863</u>	<u>737,550,827</u>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 16. Deposits from customers (continued)

##### (a) By maturity

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
Current	3,168,407,625	2,845,931,679	775,619,982	691,263,463
Non-current	<u>330,520,950</u>	<u>190,565,076</u>	<u>80,910,881</u>	<u>46,287,364</u>
	<u>3,498,928,575</u>	<u>3,036,496,755</u>	<u>856,530,863</u>	<u>737,550,827</u>

##### (b) By interest rate

Annual interest rate for deposits from customers are as follows:

	31 December	
	2023	2022
Savings deposits	0.00 % - 5.00%	1.00% - 5.25%
Fixed deposits	<u>2.90 % - 9.40%</u>	<u>2.90% - 10.0%</u>

#### 17. Borrowings

As at 31 December 2023, the Company is in breach of covenants of one lender, of which the actual performance ratio exceeded the limit as follows:

	Limit	Actual	31 December 2023	
			KHR'000	US\$
			(Note 2.4(iii))	
Open credit exposure	<= 10.00%	11.33%	<u>32,721,367</u>	<u>8,010,127</u>

As of the date of these financial statements, the non-current liabilities portion of KHR17,898,262 thousand (US\$4,381,459) had been reclassified to current liabilities.

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 17. Borrowings (continued)

Borrowings are further analysed as follows:

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Current	426,603,927	457,438,448	104,431,806	111,109,655
Non-current	457,492,173	812,212,095	111,993,188	197,282,510
	<u>884,096,100</u>	<u>1,269,650,543</u>	<u>216,424,994</u>	<u>308,392,165</u>

During the year, the Company has obtained additional borrowings from various financial institutions amounting to KHR97,074,514 thousand (2022: KHR579,700,068 thousand). The annual interest rates are ranging from 5.25% to 8.20% (2022: 4.75% to 8.30%).

All the borrowings are unsecured.

#### 18. Current income tax liabilities

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
As at 1 January	64,678,039	54,764,710	15,709,992	13,442,491
Income tax expense (Note 31(a))	59,688,878	73,796,707	14,522,841	18,056,449
Income tax paid	(74,027,325)	(63,883,378)	(18,011,515)	(15,630,873)
Currency translation differences	-	-	101,716	(158,075)
As at 31 December	<u>50,339,592</u>	<u>64,678,039</u>	<u>12,323,034</u>	<u>15,709,992</u>

#### 19. Employee benefits

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<i>Provision on seniority payment:</i>				
Current	261,250	307,376	63,953	74,660
Non-current	1,838,040	2,002,949	449,949	486,507
	<u>2,099,290</u>	<u>2,310,325</u>	<u>513,902</u>	<u>561,167</u>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 20. Other liabilities

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Staff bonuses and incentives	32,314,196	33,929,909	7,910,452	8,241,416
Accrued expenses	2,249,287	3,522,707	550,621	855,649
Other tax payables	2,502,224	2,337,593	612,540	567,790
Payables to related companies (Note 35(c))	1,140,781	480,017	279,261	116,594
Others	1,056,576	4,349,893	258,647	1,056,571
	<u>39,263,064</u>	<u>44,620,119</u>	<u>9,611,521</u>	<u>10,838,020</u>

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Current	39,263,064	44,620,119	9,611,521	10,838,020
Non-current	-	-	-	-
	<u>39,263,064</u>	<u>44,620,119</u>	<u>9,611,521</u>	<u>10,838,020</u>

#### 21. Subordinated debts

Subordinated debts are further analysed as follows:

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Current	72,213,624	58,600,532	17,677,754	14,233,795
Non-current	181,539,551	255,578,736	44,440,526	62,078,876
	<u>253,753,175</u>	<u>314,179,268</u>	<u>62,118,280</u>	<u>76,312,671</u>

During the year, the Company repaid subordinated debts to various financial institutions amounting to KHR54,382,800 thousand (2022: KHR26,236,000 thousand). The annual interest rates for all subordinated debts are ranging from 7.50% to 10.47% (2022: 7.50% to 10.47%).

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

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 22. Share capital

#### A. Share capital

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

The total number of authorised shares of the Company as at 31 December 2023 was 4,243,774 shares (2022: 2,243,774 shares) with a par value of KHR100 thousand per share (2022: KHR100 thousand). All authorised shares are issued and fully paid up.

	31 December 2023			31 December 2022		
	Number of shares	%	KHR'000	Number of shares	%	KHR'000
<b>Shareholders:</b>						
LOLC Asia Private Limited	4,115,192	97%	411,519,200	2,175,792	97%	217,579,200
TPC-ESOP Co., Ltd	128,582	3%	12,858,200	67,982	3%	6,798,200
	<u>4,243,774</u>	<u>100%</u>	<u>424,377,400</u>	<u>2,243,774</u>	<u>100%</u>	<u>224,377,400</u>
In US\$ equivalent (Note 2.4(iii))			<u>103,969,218</u>			<u>55,460,850</u>

The movements of share capital are as follows:

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
At 1 January	224,377,400	224,377,400	55,460,850	55,460,850
Transfer from retained earnings	<u>200,000,000</u>	<u>-</u>	<u>48,508,368</u>	<u>-</u>
At 31 December	<u>424,377,400</u>	<u>224,377,400</u>	<u>103,969,218</u>	<u>55,460,850</u>

#### B. Dividends

On 15 August 2023, the Board of Directors approved for a dividend to be paid to its shareholders amounting to KHR10,096,982 thousand (2022: Nil). The dividend distribution was approved by the National Bank of Cambodia on 6 October 2023 and paid to the shareholders on 9 October 2023.

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 23. Regulatory reserves

Regulatory reserves represented the variance between impairment losses on financial instruments in accordance with CIFRSs and the regulatory provision in accordance with the requirement of the National Bank of Cambodia.

As at 31 December 2023, the Company transferred from retained earnings to regulatory reserves as follows:

	Balances with other banks KHR'000	Loans and advances at amortised cost KHR'000	Total KHR'000
<b>At 31 December 2023</b>			
Allowance per NBC	6,784,431	110,248,411	117,032,842
Less: Allowances per CIFRS 9	<u>(6,252,615)</u>	<u>(88,842,187)</u>	<u>(95,094,802)</u>
Regulatory reserve (A)			<u>21,938,040</u>
<b>At 31 December 2022</b>			
Allowance per NBC	3,749,889	122,871,049	126,620,938
Less: Allowances per CIFRS 9	<u>(3,038,491)</u>	<u>(151,968,151)</u>	<u>(155,006,642)</u>
Regulatory reserve (B)			<u>-</u>
<b>Transfer from retained earnings to regulatory reserves (A - B)</b>			<u>21,938,040</u>
<b>In US\$ equivalent (Note 2.4(iii))</b>			<u>5,370,389</u>

#### 24. Other reserves

Other reserves represented the variance of allowance between loan and advances impairment loss in accordance with CIFRSs or NBC provision whichever is higher and loan and advances allowance covering 100% risk coverage ratio of Non-Performing Loan "PAR 90 days" in accordance with lender covenants.

As at 31 December 2023, the Company transferred from retained earnings to other reserves amounting to KHR5,124,641 thousands (US\$1,254,502) (2022: Nil).

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 25. Net interest income

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<i>Interest income from financial assets at amortised cost</i>				
Loans and advances	881,228,658	861,866,763	214,410,866	210,880,050
Deposits and placements with banks	8,705,508	2,069,838	2,118,128	506,444
Deposits and placements with the National Bank of Cambodia	1,171,778	716,522	285,104	175,317
Total interest income	<u>891,105,944</u>	<u>864,653,123</u>	<u>216,814,098</u>	<u>211,561,811</u>
<i>Interest expense on financial liabilities at amortised cost</i>				
Deposits from customers	(246,902,950)	(183,315,247)	(60,073,710)	(44,853,253)
Borrowings	(76,333,731)	(89,845,644)	(18,572,684)	(21,983,275)
Subordinated debts	(28,862,650)	(28,887,454)	(7,022,543)	(7,068,132)
Debt securities	-	(2,118,634)	-	(518,384)
Lease liabilities	(2,117,106)	(2,140,901)	(515,111)	(523,831)
Total interest expense	<u>(354,216,437)</u>	<u>(306,307,880)</u>	<u>(86,184,048)</u>	<u>(74,946,875)</u>
Net interest income	<u>536,889,507</u>	<u>558,345,243</u>	<u>130,630,050</u>	<u>136,614,936</u>

### 26. Net fee and commission income

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<i>Fee and commission income:</i>				
Fees and commission income on loans	1,473,029	2,232,219	358,401	546,175
Penalty income	20,743,020	24,831,234	5,046,964	6,075,663
Other fees	6,868	8,652	1,671	2,117
	<u>22,222,917</u>	<u>27,072,105</u>	<u>5,407,036</u>	<u>6,623,955</u>
Fee and commission expense	<u>(832,034)</u>	<u>(898,943)</u>	<u>(202,441)</u>	<u>(219,952)</u>
Net fee and commission income	<u>21,390,883</u>	<u>26,173,162</u>	<u>5,204,595</u>	<u>6,404,003</u>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 27. Credit impairment (reversal)/losses

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<i>Expected Credit Loss:</i>				
Loans and advances	(22,885,807)	68,314,016	(5,568,323)	16,714,954
Deposits and placements with banks	<u>3,285,449</u>	<u>499,271</u>	<u>799,379</u>	<u>122,161</u>
	<u>(19,600,358)</u>	<u>68,813,287</u>	<u>(4,768,944)</u>	<u>16,837,115</u>

#### 28. Personnel expenses

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Salaries and wages	136,762,870	132,943,083	33,275,637	32,528,281
Other benefits	<u>11,708,809</u>	<u>11,144,062</u>	<u>2,848,859</u>	<u>2,726,709</u>
	<u>148,471,679</u>	<u>144,087,145</u>	<u>36,124,496</u>	<u>35,254,990</u>

#### 29. Depreciation and amortisation charges

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Depreciation of property and equipment	3,940,451	3,480,904	958,747	851,701
Depreciation of right-of-use assets	6,763,548	6,333,456	1,645,632	1,549,659
Amortisation of intangible assets	<u>3,497,167</u>	<u>2,696,827</u>	<u>850,893</u>	<u>659,855</u>
	<u>14,201,166</u>	<u>12,511,187</u>	<u>3,455,272</u>	<u>3,061,215</u>



# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 30. General and administrative expenses

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Rental expense related to short-term lease and lease of low-value assets	9,214,371	7,950,156	2,241,939	1,945,230
Professional fees	9,106,674	10,139,229	2,215,736	2,480,849
Travelling expenses	6,272,390	6,285,519	1,526,129	1,537,930
Insurance	5,430,874	5,576,663	1,321,381	1,364,488
Advertising	3,262,060	2,688,637	793,689	657,851
Communication	2,905,441	2,337,708	706,920	571,986
Office supplies and stationery	2,596,317	4,290,387	631,707	1,049,764
Utilities	2,185,648	1,857,522	531,788	454,495
Security guard	1,476,697	1,357,140	359,294	332,063
Board of directors' expenses (Note 35(f))	789,825	735,515	192,172	179,965
Repairs and maintenance	704,144	438,031	171,325	107,177
Charitable contributions	106,250	111,947	25,852	27,391
Others	10,780,351	11,149,769	2,622,954	2,728,106
	<u>54,831,042</u>	<u>54,918,223</u>	<u>13,340,886</u>	<u>13,437,295</u>

### 31. Income tax expense

#### (a) Income tax expense

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Current income tax	59,688,878	73,796,707	14,522,841	18,056,449
Deferred income tax	9,316,235	(12,718,531)	2,266,724	(3,111,948)
	<u>69,005,113</u>	<u>61,078,176</u>	<u>16,789,565</u>	<u>14,944,501</u>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 31. Income tax expense (continued)

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

Under the Cambodian tax regulations, the Company is subject to 20% Income Tax. The reconciliation of income tax computed at the statutory tax rate to the income tax expense as shown in the profit or loss were as follows:

	%	2023 KHR'000	%	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Profit before income tax		<u>339,091,115</u>		<u>300,965,785</u>	<u>82,503,922</u>	<u>73,639,781</u>
Tax at rate of 20%	20	67,818,223	20	60,193,157	16,500,784	14,727,956
Tax effect of reconciling items:						
Expenses not deductible for tax purposes	0.21	728,854	0.29	885,019	177,337	216,545
Others	0.14	458,036	-	-	111,444	-
Income tax expense	<u>20.35</u>	<u>69,005,113</u>	<u>20.29</u>	<u>61,078,176</u>	<u>16,789,565</u>	<u>14,944,501</u>

The calculation of income tax is subject to the review and final assessment of the tax authorities.

#### 32. Cash and cash equivalents

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Cash on hand (Note 4)	124,372,008	106,809,850	30,446,024	25,943,612
Deposits and placements with the National Bank of Cambodia:				
Settlement accounts (Note 5)	33,309,182	18,889,464	8,154,023	4,588,162
Current accounts (Note 5)	96,106,522	171,456,969	23,526,688	41,646,094
Deposits and placements with banks:				
Savings accounts (Note 6)	203,438,836	146,908,461	49,801,429	35,683,376
Current accounts (Note 6)	272,879,251	175,144,437	66,800,306	42,541,763
Fixed deposits with maturity three months or less (Note 6)	<u>202,222,014</u>	<u>52,974,542</u>	<u>49,503,553</u>	<u>12,867,268</u>
	<u>932,327,813</u>	<u>672,183,723</u>	<u>228,232,023</u>	<u>163,270,275</u>

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 33. Cash flow information

#### (a) Cash flow from operations

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Profit before income tax	339,091,115	300,965,785	82,503,922	73,639,781
<i>Adjustments for:</i>				
Depreciation and amortisation charges (Note 29)	14,201,166	12,511,187	3,455,272	3,061,215
Credit impairment losses (Note 27)	(19,600,358)	68,813,287	(4,768,944)	16,837,115
Net losses on derecognition of financial assets measured at amortised cost	29,849,686	5,091,311	7,262,697	1,245,733
Gain on disposals of property and equipment	(535,095)	(332,025)	(130,193)	(81,239)
Written off on intangible assets	-	118,198	-	28,920
Provision employee benefits	7,143,981	7,303,171	1,738,195	1,786,927
Unrealised exchange gains	(2,452,700)	(4,439,865)	(596,764)	(1,086,338)
Net interest income (Note 25)	(536,889,507)	(558,345,243)	(130,630,050)	(136,614,936)
<i>Changes in working capital:</i>				
Reserve requirement deposits	(80,798,761)	(71,158,770)	(19,659,066)	(17,411,003)
Loans and advances	(5,896,944)	(939,593,780)	(1,434,780)	(229,898,160)
Other assets	932,681	(2,337,615)	226,930	(571,964)
Deposits from banks and other financial institutions	69,033,545	(72,533,327)	16,796,483	(17,747,327)
Deposits from customers	447,560,028	833,511,691	108,895,384	203,942,180
Other liabilities	(5,357,055)	4,449,047	(1,303,420)	1,088,585
Cash generate from/(used in) operations	<u>256,281,782</u>	<u>(415,976,948)</u>	<u>62,355,666</u>	<u>(101,780,511)</u>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 33. Cash flow information (continued)

##### (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	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Cash and cash equivalents	932,327,813	672,183,723	228,232,023	163,270,275
Borrowings	(884,096,100)	(1,269,650,543)	(216,424,994)	(308,392,165)
Subordinated debts	(253,753,175)	(314,179,268)	(62,118,280)	(76,312,671)
Lease liabilities	(27,481,666)	(26,341,727)	(6,727,458)	(6,398,282)
Net debt	<u>(233,003,128)</u>	<u>(937,987,815)</u>	<u>(57,038,709)</u>	<u>(227,832,843)</u>
Cash and liquid investments	932,327,813	672,183,723	228,232,023	163,270,275
Gross debt – fixed interest rates	(1,165,330,941)	(1,605,417,229)	(285,270,732)	(389,948,319)
Gross debt – variable interest rates	-	(4,754,309)	-	(1,154,799)
Net debt	<u>(233,003,128)</u>	<u>(937,987,815)</u>	<u>(57,038,709)</u>	<u>(227,832,843)</u>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued)

For the year ended 31 December 2023

### 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 KHR'000	Total KHR'000
<b>Net debt as at 1 January 2023</b>	(1,269,650,543)	(26,341,727)	(314,179,268)	-	(1,610,171,538)	672,183,723	(937,987,815)
Cash flows	382,544,700	5,931,236	54,382,800	-	442,858,736	260,144,090	703,002,827
New leases	-	(6,769,856)	-	-	(6,769,856)	-	(6,769,856)
Foreign exchange adjustments	4,092,808	212,974	1,316,103	-	5,621,885	-	5,621,885
Other changes (i)	(1,083,065)	(514,293)	4,727,190	-	3,129,832	-	3,129,832
<b>Net debt as at 31 December 2023</b>	<b>(884,096,100)</b>	<b>(27,481,666)</b>	<b>(253,753,175)</b>	<b>-</b>	<b>(1,165,330,941)</b>	<b>932,327,813</b>	<b>(233,003,128)</b>
In US\$ equivalent (Note 2.4(iii))	(216,424,994)	(6,727,458)	(62,118,280)	-	(285,270,732)	228,232,023	(57,038,709)
<b>Net debt as at 1 January 2022</b>	<b>(1,152,112,820)</b>	<b>(25,228,428)</b>	<b>(252,600,043)</b>	<b>(81,741,175)</b>	<b>(1,511,682,466)</b>	<b>490,359,897</b>	<b>(1,021,322,569)</b>
Cash flows	(128,423,284)	5,830,957	(42,985,000)	80,504,783	(85,072,545)	181,823,826	96,751,281
New leases	-	(6,161,144)	-	-	(6,161,144)	-	(6,161,144)
Foreign exchange adjustments	(3,753,738)	(272,453)	(3,301,373)	13,284	(7,314,280)	-	(7,314,280)
Other changes (i)	14,639,299	(510,659)	(15,292,852)	1,223,108	58,896	-	58,896
<b>Net debt as at 31 December 2022</b>	<b>(1,269,650,543)</b>	<b>(26,341,727)</b>	<b>(314,179,268)</b>	<b>-</b>	<b>(1,610,171,538)</b>	<b>672,183,723</b>	<b>(937,987,815)</b>
In US\$ equivalent (Note 2.4(iii))	(308,392,165)	(6,398,282)	(76,312,671)	-	(391,103,118)	163,270,275	(227,832,843)

(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.

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 34. Commitments and contingencies

#### (a) Loan commitment and guarantee

As at 31 December 2023, the Company did not have any outstanding commitments on financial instruments 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 2.10 and Note 11 for further information. The lease commitments of short-term leases and low value leases are as follows:

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Within one year	<u>81,405</u>	<u>167,356</u>	<u>19,928</u>	<u>40,650</u>

#### (c) Capital commitments

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
	<i>Intangible assets:</i>			
Within one year	3,145,450	5,811,504	770,000	1,411,587
From one to five years	<u>180,975</u>	<u>3,916,914</u>	<u>44,302</u>	<u>951,400</u>
	<u>3,326,425</u>	<u>9,728,418</u>	<u>814,302</u>	<u>2,362,987</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:

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 35. Related-party disclosures (continued)

##### (a) Related parties and relationships

The related parties of the Company are as follows:

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

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

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Loans to key management personnel	<u>4,369,644</u>	<u>2,725,576</u>	<u>1,069,680</u>	<u>662,030</u>
Interest income	<u>259,160</u>	<u>253,459</u>	<u>63,056</u>	<u>62,016</u>

Loans and advances to key management personnel are secured and having interest rate of 6.78% to 14.40% (2022: 8.30% to 12.00%) per annum. Allowances for expected credit losses for loans to related parties was recognised during the year of KHR4,541 thousand (2022: KHR4,184 thousand).

##### (c) Payables to related parties

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Payables to related companies (Note 20)	<u>1,140,781</u>	<u>480,017</u>	<u>279,261</u>	<u>116,594</u>

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

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 35. Related-party disclosures (continued)

#### (d) Deposits from related parties

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Shareholders	95,771	215,211	23,445	52,274
Board of directors	1,936,539	1,706,698	474,061	414,549
Key management personnel	13,912,464	9,030,492	3,405,744	2,193,464
Related companies	187,003	1,710,763	45,778	415,536
	<u>16,131,777</u>	<u>12,663,164</u>	<u>3,949,028</u>	<u>3,075,823</u>
Interest payable	<u>403,812</u>	<u>187,187</u>	<u>98,852</u>	<u>45,467</u>
Interest expense	<u>878,805</u>	<u>493,662</u>	<u>213,821</u>	<u>120,788</u>

Annual interest rates during the year are as follows:

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

#### (e) Transactions with related parties

	2023	2022	2023	2022
	KHR'000	KHR'000	US\$ (Note 2.4(iii))	US\$ (Note 2.4(iii))
<i>(i) Incomes from related companies:</i>				
Rental income	57,951	65,719	14,100	16,080
Management fee income	190,330	202,458	46,309	49,537
IT service fee income	71,830	19,851	17,477	4,857
	<u>320,111</u>	<u>288,028</u>	<u>77,886</u>	<u>70,474</u>
<i>(ii) Expenses/payment to related companies:</i>				
License fees	630,836	551,271	153,488	134,884
IT consultancy and support fees	854,437	755,698	207,892	184,903
Rental expense	6,782	26,974	1,650	6,600
Commission income	4,362,366	1,693,818	1,061,403	414,440
	<u>5,854,421</u>	<u>3,027,761</u>	<u>1,424,433</u>	<u>740,827</u>

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



# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 35. Related-party disclosures (continued)

#### (f) Key management compensation

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Directors' fees	789,825	735,515	192,172	179,965
Salaries and other benefits to key management	<u>12,605,987</u>	<u>11,310,625</u>	<u>3,067,150</u>	<u>2,767,464</u>
	<u>13,395,812</u>	<u>12,046,140</u>	<u>3,259,322</u>	<u>2,947,429</u>

### 36. Financial risk management

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

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

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

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<b>Financial assets</b>				
Financial assets at amortised costs				
Cash on hand	124,372,008	106,809,850	30,446,024	25,943,612
Deposits and placements with the National Bank of Cambodia	134,192,224	194,853,393	32,849,994	47,328,976
Deposits and placements with banks	672,287,486	371,988,949	164,574,660	90,354,372
Loans and advances at amortised cost	5,003,139,376	5,006,724,473	1,224,758,721	1,216,109,904
Other financial assets	5,406,074	4,691,564	1,323,396	1,139,559
	<u>5,939,397,168</u>	<u>5,685,068,229</u>	<u>1,453,952,795</u>	<u>1,380,876,423</u>
Financial assets at fair value through other comprehensive income	<u>61,275</u>	<u>61,755</u>	<u>15,000</u>	<u>15,000</u>
Total financial assets	<u>5,939,458,443</u>	<u>5,685,129,984</u>	<u>1,453,967,795</u>	<u>1,380,891,423</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost				
Deposits from banks and other financial institutions	193,575,862	121,960,652	47,386,992	29,623,671
Deposits from customers	3,498,928,575	3,036,496,755	856,530,863	737,550,827
Borrowings	884,096,100	1,269,650,543	216,424,994	308,392,165
Subordinated debts	253,753,175	314,179,268	62,118,280	76,312,671
Lease liabilities	27,481,666	26,341,727	6,727,458	6,398,282
Other financial liabilities	4,114,899	3,401,503	1,007,319	826,209
	<u>4,861,950,277</u>	<u>4,772,030,448</u>	<u>1,190,195,906</u>	<u>1,159,103,825</u>
Total financial liabilities	<u>4,861,950,277</u>	<u>4,772,030,448</u>	<u>1,190,195,906</u>	<u>1,159,103,825</u>
Net financial assets	<u>1,077,508,166</u>	<u>913,099,536</u>	<u>263,771,889</u>	<u>221,787,598</u>

# **LOLC (Cambodia) Plc.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **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 National Bank of Cambodia 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 National Bank of Cambodia 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.

# **LOLC (Cambodia) Plc.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **36. Financial risk management (continued)**

#### **36.1 Credit risk (continued)**

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

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

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

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

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

##### **(i) Significant increase in credit risk (SICR)**

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition. A borrower is considered to have credit risk increased significantly since initial recognition if past due more than 30 days for short term facility and 90 days past due for long term facility.

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.1 Credit risk (continued)

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

###### (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 an obligor/counterparty has multiple loans with the Company and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts.

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

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

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

##### Probability of default

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

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

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 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)

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 historical data available for each portfolio to assess cooling-off period which cut-off at month where cumulative recovery amount is more than 90%. These vary by product type.

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.

# **LOLC (Cambodia) Plc.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **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)**

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 2023 and 31 December 2022, 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 the changes in the economy and external environment 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 2023, the management has refreshed the latest macroeconomics variables available which were up to 31 December 2023.

Having reflected the most recent economic conditions within the existing ECL model, the management determines that the percentages for probability-weighted scenarios of 70% (2022: 60%) for base case, 15% (2022: 10%) for best case, and 15% (2022: 30%) for worst case reflect the current economic prospect from external research houses.

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

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 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)

The ECL impacts are as follows:

Portfolio	ECL based on 2023 New model KHR'000	ECL based on 2023 Old model KHR'000	Impact on profit before income tax KHR'000
Group loans	32,993,621	40,373,282	(7,379,661)
Individual loans	55,786,943	79,032,663	(23,245,720)
Staff loans	61,624	80,800	(19,176)
<b>Total</b>	<b>88,842,188</b>	<b>119,486,745</b>	<b>(30,644,557)</b>

#### Macroeconomic variable assumptions

The weightings assigned to each economic scenario as at 31 December 2023 and 31 December 2022 are as follows:

	Base %	Best %	Worst %
As at 31 December 2023			
Scenario probability weighting	<u>70%</u>	<u>15%</u>	<u>15%</u>
As at 31 December 2022			
Scenario probability weighting	<u>60%</u>	<u>10%</u>	<u>30%</u>

#### 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 2023 and 31 December 2022 are as follows:



# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 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	2023	2022
PD	Group loan	Unemployment	GDP constant 2000
		Private consumption expenditure	Foreign direct investment (% of GDP)
	Individual loan	USDKHR	GDP constant 2000
		Foreign direct investment (% of GDP)	Foreign direct investment (% of GDP)
	Life improvement loan asset backed	Unemployment	GDP constant 2000
		Foreign direct investment (% of GDP)	Cambodia CPI All Items, 2010=100
	Home improvement loan	Foreign direct investment (% of GDP)	Foreign direct investment (% of GDP)
		USDKHR	N/A
	Seasonal loan	Current account balance GDP	Total export
		Foreign direct investment (% of GDP)	Interest rate loans 12 months
	SME loan	GDP constant 2000	Cambodia composite index (containing all issues in the market)
	Staff loan	Crude oil Brent	Foreign direct investment (% of GDP)
		Private consumption expenditure	GDP constant 2000
	LGD	Group loan	N/A
N/A			Cambodia CPI All Items, 2010=100

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 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)*

Set out below are the estimated changes to the ECL for the year ended 31 December 2023 and 31 December 2022 due to the possible changes in the macro-economic variables from the actual assumption used. The changes in the macro-economic variables (MEVs) are set to change together with their own pairs and are each analysed for a sensitivity range within a standard deviation, a common statistical term predicting the variation from the forecasted macro-economic variables.

	ECL		ECL	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<b>Group loan</b>				
Variation added to MEVs	1,371,142	7,686,872	335,653	1,867,105
Variation deducted from MEVs	5,220,259	(15,113,025)	1,277,909	(3,670,883)
<b>Individual loan</b>				
Variation added to MEVs	1,281,478	4,406,753	313,703	1,070,380
Variation deducted from MEVs	1,281,478	(5,497,742)	313,703	(1,335,376)
<b>Life improvement loan asset backed</b>				
Variation added to MEVs	(4,221,570)	451,062	(1,033,432)	109,561
Variation deducted from MEVs	2,809,296	(526,843)	687,710	(127,968)
<b>Home improvement loan</b>				
Variation added to MEVs	(24,592)	375,929	(6,020)	91,311
Variation deducted from MEVs	21,692	(494,960)	5,310	(120,223)
<b>Seasonal loan</b>				
Variation added to MEVs	864,181	(1,321)	211,550	(321)
Variation deducted from MEVs	783,291	247	191,748	60
<b>SME loan</b>				
Variation added to MEVs	2,922,328	4,017,238	715,380	975,768
Variation deducted from MEVs	(6,066,537)	(8,075,116)	(1,485,076)	(1,961,408)
<b>Staff loan</b>				
Variation added to MEVs	2,839	13,830	695	3,359
Variation deducted from MEVs	(3,096)	(26,397)	(758)	(6,412)

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.1 Credit risk (continued)

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

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

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

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

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

##### (vi) Write off policy

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

##### (vii) Modification of loans

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

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

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.1 Credit risk (continued)

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

##### (vii) Modification of loans (continued)

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:

	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with banks	672,287,486	371,988,949	164,574,660	90,354,372
Loans and advances at amortised cost	5,003,139,376	5,006,724,473	1,224,758,721	1,216,109,904
Other financial assets	5,406,074	4,691,564	1,323,396	1,139,559
Total maximum credit risk exposure that are subject to impairment	<u>5,680,832,936</u>	<u>5,383,404,986</u>	<u>1,390,656,777</u>	<u>1,307,603,835</u>

The above table represents a worst-case scenario of credit risk exposure to the Company, since collateral held and/or other credit enhancement attached were not taken into account. The exposures set out above are based on net carrying amounts. As shown above, 88% (2022: 94%) 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:

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.1 Credit risk (continued)

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

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

##### (e) Credit quality of financial assets

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

Credit quality description is summarised as follows:

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

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

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.1 Credit risk (continued)

##### (e) Credit quality of financial assets (continued)

<b>Credit quality</b>	<b>Description</b>
Sovereign	Refer to financial assets issued by the National Bank of Cambodia/government or guarantee by the National Bank of Cambodia/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.

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 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:

	2023				2022			
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
<b>Deposits and placements with banks</b>								
Investment grade	200,832,158	-	-	200,832,158	128,014,766	-	-	128,014,766
Un-graded	477,707,943	-	-	477,707,943	247,012,674	-	-	247,012,674
Gross carrying amount	678,540,101	-	-	678,540,101	375,027,440	-	-	375,027,440
Less: Expected credit loss	(6,252,615)	-	-	(6,252,615)	(3,038,491)	-	-	(3,038,491)
Net carrying amount	672,287,486	-	-	672,287,486	371,988,949	-	-	371,988,949
In US\$ equivalent (Note 2.4(iii))	164,574,660	-	-	164,574,660	90,354,372	-	-	90,354,372

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 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: (continued)

	2023				2022			
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
<b>Loans and advances at amortised cost</b>								
Standard monitoring	4,921,687,690	-	-	4,921,687,690	4,948,939,886	-	-	4,948,939,886
Special monitoring	-	50,381,792	-	50,381,792	-	73,840,698	-	73,840,698
Default	-	-	119,912,081	119,912,081	-	-	135,912,040	135,912,040
Gross carrying amount	4,921,687,690	50,381,792	119,912,081	5,091,981,563	4,948,939,886	73,840,698	135,912,040	5,158,692,624
Less: Expected credit loss	(23,447,275)	(5,771,271)	(59,623,641)	(88,842,187)	(57,944,061)	(10,213,409)	(83,810,681)	(151,968,151)
Net carrying amount	<u>4,898,240,415</u>	<u>44,610,521</u>	<u>60,288,440</u>	<u>5,003,139,376</u>	<u>4,890,995,825</u>	<u>63,627,289</u>	<u>52,101,359</u>	<u>5,006,724,473</u>
In US\$ equivalent ((Note 2.4(iii)))	<u>1,199,079,661</u>	<u>10,920,568</u>	<u>14,758,492</u>	<u>1,224,758,721</u>	<u>1,187,999,957</u>	<u>15,454,770</u>	<u>12,655,177</u>	<u>1,216,109,904</u>



## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 36. Financial risk management (continued)

##### 36.1 Credit risk (continued)

###### (f) Loss allowance

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

	2023			Total KHR'000
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January	57,944,061	10,213,409	83,810,681	151,968,151
<i>Changes due to exposure:</i>				
Transfer to stage 1	5,814,773	(2,338,229)	(3,476,544)	-
Transfer to stage 2	(632,406)	2,599,952	(1,967,546)	-
Transfer to stage 3	(3,159,635)	(2,258,775)	5,418,410	-
Net remeasurement of loss allowance (*)	(60,013,529)	(1,788,978)	47,860,508	(13,941,999)
New financial assets originated	11,478,479	2,145,500	6,486,417	20,110,396
Financial assets derecognised during the year other than write off	(20,090,706)	(4,937,946)	(4,025,552)	(29,054,204)
Write offs	-	(7,060)	(48,628,268)	(48,635,328)
Unwinding of discount (**)	-	-	(2,311,847)	(2,311,847)
Foreign exchange difference	32,106,238	2,143,398	(23,542,618)	10,707,018
Loss allowance as at 31 December	<u>23,447,275</u>	<u>5,771,271</u>	<u>59,623,641</u>	<u>88,842,187</u>
In US\$ equivalent (Note 2.4(iii))	<u>5,739,847</u>	<u>1,412,796</u>	<u>14,595,750</u>	<u>21,748,393</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 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).

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 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)

	2023			Total KHR'000
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January	4,948,939,886	73,840,698	135,912,040	5,158,692,624
<i>Changes due to exposure:</i>				
Transfer to stage 1	20,862,635	(11,885,640)	(8,976,995)	-
Transfer to stage 2	(24,081,754)	29,380,068	(5,298,314)	-
Transfer to stage 3	(68,701,734)	(9,720,799)	78,422,533	-
New financial assets originated or purchased	1,791,964,697	929,980	11,975,664	1,804,870,341
Financial assets derecognised during the year other than write offs	(1,747,296,040)	(32,154,410)	(9,093,753)	(1,788,544,203)
Write-offs	-	(8,105)	(83,029,094)	(83,037,199)
Gross carrying amount as at 31 December	<u>4,921,687,690</u>	<u>50,381,792</u>	<u>119,912,081</u>	<u>5,091,981,563</u>
In US\$ equivalent (Note 2.4(iii))	<u>1,204,819,508</u>	<u>12,333,364</u>	<u>29,354,242</u>	<u>1,246,507,114</u>

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 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)

	2022			Total KHR'000
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	
<b>Expected Credit Losses</b>				
Loss allowance as at 1 January	25,163,215	3,715,030	58,016,748	86,894,993
<i>Changes due to exposure:</i>				
Transfer to stage 1	993,268	(689,846)	(303,422)	-
Transfer to stage 2	(255,154)	534,614	(279,460)	-
Transfer to stage 3	(614,532)	(1,018,658)	1,633,190	-
Net remeasurement of loss allowance (*)	9,503,349	5,923,440	24,204,345	39,631,134
New financial assets originated	37,416,723	4,600,533	6,003,541	48,020,797
Financial assets derecognised during the year other than write offs	(7,476,305)	(1,502,872)	(10,358,738)	(19,337,915)
Write-offs	(110)	-	(9,557,581)	(9,557,691)
Unwinding of discount (**)	-	-	3,211,363	3,211,363
Foreign exchange difference	(6,786,393)	(1,348,832)	11,240,695	3,105,470
Loss allowance as at 31 December	<u>57,944,061</u>	<u>10,213,409</u>	<u>83,810,681</u>	<u>151,968,151</u>
In US\$ equivalent (Note 2.4(iii))	<u>14,074,340</u>	<u>2,480,789</u>	<u>20,357,222</u>	<u>36,912,351</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).

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 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)

	2022			Total KHR'000
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	
<b>Gross carrying amount</b>				
Gross carrying amount as at 1 January	3,932,943,702	181,173,597	107,690,986	4,221,808,285
<i>Changes due to exposure:</i>				
Transfer to stage 1	42,882,176	(42,311,161)	(571,015)	-
Transfer to stage 2	(33,191,514)	33,855,850	(664,336)	-
Transfer to stage 3	(40,501,375)	(20,399,581)	60,900,956	-
New financial assets originated or purchased	2,454,455,799	(2,221,780)	8,107,553	2,460,341,572
Financial assets derecognised during the year other than write off	(1,407,644,808)	(76,256,227)	(21,775,393)	(1,505,676,428)
Write-offs	(4,094)	-	(17,776,711)	(17,780,805)
Gross carrying amount as at 31 December	<u>4,948,939,886</u>	<u>73,840,698</u>	<u>135,912,040</u>	<u>5,158,692,624</u>
In US\$ equivalent (Note 2.4(iii))	<u>1,202,074,299</u>	<u>17,935,559</u>	<u>33,012,397</u>	<u>1,253,022,255</u>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued)

For the year ended 31 December 2023

### 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.

	2023				2022			
	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	678,540,101	-	-	678,540,101	375,027,440	-	-	375,027,440
Household/family	-	1,361,399,479	-	1,361,399,479	-	1,441,102,623	-	1,441,102,623
Agriculture	-	1,358,578,944	-	1,358,578,944	-	1,343,970,902	-	1,343,970,902
Trade and commerce	-	979,429,343	-	979,429,343	-	979,707,174	-	979,707,174
Services	-	778,684,244	-	778,684,244	-	788,991,815	-	788,991,815
Manufacturing	-	334,987,960	-	334,987,960	-	324,771,580	-	324,771,580
Construction	-	206,357,866	-	206,357,866	-	201,794,944	-	201,794,944
Transportation	-	72,543,727	-	72,543,727	-	65,517,963	-	65,517,963
Others	-	-	5,406,074	5,406,074	-	12,835,623	4,691,564	17,527,187
Gross carrying amount	678,540,101	5,091,981,563	5,406,074	5,775,927,738	375,027,440	5,158,692,624	4,691,564	5,538,411,628
Less: expected credit loss	(6,252,615)	(88,842,187)	-	(95,094,802)	(3,038,491)	(151,968,151)	-	(155,006,642)
Net carrying amount	672,287,486	5,003,139,376	5,406,074	5,680,832,936	371,988,949	5,006,724,473	4,691,564	5,383,404,986
In US\$ equivalent (Note 2.4(iii))	164,574,660	1,224,758,721	1,323,396	1,390,656,778	90,354,372	1,216,109,904	1,139,559	1,307,603,838

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.1 Credit risk (continued)

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

###### (ii) *Geographical sector*

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

##### (h) 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 2023 and 31 December 2022.

#### 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.

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.2 Market risk (continued)

##### (i) Foreign exchange risk (continued)

	In KHR'000 equivalent			
	KHR	US\$	THB	Total
<b>As at 31 December 2023</b>				
<b>Financial assets</b>				
Cash on hand	31,087,701	78,918,818	14,365,489	124,372,008
Deposits and placements with the National Bank of Cambodia	41,226,151	92,966,073	-	134,192,224
Deposits and placements with banks	286,561,273	385,726,213	-	672,287,486
Loans and advances at amortised cost	1,472,322,801	3,382,541,229	148,275,346	5,003,139,376
Financial assets at fair value through other comprehensive income	-	61,275	-	61,275
Other financial assets	1,611,447	3,649,505	145,122	5,406,074
<b>Total financial assets</b>	<b>1,832,809,373</b>	<b>3,943,863,113</b>	<b>162,785,957</b>	<b>5,939,458,443</b>
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	16,538,892	176,976,105	60,865	193,575,862
Deposits from customers	368,155,614	3,123,132,366	7,640,595	3,498,928,575
Borrowings	125,834,726	715,664,975	42,596,399	884,096,100
Subordinated debts	-	253,753,175	-	253,753,175
Lease liabilities	-	27,481,666	-	27,481,666
Other liabilities	1,778,370	2,315,817	20,712	4,114,899
<b>Total financial liabilities</b>	<b>512,307,602</b>	<b>4,299,324,104</b>	<b>50,318,571</b>	<b>4,861,950,277</b>
<b>Net on-balance sheet position</b>	<b>1,320,501,771</b>	<b>(355,460,991)</b>	<b>112,467,386</b>	<b>1,077,508,166</b>
In US\$ equivalent (Note 2.4(iii))	323,256,248	(87,016,154)	27,531,796	263,771,889

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.2 Market risk (continued)

##### (i) Foreign exchange risk (continued)

	In KHR'000 equivalent			
	KHR	US\$	THB	Total
<b>As at 31 December 2022</b>				
<b>Financial assets</b>				
Cash on hand	20,874,144	78,383,571	7,552,135	106,809,850
Deposits and placements with the National Bank of Cambodia	123,208,209	71,645,184	-	194,853,393
Deposits and placements with banks	193,552,854	178,436,095	-	371,988,949
Loans and advances at amortised cost	1,402,913,131	3,365,267,103	238,544,239	5,006,724,473
Financial assets at fair value through other comprehensive income	-	61,755	-	61,755
Other financial assets	1,432,186	3,096,286	163,092	4,691,564
<b>Total financial assets</b>	<b>1,741,980,524</b>	<b>3,696,889,994</b>	<b>246,259,466</b>	<b>5,685,129,984</b>
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	8,400,880	111,627,147	1,932,625	121,960,652
Deposits from customers	329,616,226	2,681,856,309	25,024,220	3,036,496,755
Borrowings	201,791,794	908,642,873	159,215,876	1,269,650,543
Subordinated debts	-	314,179,268	-	314,179,268
Lease liabilities	-	26,341,727	-	26,341,727
Other liabilities	1,779,188	1,598,418	23,897	3,401,503
<b>Total financial liabilities</b>	<b>541,588,088</b>	<b>4,044,245,742</b>	<b>186,196,618</b>	<b>4,772,030,448</b>
<b>Net on-balance sheet position</b>	<b>1,200,392,436</b>	<b>(347,355,748)</b>	<b>60,062,848</b>	<b>913,099,536</b>
In US\$ equivalent (Note 2.4(iii))	291,569,695	(84,371,083)	14,588,985	221,787,598



## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 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\$
<b>2023</b>				
KHR/US\$ exchange rate- increase by 2%	5,575,858	-	1,364,959	-
KHR/US\$ exchange rate- decrease by 2 %	(5,803,443)	-	(1,420,672)	-
KHR/THB exchange rate- increase by 6%	(5,092,862)	-	(1,246,723)	-
KHR/THB exchange rate- decrease by 6 %	5,743,015	-	1,405,879	-
<b>2022</b>				
KHR/US\$ exchange rate- increase by 2%	5,448,718	-	1,323,468	-
KHR/US\$ exchange rate- decrease by 2%	(5,671,114)	-	(1,377,487)	-
KHR/THB exchange rate- increase by 6%	(2,719,827)	-	(660,633)	-
KHR/THB exchange rate- decrease by 6%	3,067,039	-	744,969	-

###### (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.

# **LOLC (Cambodia) Plc.**

## **Notes to the financial statements (continued) For the year ended 31 December 2023**

### **36. Financial risk management (continued)**

#### **36.2 Market risk (continued)**

##### **(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.

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued)

For the year ended 31 December 2023

### 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
<b>As at 31 December 2023</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	124,372,008	124,372,008
Deposits and placements with the National Bank of Cambodia	-	707,140	4,069,380	-	-	129,415,704	134,192,224
Deposits and placements with banks	312,427,950	41,375,540	-	-	-	318,483,996	672,287,486
Financial assets at fair value through other comprehensive income	-	-	-	-	-	61,275	61,275
Loans and advances at amortised cost	9,047,867	27,713,423	190,744,949	2,730,692,162	2,044,940,975	-	5,003,139,376
Other financial assets	-	-	-	-	-	5,406,074	5,406,074
<b>Total financial assets</b>	<b>321,475,817</b>	<b>69,796,103</b>	<b>194,814,329</b>	<b>2,730,692,162</b>	<b>2,044,940,975</b>	<b>577,739,057</b>	<b>5,939,458,443</b>

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued)

For the year ended 31 December 2023

### 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. (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
<b>As at 31 December 2023</b>							
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	23,823,303	81,861,284	87,891,275	-	-	-	193,575,862
Deposits from customers	453,837,227	550,133,562	2,164,436,837	328,781,934	1,739,015	-	3,498,928,575
Borrowings	-	44,214,014	236,460,770	603,421,316	-	-	884,096,100
Subordinated debts	-	-	-	253,753,175	-	-	253,753,175
Lease liabilities	-	45,989	39,784	11,493,131	15,902,762	-	27,481,666
Other financial liabilities	-	-	-	-	-	4,114,899	4,114,899
<b>Total financial liabilities</b>	<b>477,660,530</b>	<b>676,254,849</b>	<b>2,488,828,666</b>	<b>1,197,449,556</b>	<b>17,641,777</b>	<b>4,114,899</b>	<b>4,861,950,277</b>
Net interest repricing gap	(156,184,713)	(606,458,746)	(2,294,014,337)	1,533,242,606	2,027,299,198	573,624,158	1,077,508,166
In US\$ equivalent (Note 2.4(iii))	(38,233,712)	(148,459,913)	(561,570,217)	375,334,787	496,278,873	140,422,071	263,771,889

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 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. (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
<b>As at 31 December 2022</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	106,809,850	106,809,850
Deposits and placements with the National Bank of Cambodia	-	1,644,388	2,862,572	-	-	190,346,433	194,853,393
Deposits and placements with banks	295,549,547	52,974,542	-	-	-	23,464,860	371,988,949
Financial assets at fair value through other comprehensive income	-	-	-	-	-	61,755	61,755
Loans and advances at amortised cost	14,718,808	21,751,619	142,724,683	2,972,906,880	1,854,622,483	-	5,006,724,473
Other financial assets	-	-	-	-	-	4,691,564	4,691,564
<b>Total financial assets</b>	<b>310,268,355</b>	<b>76,370,549</b>	<b>145,587,255</b>	<b>2,972,906,880</b>	<b>1,854,622,483</b>	<b>325,374,462</b>	<b>5,685,129,984</b>
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	28,412,269	38,394,370	55,154,013	-	-	-	121,960,652
Deposits from customers	438,772,809	567,662,213	1,839,552,077	190,509,656	-	-	3,036,496,755
Borrowings	17,045,350	35,658,695	241,552,453	975,394,045	-	-	1,269,650,543
Subordinated debts	-	-	-	245,647,160	68,532,108	-	314,179,268
Lease liabilities	-	14,146	166,051	10,131,748	16,029,782	-	26,341,727
Other financial liabilities	-	-	-	-	-	3,401,503	3,401,503
<b>Total financial liabilities</b>	<b>484,230,428</b>	<b>641,729,424</b>	<b>2,136,424,594</b>	<b>1,421,682,609</b>	<b>84,561,890</b>	<b>3,401,503</b>	<b>4,772,030,448</b>
<b>Net interest repricing gap</b>	<b>(173,962,073)</b>	<b>(565,358,875)</b>	<b>(1,990,837,339)</b>	<b>1,551,224,271</b>	<b>1,770,060,593</b>	<b>321,972,959</b>	<b>913,099,536</b>
In US\$ equivalent (Note 2.4(iii))	(42,254,570)	(137,323,020)	(483,565,057)	376,785,103	429,939,420	78,205,722	221,787,598

# LOLC (Cambodia) Plc.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 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.

As at 31 December 2023, there is no variable interest rate subject to sensitivity analysis.

	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\$
<b>2022</b>				
Interest rate increase by 200 basis point	76,069	-	18,477	-
Interest rate decrease by 200 basis point	(76,069)	-	(18,477)	-

#### 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.

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 36. Financial risk management (continued)

##### 36.3 Liquidity risk (continued)

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

As at 31 December 2023	Carrying amount KHR'000	Gross nominal inflows (outflow) KHR'000	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
<b>Financial assets</b>								
Cash on hand	124,372,008	124,372,008	124,372,008	-	-	-	-	124,372,008
Deposits and placements with the National Bank of Cambodia	134,192,224	134,226,190	129,415,704	709,029	4,101,457	-	-	134,226,190
Deposits and placements with banks	672,287,486	672,382,709	672,382,709	-	-	-	-	672,382,709
Financial assets at fair value through other comprehensive income	61,275	61,275	61,275	-	-	-	-	61,275
Loans and advances at amortised cost	5,003,139,376	7,234,912,560	238,495,030	347,980,953	1,426,253,051	4,399,814,734	822,368,792	7,234,912,560
Other financial assets	5,406,074	5,406,074	4,734,631	-	-	377,323	294,120	5,406,074
<b>Total financial assets by remaining contractual maturities</b>	<b>5,939,458,443</b>	<b>8,171,360,816</b>	<b>1,169,461,357</b>	<b>348,689,982</b>	<b>1,430,354,508</b>	<b>4,400,192,057</b>	<b>822,662,912</b>	<b>8,171,360,816</b>
<b>Financial liabilities</b>								
Deposits from banks and other financial institutions	193,575,862	197,813,895	23,912,558	82,733,547	91,167,790	-	-	197,813,895
Deposits from customers	3,498,928,575	3,676,521,708	459,118,939	564,364,362	2,287,966,621	363,332,763	1,739,023	3,676,521,708
Borrowings	884,096,100	960,316,359	16,947,541	99,713,551	339,784,287	503,870,980	-	960,316,359
Subordinated debts	253,753,175	304,587,181	-	7,626,314	86,860,007	210,100,860	-	304,587,181
Lease liabilities	27,481,666	33,594,951	651,663	1,336,207	5,657,871	21,408,805	4,540,405	33,594,951
Other financial liabilities	4,114,899	4,114,899	4,114,899	-	-	-	-	4,114,899
<b>Total financial liabilities by remaining contractual maturities</b>	<b>4,861,950,277</b>	<b>5,176,948,993</b>	<b>504,745,600</b>	<b>755,773,981</b>	<b>2,811,436,576</b>	<b>1,098,713,408</b>	<b>6,279,428</b>	<b>5,176,948,993</b>
<b>Net liquidity (gap)/surplus</b>	<b>1,077,508,166</b>	<b>2,994,411,823</b>	<b>664,715,757</b>	<b>(407,083,999)</b>	<b>(1,381,082,068)</b>	<b>3,301,478,649</b>	<b>816,383,484</b>	<b>2,994,411,823</b>
In US\$ equivalent (Note 2.4(iii))	263,771,889	733,026,150	162,721,116	(99,653,366)	(338,086,186)	808,195,508	199,849,078	733,026,150

As at 31 December 2023, the Company has undrawn overdraft facilities amounting to KHR 31,020,500 thousands (US\$7,593,7578) from local financial institutions.

## LOLC (Cambodia) Plc.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 36. Financial risk management (continued)

##### 36.3 Liquidity risk (continued)

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

As at 31 December 2022	Carrying amount KHR'000	Gross nominal inflows (outflow) KHR'000	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
<b>Financial assets</b>								
Cash on hand	106,809,850	106,809,850	106,809,850	-	-	-	-	106,809,850
Deposits and placements with the National Bank of Cambodia	194,853,393	194,921,552	190,346,432	1,647,610	2,927,510	-	-	194,921,552
Deposits and placements with banks	371,988,949	372,009,290	372,009,290	-	-	-	-	372,009,290
Financial assets at fair value through other comprehensive income	61,755	61,755	61,755	-	-	-	-	61,755
Loans and advances at amortised cost	5,006,724,473	7,170,827,072	256,456,245	378,483,256	1,537,672,952	4,392,813,752	605,400,867	7,170,827,072
Other financial assets	4,691,564	4,691,564	4,004,156	19,762	137,508	233,714	296,424	4,691,564
<b>Total financial assets by remaining contractual maturities</b>	<b>5,685,129,984</b>	<b>7,849,321,083</b>	<b>929,687,728</b>	<b>380,150,628</b>	<b>1,540,737,970</b>	<b>4,393,047,466</b>	<b>605,697,291</b>	<b>7,849,321,083</b>
<b>Financial liabilities</b>								
Deposits from banks and other financial institutions	121,960,652	123,588,298	28,437,742	38,708,003	56,442,553	-	-	123,588,298
Deposits from customers	3,036,496,755	3,160,013,342	434,933,372	615,796,564	1,901,663,337	207,620,069	-	3,160,013,342
Borrowings	1,269,650,543	1,404,286,846	22,837,420	67,686,356	439,143,413	874,619,657	-	1,404,286,846
Subordinated debts	314,179,268	393,465,941	-	8,514,480	78,754,285	291,836,895	14,360,281	393,465,941
Lease liabilities	26,341,727	32,323,168	626,083	1,203,576	4,946,087	19,447,669	6,099,753	32,323,168
Other financial liabilities	3,401,503	3,401,503	3,401,503	-	-	-	-	3,401,503
<b>Total financial liabilities by remaining contractual maturities</b>	<b>4,772,030,448</b>	<b>5,117,079,098</b>	<b>490,236,120</b>	<b>731,908,979</b>	<b>2,480,949,675</b>	<b>1,393,524,290</b>	<b>20,460,034</b>	<b>5,117,079,098</b>
<b>Net liquidity (gap)/surplus</b>	<b>913,099,536</b>	<b>2,732,241,985</b>	<b>439,451,608</b>	<b>(351,758,351)</b>	<b>(940,211,705)</b>	<b>2,999,523,176</b>	<b>585,237,257</b>	<b>2,732,241,985</b>
In US\$ equivalent (Note 2.4(iii))	221,787,597	663,648,770	106,740,736	(85,440,454)	(228,373,016)	728,570,118	142,151,386	663,648,770

As at 31 December 2022, the Company has undrawn overdraft facilities amounting to KHR42,467,000 thousands (US\$10,394,316) from local financial institutions.



## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 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 2023 and 31 December 2022 on a recurring basis:

	Level 1 KHR'000	Level 2 KHR'000	Level 3 KHR'000	Total KHR'000
<b>As at 31 December 2023</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	61,275	61,275
<b>Total financial assets</b>	-	-	61,275	61,275
In US\$ equivalent (Note 2.4(iii))	-	-	15,000	15,000
<b>As at 31 December 2022</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	61,755	61,755
<b>Total financial assets</b>	-	-	61,755	61,755
In US\$ equivalent (Note 2.4(iii))	-	-	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:

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.4 Fair value of financial assets and liabilities (continued)

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

###### (i) *Determination of fair value and fair value hierarchy (continued)*

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

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

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

###### (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 National Bank of Cambodia and banks*

The carrying amounts of deposits and placements with the National Bank of Cambodia 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.

# LOLC (CAMBODIA) PLC.

## Notes to the financial statements (continued) For the year ended 31 December 2023

### 36. Financial risk management (continued)

#### 36.4 Fair value of financial assets and liabilities (continued)

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

###### (iii) *Deposits from banks, other financial institutions and customers*

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

###### (iv) *Lease liabilities*

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

###### (v) *Other financial assets and other financial liabilities*

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

###### (vi) *Borrowings and subordinated debts*

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

#### 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 National Bank of Cambodia;
- 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 National Bank of Cambodia 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.

## LOLC (CAMBODIA) PLC.

### Notes to the financial statements (continued) For the year ended 31 December 2023

#### 36. Financial risk management (continued)

##### 36.5 Capital management (continued)

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

Subsequently, on 9 January 2023, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which the institution shall rebuild the capital conservation buffer ratio by 1.25% and 2.5% by 30 June 2023 and 31 December 2023, respectively. For the countercyclical capital buffer, the institution shall keep at level of 0%.

On 23 November 2023, the NBC issued new Letter No. B7-023-2621 allowing Banking and Financial Institutions to continues rebuild the capital conservation buffer ratio by 1.25% until 31 December 2024.

The table below summarises the composition of regulatory capital:

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(Note 2.4(iii))
<b>Tier I capital</b>				
Share capital	424,377,400	224,377,400	103,886,756	54,500,219
Retained earnings	268,719,630	211,170,031	65,782,039	51,292,211
Audited net profit	270,086,002	239,887,609	66,116,524	58,267,576
General reserves	380,415,116	380,415,116	93,124,875	92,401,048
Less: Loans to related parties	(4,369,644)	(2,725,576)	(1,069,680)	(662,030)
Less: Intangible asset	(7,818,095)	(8,290,335)	(1,913,854)	(2,013,684)
	<u>1,331,410,409</u>	<u>1,044,834,245</u>	<u>325,926,660</u>	<u>253,785,340</u>
<b>Tier II complementary capital</b>				
Subordinated debts	251,227,500	311,656,900	61,500,000	75,700,000
General provision	56,675,000	52,374,000	13,873,929	12,721,399
	<u>307,902,500</u>	<u>364,030,900</u>	<u>75,373,929</u>	<u>88,421,399</u>
<b>Total Capital Tier I + Tier II</b>	<u>1,639,312,909</u>	<u>1,408,865,145</u>	<u>401,300,589</u>	<u>342,206,739</u>

## **LOLC (CAMBODIA) PLC.**

### **Notes to the financial statements (continued) For the year ended 31 December 2023**

#### **37. Tax contingency**

On 15 June 2023, the General Department of Taxation (“GDT”) issued a notice of tax reassessment (“NTR”) for comprehensive tax audit for the period from 1 January 2019 to 31 December 2019 with total reassessed amount of KHR1,716,338,470 (equivalent to US\$420,156).

Subsequently, the Company has submitted the protest letter and the supporting documents on 14 July 2023 to clarify GDT’s findings in the reassessment. The Company has not made a provision in these financial statements as management has assessed the current situation and believes that they have fully complied with the relevant tax regulations. There has been no response from the GDT on the Company’s protest letter as at the date of these financial statements.

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

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

#### **38. Subsequent events**

On 14 February 2024, the Board of Directors approved for a dividend to be paid to its shareholders amounting to KHR53,895,930 thousand. On 19 February 2024, the Company has submitted a request letter to the National Bank of Cambodia (“NBC”) for the dividend distribution. As at the date of these financial statements, there has been no response from the NBC yet.