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LOLC (Cambodia) Plc.

ឆំនិស័រិកច្រើន *Ideas for Growth*

ANNUAL REPORT

2023

www.lolc.com.kh

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Revolutionary Payment Platform

iPay Cambodia is a mobile banking application powered by LOLC (Cambodia) Plc. It allows customers to perform transaction on their savings account anytime and anywhere. Customers are able to perform any transaction, such as balance inquiry, fund transfer (within LOLC Cambodia or interbank), open a Fixed Deposit account, mobile top-up, bill payments, and other fast and secure transactions.





KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

TOTAL ASSETS \$1.56 <small>BILLION</small>	GLP \$1.24 <small>BILLION</small>	DEPOSIT BALANCE \$904 <small>MILLION</small>	NET PROFIT \$65.71 <small>MILLION</small>
LOAN CUSTOMERS 335,089	DEPOSITORS 510,972	EMPLOYEES 3,590	
ATM MACHINES (CSS) 4,000+	ATM CARDS 56,821	IPAY USERS 80,486	IPAY MERCHANTS 22,880
BRANCH NETWORK 83			



CHAIRMAN'S MESSAGE

Mr. BRINDLEY DE ZYLVA

Chairman

THE GLOBAL ECONOMY has continued to recover – albeit at a slower pace than last year due to the protracted Russian-Ukrainian war, which has tightened monetary policies in major developed countries, and rising geopolitical tensions in the Middle East. According to the International Monetary Fund, global economic growth in 2023 was expected to reach 3%, down from 3.5% the year prior. Developed economies were expected to grow by 1.5%, while emerging and developing countries were expected to see a growth of 4%. Meanwhile, global inflation slowed from 8.7% in 2022 to 6.8%, but remains above target levels, prompting central banks to continue tightening monetary policies.

CAMBODIA'S ECONOMIC GROWTH is projected to continue at 5.5%, slightly higher than the previous year's 5.2%, mainly supported by growth in tourism and non-garment manufacturing, and despite low growth in the garment, construction, real estate, and agriculture sectors. Tourism has steadily increased, contributing to the recovery of relevant local economic activities such as transportation, trade, and telecommunications. Exports of non-garment products, such as electronics, auto parts, and solar panels, have grown well, while exports of garments and footwear have been affected by declining demand from major trading partners, especially the European Union and the United States. The construction sector experienced low growth, primarily driven by investment and development of public infrastructure, while foreign investment in real estate declined. The agricultural sector grew slightly, supported by growing foreign demand and favorable weather conditions. Meanwhile, Cambodia's inflation rate slowed to an average of 2.1% in 2023 from 5.4% in 2022, due to lower prices of fuel-related goods and services and a slowdown in food prices, according to the Annual Report 2023 issued by the National Bank of Cambodia.

Mr. BRINDLEY DE ZYLVA

Chairman

THE COMPANY adopted a cautious approach to ensure its quality and sustainability. Customers, whose incomes were impacted by COVID-19 and flood disasters, have not fully recovered their income compared to the pre-COVID-19 situation. With regulatory support from the National Bank of Cambodia (NBC), LOLC Cambodia was able to continue providing its clients with relief measures, allowing them the necessary time and space to recommence business activities, especially in the tourism sector.

In this digital and innovative era, people have raised the demand for digital financial services (DFS). LOLC Cambodia has fast-tracked the uptake of DFS, and we are able to offer a wide variety of digital banking solutions that support our customers' increasing demands, including iPay, our mobile banking application providing seamless access to internet banking services, RFT, FAST, and Bakong. With these digital channels, our customers can perform banking transactions conveniently from their mobile devices at any time without having to visit branch offices. Since 2022, LOLC Cambodia has rolled out the use of tablets in the field for client onboarding and data collection, which has improved productivity and reduced manual work, including loan origination, loan collection, and deposit taking. We will continue to enhance our digital offerings to provide convenience to customers.

We are strategizing the use of the fast-evolving digital ecosystem in Cambodia to move micro-entrepreneurs from the informal sector to the formal sector. Currently, we serve around 260,000 micro-entrepreneurs (66% of total borrowers), of which 70% are women, with a majority coming from rural Cambodia. The micro sector contributed just 20% of our total portfolio, of which 81% of loan accounts were without real estate collateral. The average loan size for the microloan was only

USD 965. The small, medium, and large sectors, constituting 80% of our total portfolio, have largely contributed to subsidizing the micro sector, which has assisted us in no small way in continuing with the inclusive nature of our business model.

In the upcoming years, LOLC Cambodia will continue to extend its innovative digital financial services and products designed to reflect customer requirements. LOLC Cambodia will also continue to extend its social activities, financial literacy awareness, and ESG activities to meet emerging business requirements.

It is very reassuring to note that the management and employees of the company have demonstrated resilience and the capacity to adapt to macroeconomic changes and constraints while ensuring compliance with all applicable laws and regulations. LOLC Cambodia is in compliance with all regulations and prudential ratios issued by the National Bank of Cambodia. We continue to uphold the Sustainable Development Goals to ensure the long-term sustainability of the company.

Last but not least, thank you to all our stakeholders, including our customers, investors, regulators, and banking and funding partners—both local and international—for placing their trust and confidence in LOLC Cambodia and supporting our growth over the years.

I would also like to take this opportunity to extend my appreciation to my colleagues on the board for their counsel and support, as well as the entire LOLC Cambodia team, which is under the direction of a competent and dedicated management team, for their outstanding achievements.

We pledge to all our clients and shareholders that in 2024 we will continue to focus on areas that represent the best opportunities and support businesses that have shown resilience without losing sight of our environmental and social responsibilities.



Brindley de Zylva
Chairman



Mr. SOK VOEUN

Chief Executive Officer

CEO'S REPORT

Mr. SOK VOEUN

Chief Executive Officer

The banking and microfinance sector continues to be resilient and progressive, ensuring the sustainability of financing and essential financial services, and plays an active role in supporting key economic sectors, though credit growth has slowed. By the end of 2023, the gross loan portfolio of the microfinance sector was USD 5.4 billion with 1.6 million in loan accounts. Loans from microfinance institutions have been provided to key economic sectors including household 30.8%, agriculture 22.2%, trade and commerce 20.3%, service 11.5%, construction 7.1%, transportation 2.9%, manufacturing 2.9% and others 2.3%. Meanwhile, microfinance institutions could collect customers' deposits with the balance of USD 2.2 billion across 1.9 million accounts. In overall, most microfinance institutions remain robust and resilient, continuing to strictly adhere to the prudent laws and regulations, guidelines and measures issued by the central bank, according to Annual Report 2023 of the National Bank of Cambodia.

In 2023, LOLC conducted its business operations with caution and maintained its loan portfolio with quality and strong internal control. The recovery of clients' income, which was impacted by COVID-19 and flood disasters, has not yet fully back to normal. With regulatory support from the National Bank of Cambodia (NBC), LOLC Cambodia was able to continue providing its clients with relief measures, allowing them the necessary time and space to recommence business activities, especially in the tourism sector.

LOLC'S MAIN ACHIEVEMENT IN 2023

Loan performance

LOLC conducted a cautious approach to ensure its quality and sustainability. In 2023, the gross loan portfolio was USD 1,247 million, with more than 335,000 borrowers, while the portfolio at risk 30 days was 2.7%. The borrowers are made up of groups and individuals, representing 43% and 57% respectively. Around 66% of loans were provided to micro entrepreneurs (loan size ≤ USD 3,000), of which 81% were without real estate collateral. The micro loans contributed just 20% of total gross loan portfolio with an average loan size of USD 965, while other 80% of loan portfolio were provided to the small, medium and large sectors.

Loan Portfolio Quality

With the adaptation of macroeconomic changes and constraints, LOLC Cambodia has made itself ready for adverse situations and continued the expansion of its loan portfolio, balanced by strong, quality internal controls. The Board of Directors and management team have collaborated closely to enhance credit risk management and internal controls by implementing the following measures:

- Loan assessment and evaluation are conducted following cash flow base analysis;
- Different levels of authorities for loan review and loan approval;
- Policies, procedures, manuals and their implementation are frequently reviewed;
- System support provided to monitor the implementation of policies and procedures;
- Credit monitoring continues to be strengthened after disbursement through a variety of approaches;
- A risk management culture has been integrated throughout LOLC;

- The credit quality assurance team continues to be strengthened to ensure the implementation of internal controls;
- The Internal Audit Department continues to play a crucial role in ensuring the application of robust internal controls;
- Credit quality-based incentive structure is applied for financial sale advisors and other field personnels.
- The Credit Bureau of Cambodia checks 100% of borrowers and co-borrowers before disbursement to supplement rigorous in-person loan evaluations (cash flow base assessment);
- Training and retention programs continue to be provided to strengthen staff capacity and skilled knowledge, ensuring proper conduct and implementation;
- Client Protection Principles have been incorporated as a fundamental risk management practice;
- Compliance with ABC/CMA lending guidelines regarding multiple loans and refinancing has been maintained.

Deposit Performance

The deposit base increased dramatically to more than USD 904 million by the end of 2023, a growth of 18% compared to the end of 2022. The number of depositors slowed a bit to around 511,000 thousand. The growth of its deposit balance and deposit accounts demonstrates that LOLC is a reliable microfinance institution delivering superior customer service, guaranteeing client protection, and providing competitive and innovative deposit and loan products.

Digital Banking

To support business development and cater to the fast growth of digital financial service requirements, LOLC continues to invest in innovative digital banking projects to provide superior customer experience.

- LOLC upgraded its iPay Cambodia mobile app to include more convenient functions, allowing customers to perform various banking transactions free of charge. Examples of this are Cross Border Payment (Thai QR), Scan and Pay to all merchants/customers via KHQR, Interbank Transfer via FAST, RFT and Bakong, Internal Transfer within LOLC, Bill Payment, Phone Top-Up, Open Digital Savings Accounts, Open/Change Condition/Close Fixed Deposit, Balance Inquiry, Generate Monthly Statement and Fixed Deposit Certificate.
- LOLC Cambodia upgraded its CSS ATM Card with EMV standard chip functionality to improve card security. With LOLC's CSS ATM cards customers are able to perform self-banking transactions with CSS members, such as Cash Withdrawals, Balance Inquiry, PIN Change, Mini Statement and Fund Transfer within LOLC Cambodia/Inter Bank Fund Transfer at over 4,000 ATM machines nationwide free of charge.
- LOLC launched its tablet banking system across all branches in 2023. Through the tablet banking system, our officers are able to operate their tasks (such as loan origination, loan collection and customers onboarding) conveniently from tablet devices, reducing manual work and increasing productivity, efficiency and effectiveness.
- LOLC has begun integrating third party connectivity in order to create more distribution channels and provide the best customer experience.

Bancassurance

LOLC Cambodia has partnered with Serendib Microinsurance Plc. to be a bancassurance business partner, model "Corporate Agent." The partnership aims to enhance financial inclusion by increasing access to insurance services for clients and strengthening consumer protection. It provides clients with a term life insurance, relieving burden on the family in case a borrower and/or co-borrower experience a health issue and/or accident leading to death or permanent disability.

Sustainability Management

LOLC continued to deliver its inclusive, responsible, and environmentally friendly financial services to rural Cambodians. As of December 2023, about 79% of its loan clients lived in rural areas, around 70% of borrowers were females, 49% of borrowers were involved in agriculture with no significant environmental risk exposure, 1,900 clients had access to clean energy, 9,300 clients were using home improvement loans, 4,900 clients were using WASH loans for better sanitation and clean water, 511,000 clients had access to savings, and approximately 74% of clients were likely living above 150% of the National Poverty line (using PPI tools for measuring poverty).

As the company's strategy, the environmental, social and governance management standards – including the Client Protection Principle (CPP), the Universal Standard of Social Performance Management (USSPM), as well as environmental, social and governance best practices – have been integrated into institutional policies, procedures, training, product delivery, services and monitoring tools. This is because management and the Board of Directors understand the philosophy that "the company succeeds only if the clients succeed." As a result, LOLC was awarded a **Gold level**

of Client Protection Certification from Cerise and SPTF. This verifies that LOLC always protects and supports clients to financially grow their businesses through efficient and sustainable financial services. Besides these, LOLC was awarded the **BB+ of social rating**, which indicates adequate social performance management, client protection systems and alignment to the social mission. Also, LOLC was awarded the Medium of institutional rating by Microfinanza, which indicates strong outlook for financial sustainability, as well as strong and stable fundamentals.

To support Sustainable Development Goals (SDGs) as well as to be part of the solutions toward environmental and social protection, LOLC Cambodia has incorporated key points to address concerns on environmental, social and governance in to the loan origination process, which involve ESG in decision-making. LOLC Cambodia has an exclusion list which prohibits the financing of activities with a negative impact on the environment and community. LOLC has in place robust measures to prevent loans being granted for any excluded activities. All loans are assessed by field staff, reviewed and approved by supervisors/Branch Managers/Credit Committee against the exclusion list and on the environmental and social assessment. Environmental and Social assessments are implemented with all loans. For loans which are lower than USD 30,000, environmental and social awareness are discussed with clients on risk areas and suggestions are given for improvement. For Small and Medium Enterprise loans (SME) which are bigger than or equal to USD 30,000, a comprehensive tool is fully integrated into the lending process. The detailed assessment is conducted to evaluate whether the impact is low, medium or high, and suggestions are made to the client for awareness and improvement. As an ongoing implementation, progress on the environmental and social assessment is monitored. At least two times (during assessment and before disbursement), clients are informed about the product's features, fee charges, cooling off

period, terms, and conditions by using visual aids (A4-Metacard). In addition, the video guideline of using visual aids A4-Metacard is disclosed on LOLC's website.

In 2023, LOLC provided financial education awareness training to more than 63,000 participants (74% or 46,925 females) including clients, villagers, university students and children.

- Financial literacy awareness: 75 banners with key messages of financial education were designed, produced and installed at selected places.
- Radio program "Ideas for Growth": This program aims to deliver financial literacy messages and educate rural people about consumer protection and self-motivation.
- Financial literacy awareness videos were produced to provide a financial literacy message to the public/clients. As of December 2023, 28 short videos have been produced and 26 videos have been posted on popular media channels and LOLC's Facebook Page. As a result, the 26 videos surpassed 16 million views by the end of December 2023.

Furthermore, LOLC also allocated funds to the following social activities:

- Bench installation, tree planting, school activities, and donated bins and solar lights to communities, schools, pagodas, and other public places.
- Donated foodstuff to client and victims of floods.
- Donated bicycles and study materials to students in an effort to promote education in Cambodia and encourage students to study harder.
- Educated One Village One Product Project beneficiaries on "How to Get the Right Financial Services" in some provinces.
- Delivered anti-drug campaign leaflets and

other promotional materials to the General Secretariat of the National Authority for Combating Drugs (NACD) to disseminate drug-related awareness to the public.

- Signed an agreement with Ecobatt-Energy Cambodia to collaborate in collecting electronic equipment waste that adversely affects the environment and human health.

STRATEGIC PRIORITIES FOR 2024

We see 2024 as the year of new opportunities and challenges for LOLC.

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

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

On the digital side, LOLC will keep innovating inclusive digital financial services to cater to clients' need in anywhere banking experience in Cambodia.

On the funding side, LOLC will diversify sources of funds to ensure sufficient funding required to support LOLC's growth. In addition to the existing funding sources of shareholder paid-up capital, borrowing and deposits, LOLC issued its first corporate bond to support the company's long-term growth and is in the process of issuing its second.

On the ESG side, LOLC will continue focusing on implementation of environmental, social and governance best practices to meet LOLC's commitment toward sustainability and to meet LOLC's core value: "LOLC values the vision of a balanced social and profit organizational agenda."

In short, we will try to make the most out of

the opportunities that our current successes open for us. And, we are confident that LOLC is well positioned to bring further value to its customers, investors and shareholders.

Finally, I would like to express my sincere thanks to our shareholders, Board of Directors and committee members for their leadership, support, and guidance throughout the year. I would also like to express my sincere gratitude to all LOLC staff who have been working very hard/smart and are highly committed to performing their work with integrity, ethics, professionalism and responsibility. Additionally, I would like to express my sincere thanks to all of LOLC's clients, investors and business partners for supporting LOLC and being part of its achievements. To the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks — both for your support in 2023 and in anticipation of happy and prosperous coming years.



01.

ABOUT LOLC CAMBODIA

CAMBODIA AT A GLANCE (20)

- Geography and Demography
- Macroeconomic Situation
- Microfinance Situation

LOLC CAMBODIA AT A GLANCE (22)

- Map of Operating Areas
- Vision, Mission, Core Values
- Brief Overview of LOLC Cambodia
- Brief History
- Ownership Structure

CERTIFICATIONS AND AWARDS (29)

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CAMBODIA AT A GLANCE



Geography and Demography

The kingdom's 25 provinces (of which Phnom Penh is the capital city) are connected by national roads and highways which the government has invested in improving in recent years with the assistance of foreign aid and loans from development partners. Cambodia enjoys a strategic location in the heart of mainland Southeast Asia and is well connected with countries in the Asia Pacific and beyond through multiple international flights a week.

Cambodia has a population of nearly 17 million people (16.83 million in January 2021, with a 1.5% growth rate). The average age is 26.6 years old and 82% of the population aged 15-59 years is in the labor force, with unemployment estimated at 1.2%. The labor force is becoming increasingly skilled as nation-wide literacy and graduation rates rise. However, employers often struggle to find local skilled labor and should be prepared to conduct extensive training programs for their local staff. Around 70% of the population of

Cambodia is under 35 years of age. There are stark differences between the younger and older generation regarding their level of education and consumer behavior. Young Cambodians have more consumer awareness and purchasing power than ever before and their appetite for quality goods and services is being met in urban areas with malls, commercial centers and international franchises launching regularly. In the past decade, Cambodia has seen an increase in rural to urban migration, with 40% of the population now living in urban areas. Most people in rural areas are involved in the agriculture sector, and 91% are homeowners compared to 82% in urban areas.

**Source: Business Chambers/Associations reported as of 2022.*

Macroeconomic Situation

The slowdown in global and regional economic growth has put pressure on the Cambodian economy, especially in the construction and real estate sectors as well as garment exports. However, the growth of tourism, non-garment exports and domestic demand have helped the Cambodian economy to grow at a rate of 5.5%, slightly higher than in 2022 (5.3%). Price stability has contributed significantly to maintaining macroeconomic stability. In 2023, inflation returned to a lower level due to lower fuel and food prices, with stabilization of the exchange rate and the control of monetary supply at a reasonable level.

**Source: NBC Annual Report 2023.*

Microfinance Situation

Total assets of microfinance institutions were USD 6.4 billion, while the gross loan portfolio was USD 5.4 billion, with 1.6 million loan accounts, down compared to end of 2022 due to one microfinance deposit taking institution converting itself into a commercial bank in 2023. The number of depositors reached around 2 million with a deposit balance of more than USD 2.2 billion. Microfinance providers in Cambodia operate nationwide and have innovative products such as unsecured lending, leasing, asset-backed lending, SME, agriculture lending, etc. Moreover, Fin-tech solutions are also popular across mobile, online payments and digital lending.

Currently, there are more than 80 licensed providers in the country while the top 4 MDIs take up more than 70% of the market share portfolio.

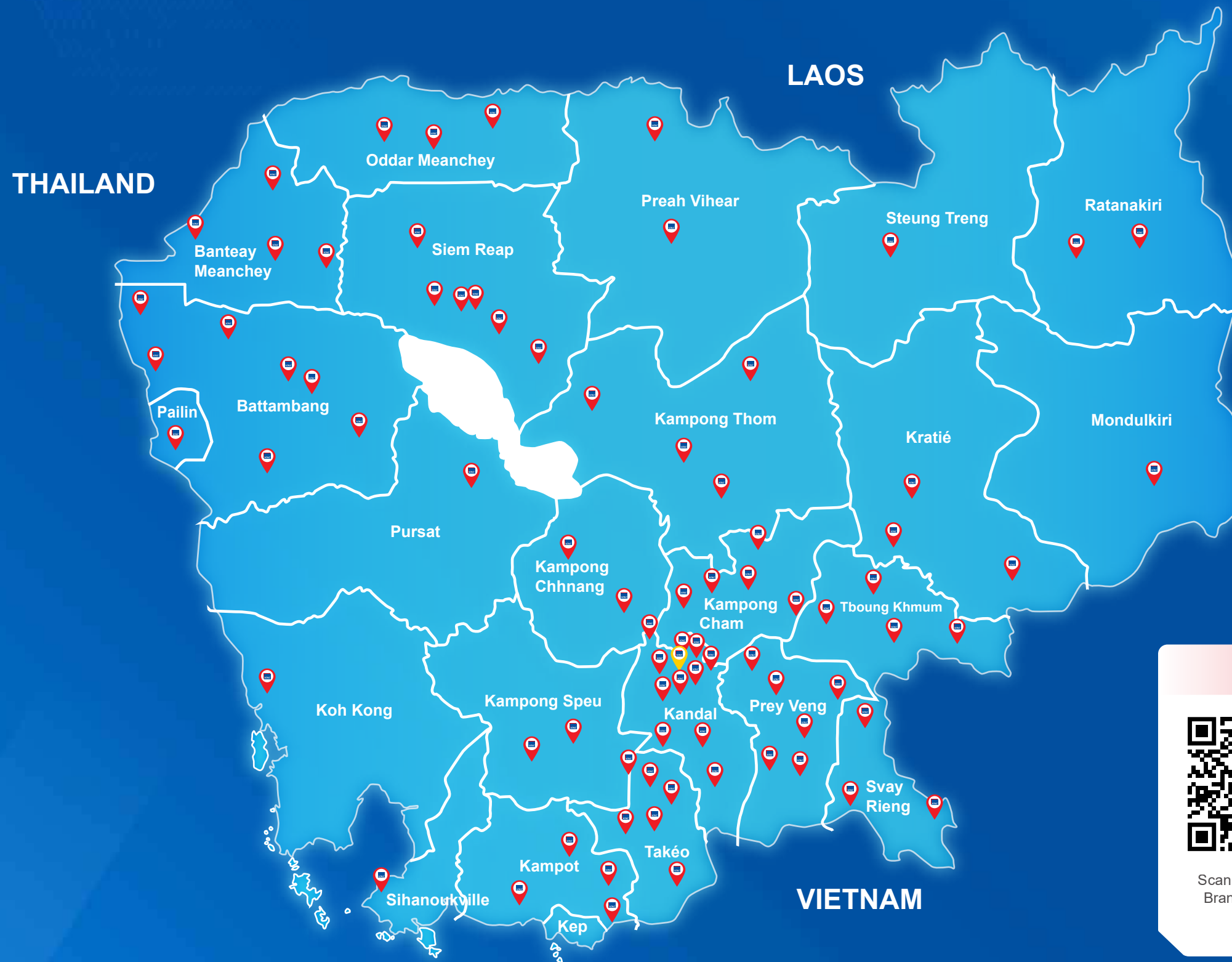
The microfinance market is well-structured so that new entrants have to possess very strong capital.

Overall, most microfinance institutions remain robust and resilient, continuing to strictly adhere to the prudent laws and regulations, guidelines and measures issued by the central bank.


**Source: CMA Report as of 31st December 2023 and NBC Annual Report 2023.*

LOLC CAMBODIA AT A GLANCE


Map of Operating Area




SUMMARY



Scan Here for our Branch Network



83
Number of Branches



25/25
Number of Provinces

Note: The map is used for LOLC Cambodia's branch network indication purposes only.



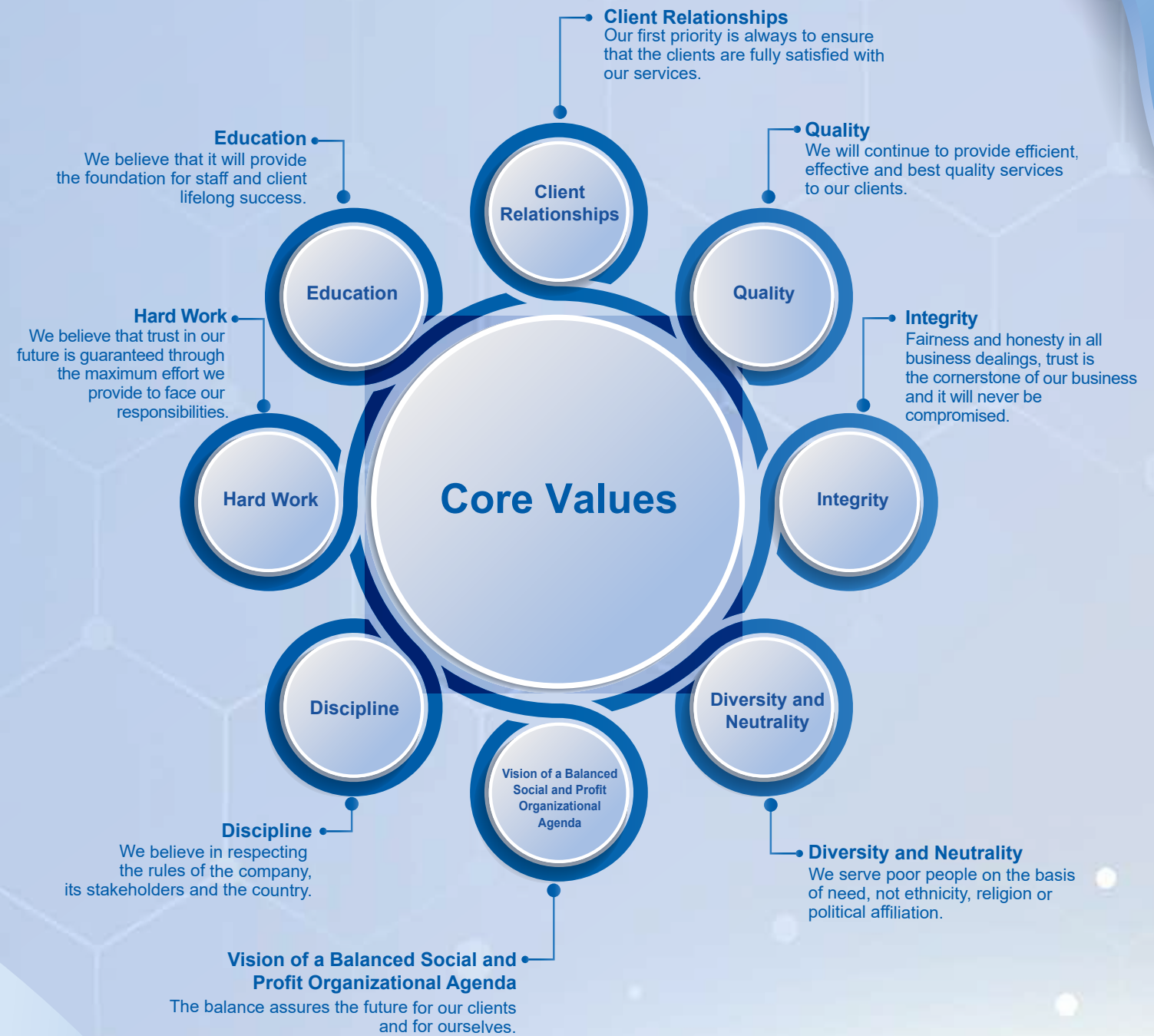
Vision Statement

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



Mission Statement

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



Brief Overview of LOLC Cambodia



LOLC Cambodia received a Microfinance Deposit-Taking License from the National Bank of Cambodia (NBC) to offer credit and deposit products. It also received permissions to operate finance lease/leasing services permission to cooperate with Serendib Microinsurance Plc. to be a bancassurance business partner, model "Corporate Agent" and several other approvals to offer additional services to customers wisely. Currently, LOLC Cambodia provides a wide range of financial services to its customers, including credit, deposit, finance lease/leasing, local fund transfer, mobile banking, payment services and microinsurance through its bancassurance business partnership. With the revolution of technology, LOLC Cambodia has leveraged its digital financial services to offer more distribution channels, including the iPay Cambodia Mobile Application, Internet Banking, Bakong, FAST, RFT and ATM card via CSS, in order to provide a superior customer experience.

DEPOSIT

IPAY CAMBODIA

CSS / ATM CARD

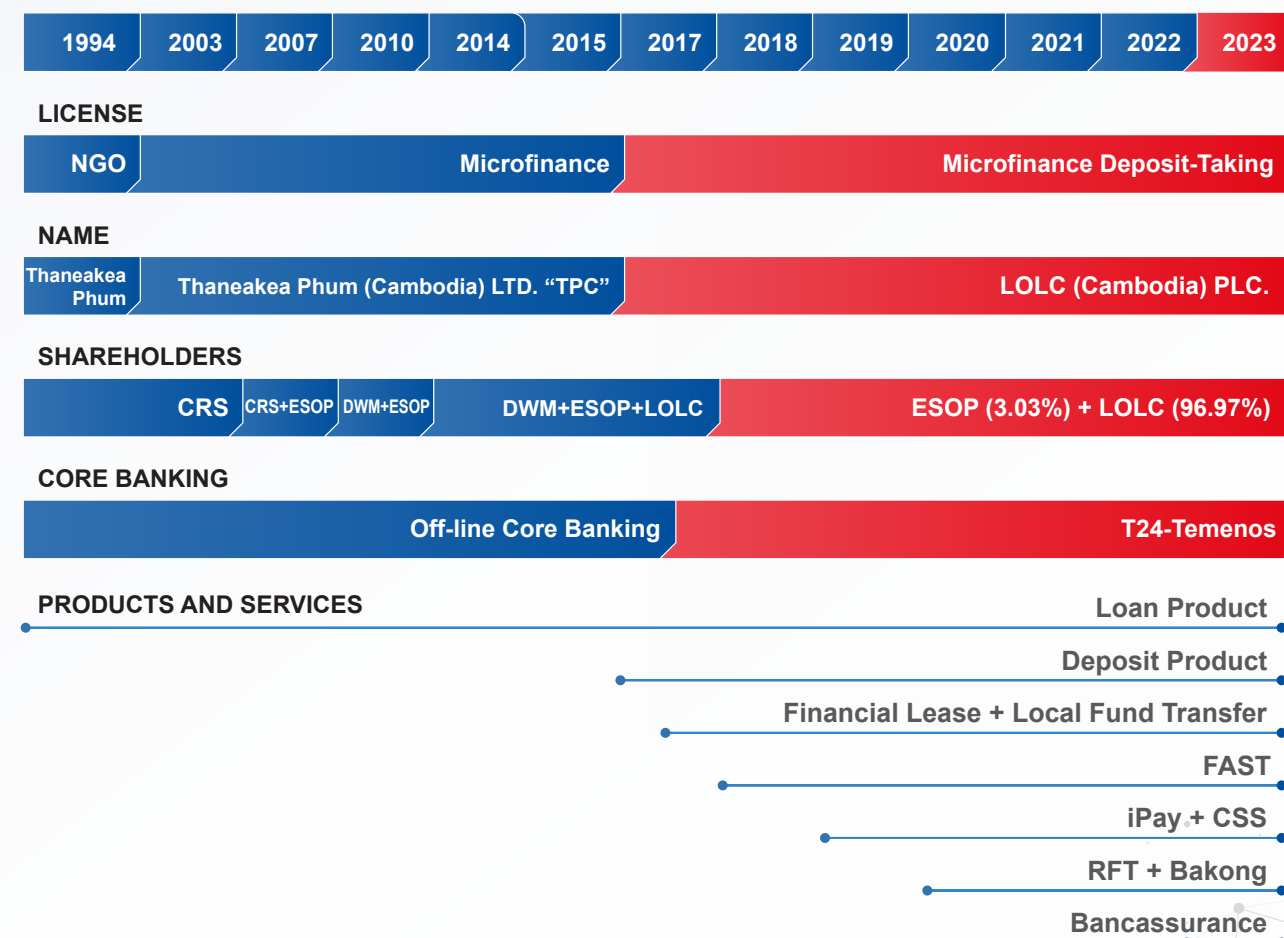
LOCAL FUND TRANSFER

CREDIT / FINANCIAL LEASE

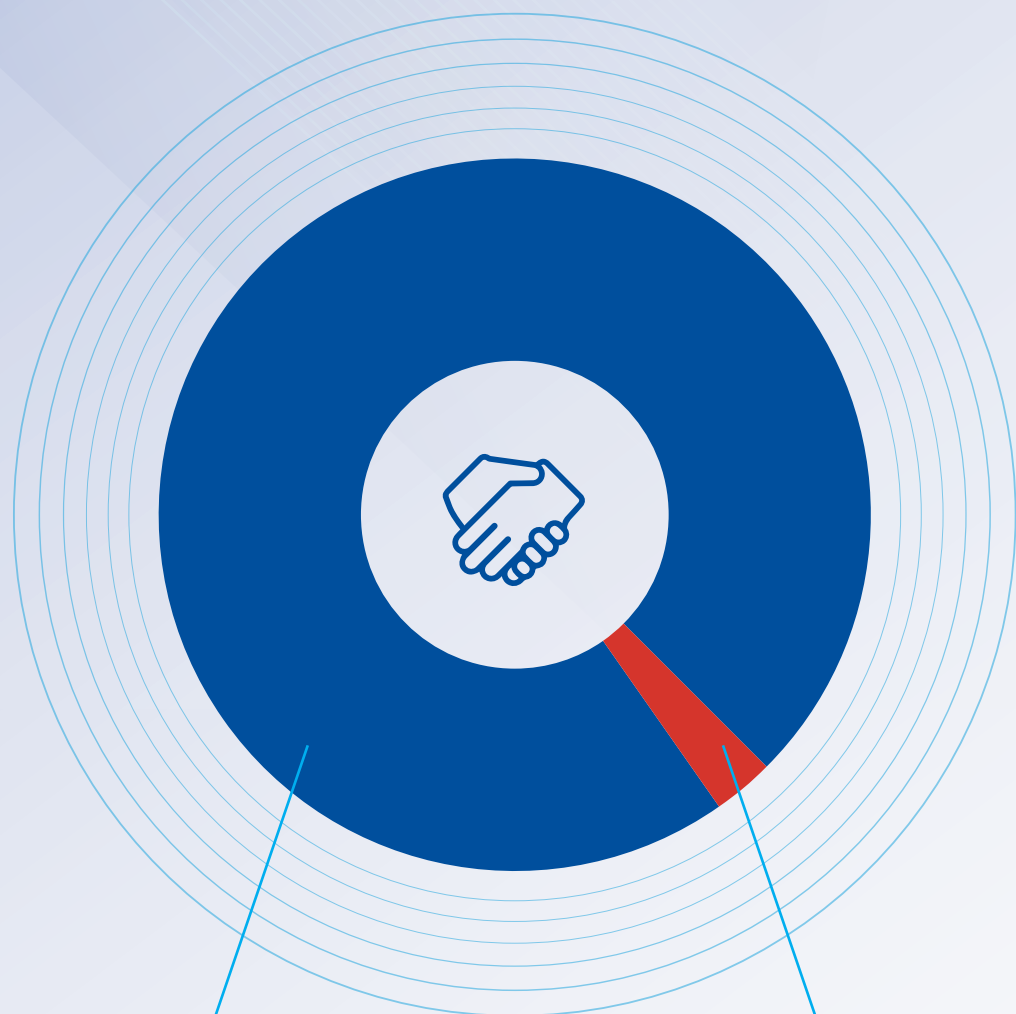
Brief History

LOLC Cambodia was established by the Catholic Relief Services ("CRS") in 1994 and incorporated as Thaneakea Phum (Cambodia) Ltd. ("TPC") in 2002. The National Bank of Cambodia then licensed TPC as a microfinance institution in 2003. In 2007, TPC-ESOP was set up and became part of a shareholding structure. In 2014, LOLC Micro Investment Ltd. ("LOMI") participated as one of the shareholders. Then in 2015, the company rebranded to LOLC (Cambodia) Plc. ("LOLC Cambodia") and obtained a microfinance deposit-taking license from the National Bank of Cambodia at the same time. From 2018, LOLC Asia Private Limited (formerly named LOLC Private Limited) bought all stakes of DWM and LOMI owning 96.97% of LOLC Cambodia's total shares, while the remaining 3.03% were owned by TPC-ESOP CO., LTD.

Regarding its products and services, LOLC Cambodia originally offered loan services, while starting from 2015 deposit mobilization was further offered to customers along with the mobile banking application, internet banking, and local fund transfer both within LOLC Cambodia and through interbank transfer via NBC projects (FAST, RFT and Bakong). On top of these, LOLC Cambodia also issued CSS ATM Cards, allowing customers to withdraw cash from more than 4,000 ATM machines of banks and financial institutions who are CSS members. From 2017, LOLC Cambodia also obtained permission from the National Bank of Cambodia to offer finance lease/leasing services, and in 2022 LOLC Cambodia obtained permission to conduct bancassurance business (Corporate Agent Model).



Ownership Structure



LOLC ASIA PRIVATE LIMITED

A business incorporated in Singapore, with 96.97% of the company's total shares.

96.97%

TPC-ESOP CO., LTD.

A private limited company held by LOLC Cambodia staff, with 3.03% of the company's total shares.

3.03%

CERTIFICATIONS AND AWARDS



Client Protection Certification (CPC)

In 2022, LOLC received Gold Level of Client Protection Certification from Cerise and SPTF and the certificate is secured by February 2025. This verifies that LOLC Cambodia always protects and supports clients to financially grow their businesses through efficient and sustainable financial services.



SOCIAL RATING 2023

LOLC (Cambodia) Plc., one of the leading deposit-taking institutions in Cambodia, has the honor of achieving a high Social Rating score of BB + from a Microfinanza evaluation completed in February 2023. The Social Rating methodology was used to assess the company through various criteria such as Social Performance Management System, Client Protection and Social Responsibility, Outreach, and Quality of the Services.



INSTITUTIONAL RATING 2023

At the same time of this accomplishment, LOLC has also achieved another high grade of "medium" scoring in the Institutional Rating. The Institutional Rating methodology was used to assess the company through various criteria such as External Context, Governance and Strategy, Systems and Controls, Financial Profile, and Portfolio Quality. The grade of "medium" from Institutional Rating is consider a high grade.



Letter of Appreciation from Prime Minister

The letter was provided to LOLC Cambodia for fully complying with all tax obligations. LOLC Cambodia was ranked top 13th taxpayer and awarded the Gold Level of tax compliance.

ISO Certificate on IT Security from Bureau Veritas Recognizing LOLC Cambodia

The high security of its information technology and high security in its protection of client's data.



Gold Tax Certificate from General Department of Taxation

Not all incorporated businesses in Cambodia are entitled to such a certificate. This was issued to LOLC Cambodia, for its tax compliance for 2022 and 2023.










Outstanding Performance in Number of Guaranteed Account 2023

LOLC Cambodia is honored to receive a prestigious award for "Outstanding Performance in Number of Guaranteed Accounts 2023" at CGCC Annual Seminar under the topic of "Diversifying Credit Guarantee Mechanism for Sustainable Financing of MSMEs".







LENDERS AND PARTNERS





Local Lenders

Bank of China 	Cathay United Bank 
Bred Bank Cambodia 	Industrial and Commercial Bank of China Limited 
KB Daehan Special Bank Plc 	SME Bank 
Mega International Commercial Bank 	Sathapana Bank Plc. 
Union Commercial Bank Plc. 	

Loan Collection

Wing Bank (Cambodia) Plc. 	Ly Hour Pay Pro Plc. 
True Money 	E-Money 



Technical Assistant Providers

OikoCredit 	Aqua for All 
Global Climate Partnership Fund (GCPF) 	Proparco 

International Lenders

Alterfin c.v.b.a 	NMI 
BlueOrchard 	Oikocredit 
BANK IM BISTUM ESSEN eG 	DFC (Former OPIC) 
Developing World Market 	Proparco 
Enabling Capital 	BlueEarth (Former PG Impact) 
Frankfurt School 	responsAbility 
Incofin 	Symbiotics 
MCE Social Capital 	Triple Jump 
Microvest 	WLB 
Bred Bank Cambodia 	WaterCredit 

Guarantee Partners

USAID 	CGCC 
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02.

BUSINESS REVIEW

BUSINESS PERFORMANCE (36)

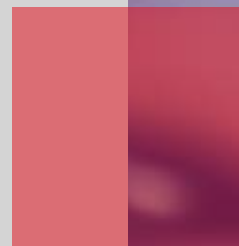
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- Deposit Performance
- Mobile Banking (iPay Cambodia)
- CSS ATM Card
- Local Fund Transfer

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- Statement of Financial Position
- Key Ratios

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2024 OUTLOOK (48)



BUSINESS PERFORMANCE



LOAN PERFORMANCE

Loan Products:

- Group Loan (GL):** A loan formed by 2 to 7 community members with a joint-liability and a maximum loan amount of USD 2,000 or its equivalent in other currencies without collateral requirement.
- Individual Loan (IL):** A loan for individuals or business owners with a maximum loan amount of USD 10,000 or its equivalent in other currencies with or without collateral requirement.
- Small and Medium Enterprise Loan (SME):** A loan provided to an individual(s), business owner(s), or entrepreneur(s) with a maximum loan amount of USD 200,000 or its equivalent in other currencies with requirement of collateral.
- Seasonal Loan (SNL):** A loan designed for borrowers for use in their agricultural activities with a maximum loan amount of USD 30,000 or its equivalent in other currencies.
- Home Improvement Loan (HIL):** A loan offered for clients to improve and develop their homes with a maximum loan amount of USD 30,000 or its equivalent in other currencies.
- Life Improvement Loan (LIL):** A loan designed to provide clients who need financing for life improvement with a maximum loan amount of USD 10,000 or its equivalent in other currencies.

- WASH Individual Loan (WIL):** A loan designed for people to get access to Water, Sanitation, and Hygiene, with a maximum loan amount of USD 3,000 or its equivalent in other currencies.
- Financial Lease (FL):** A loan designed for customers who want to use moveable assets with a maximum lease amount of USD 50,000 or its equivalent in other currencies, with clients able to become the asset's legal owner at the end of the lease term.

Loan Breakdown by Product

GLP By Products	2022				2023			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
GL	192,631	46.5%	174,530	13.9%	168,792	42.5%	140,612	11.3%
IL	112,362	27.1%	362,015	28.9%	122,266	30.8%	369,217	29.6%
SME	32,571	7.9%	436,512	34.8%	35,548	9.0%	474,223	38.0%
SNL	24,895	6.0%	116,971	9.3%	25,506	6.4%	117,335	9.4%
HIL	9,823	2.4%	57,764	4.6%	9,366	2.4%	56,734	4.6%
LIL	37,274	9.0%	103,309	8.3%	32,475	8.2%	87,304	7.0%
WIL	4,585	1.1%	1,716	0.2%	2,931	0.7%	1,035	0.1%
FL	119	0.0%	205	0.0%	35	0.0%	47	0.0%
Total	414,260	100%	1,253,022	100%	396,919	100%	1,246,507	100%

Group and individual loan products remained the core business of LOLC Cambodia, represented by more than 70% of total clients.

Loan Breakdown by Sector

Sectors	2022				2023			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
Agriculture	194,222	46.9%	448,186	35.8%	196,228	49.4%	446,827	35.8%
Manufacture	2,511	0.6%	8,634	0.7%	2,679	0.7%	10,037	0.8%
Trade and Commerce	59,787	14.4%	344,489	27.4%	62,844	15.8%	392,319	31.5%
Services	24,324	5.9%	106,617	8.5%	22,263	5.6%	105,565	8.5%
Transportation	2,759	0.7%	17,430	1.4%	2,618	0.7%	16,840	1.3%
Construction	45,251	10.9%	125,096	10.0%	44,558	11.2%	126,880	10.2%
Others	85,406	20.6%	202,570	16.2%	65,729	16.6%	148,039	11.9%
Total	414,260	100%	1,253,022	100%	396,919	100%	1,246,507	100%

In 2023, almost 36% of the total loan portfolio was lent to the agricultural sector, while the trade and commerce sector and services sector represented 31.5% and 8.5% respectively.

Loan Breakdown by Income Ranking

Client Type	Loan Size	2022				2023			
		# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
Likely living below NPL	<= 750	52,196	12.6%	19,945	1.6%	43,058	10.8%	15,601	1.3%
Likely living between NPL and 150% NPL	> \$750 to ≤ \$1,500	116,083	28.0%	96,416	7.7%	109,572	27.6%	85,567	6.9%
Likely living between 150% NPL and \$5/Day/2005 PPP	> \$1,500 to ≤ \$3,000	110,971	26.8%	166,790	13.3%	107,901	27.2%	150,339	12.1%
Likely living above \$5/Day/2005 PPP	> \$3,000 to ≤ \$10,000	93,344	22.5%	416,695	33.3%	91,582	23.1%	406,700	32.6%
Likely living above \$5/Day/2005 PPP	> \$10,000 to ≤ \$30,000	41,282	10.0%	537,852	42.9%	44,437	11.2%	573,000	46.0%
Likely living above \$5/Day/2005 PPP	> \$30,000	384	0.1%	15,324	1.2%	369	0.1%	15,300	1.2%
Total		414,260	100%	1,253,022	100%	396,919	100%	1,246,507	100%

* To accurately conduct such analysis, record of clients' income in the core banking system would be necessary. Due to current limitations of digital data, LOLC Cambodia uses average loan size as a proxy for poverty ranking, instead estimating likely income and poverty level which is benchmarking from the Poverty Probability Index (PPI), as seen in the table above.

In 2023, the largest portion of accounts – almost 40% – had loans that amounted to less than USD 1,500.

Loan Breakdown by Collateral Base

Client Type	2022				2023			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
Unsecured	239,722	57.9%	288,770	23.0%	221,349	55.8%	254,647	20.4%
Secured	174,538	42.1%	964,252	77.0%	175,570	44.2%	991,860	79.6%
Total	414,260	100%	1,253,022	100%	396,919	100%	1,246,507	100%

In 2023, almost 56% of loan accounts were unsecured, usually given to group and individual loan clients with loan sizes less than USD 3,000.

Loan Breakdown by Currency

By Currency	2022				2023			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
KHR	233,617	56.4%	354,863	28.3%	229,353	57.8%	370,045	29.7%
USD	154,607	37.3%	838,150	66.9%	150,070	37.8%	838,930	67.3%
THB	26,036	6.3%	60,009	4.8%	17,496	4.4%	37,532	3.0%
Total	414,260	100%	1,253,022	100%	396,919	100%	1,246,507	100%

Almost 30% of outstanding loans were provided to customers in KHR currency.

DEPOSIT PERFORMANCE

Savings Account: Convenient and secured

A Savings Account offers clients an easy and simple way to withdraw, deposit, transfer money and payment. It is an ideal option for customers who wish to keep their money secure and those who want daily access to cash.

Digital Savings Account: Open an account instantly through a digital platform

The iPay Cambodia App enables users to create a Digital Savings Account quickly and simply, which allows users to conduct transactions via the iPay Cambodia mobile banking application.

Kid Account: Saving money to achieve the dreams and future of children is the most important thing

The Kid Account provides parents and guardians greater ease for long-term money savings with high interest rates to meet their children's financial demands/needs in the future.

Fixed Deposit Account: Saving money to get high interest income

The Fixed Deposit provides a higher interest rate in exchange for customers' commitment to save money with LOLC Cambodia for a certain period of time.

Deposit Breakdown by Product

Deposit Type	2022				2023			
	# Account	% Account	Balance (USD '000)	% Balance	# Account	% Account	Balance (USD '000)	% Balance
Savings Account	587,790	96.41%	46,551	6.07%	581,361	93.6%	49,411	5.47%
Fixed Deposit Account	21,314	3.50%	720,609	93.93%	32,524	5.2%	854,058	94.48%
Kid Account	479	0.08%	14	0.002%	5,873	0.9%	426	0.05%
Digital Savings Account	68	0.01%	1	0.0001%	1,082	0.2%	23	0.00%
Total	609,651	100%	767,174	100%	620,840	100%	903,918	100%

Total deposit balance has increased by 18% to reach USD 904 million by end of 2023

Deposit Breakdown by Currency

Client Type	2022				2023			
	# Account	% Account	Balance (USD '000)	% Balance	# Account	% Account	Balance (USD '000)	% Balance
KHR	348,207	57.1%	82,103	10.7%	351,631	56.6%	94,173	10.4%
USD	226,915	37.2%	678,523	88.4%	241,410	38.9%	807,860	89.4%
THB	34,529	5.7%	6,548	0.9%	27,799	4.5%	1,885	0.2%
Total	609,651	100%	767,174	100%	620,840	100%	903,918	100%

In terms of accounts, 57% were in KHR currency. In terms of balance, 89% was in USD currency.



MOBILE BANKING (iPay Cambodia)

iPay Cambodia User App is a platform beyond payments that brings to its users the convenience of digital banking, providing a cashless and seamless payment experience. Through the iPay Cambodia app, customers can perform various banking transactions, i.e., balance inquiry, fund transfer to other LOLC Cambodia accounts as well as interbank transfer via FAST, RFT and Bakong, bill payment, phone top-up, open fixed deposit accounts, digital savings accounts and scan and pay to all merchants with KHQR free of charge.

iPay Cambodia Merchant App LOLC Cambodia has introduced the iPay Cambodia Merchant App to business owners to support long-term growth. By registering for the iPay Cambodia Merchant App, business owners can manage their cash and account transactions easily.

CSS ATM CARD

LOLC Cambodia issues CSS ATM Cards (with EMV chip-based for more security) to customers to perform self-banking transactions with CSS members, such as Cash Withdrawals, Balance Inquiry, PIN Change, Mini Statement and Fund Transfer within LOLC Cambodia/Inter Bank Fund Transfer at over 4,000 ATM machines across the country free of charge.

LOCAL FUND TRANSFER

To fulfill growing demands of customers, LOLC Cambodia allows customers to perform local fund transfers within LOLC Cambodia as well as interbank fund transfers through NBC projects such as FAST Payment, Retail Pay (Real Time Fund Transfer) and Bakong, via counter, internet banking and mobile banking apps free of charge.

THREE YEAR FINANCIAL SUMMARY

Statement of Profit or Loss and Other Comprehensive Income

	2021 Audited	2022 Audited	2023 Audited
Income Statement			
Interest Income	175,545,340	211,561,811	216,814,098
Interest Expenses	(61,549,044)	(74,946,875)	(86,184,048)
Net interest income	113,996,296	136,614,936	130,630,050
Provision for bad and doubtful Financial Instruments	(5,812,620)	(18,082,848)	(2,493,753)
Net interest income after provision	108,183,676	118,532,088	128,136,297
Net foreign exchange gain/(loss)	296,744	(453,147)	703,872
Other income	5,964,440	7,314,340	6,584,407
Personnel expenses	(32,638,167)	(35,254,990)	(36,124,496)
Depreciation and Amortization	(2,993,580)	(3,061,215)	(3,455,272)
Other administrative expenses	(10,834,997)	(13,437,295)	(13,340,886)
Profit from operations	67,978,116	73,639,781	82,503,922
Income Tax expense	(13,326,192)	(14,944,501)	(16,789,565)
Net Profit for the Period	54,651,924	58,695,280	65,714,357
Currency Translation Difference	(1,370,158)	(2,876,501)	2,676,061
Total Comprehensive Income for the year	53,281,766	55,818,779	68,390,418

In 2023, LOLC Cambodia was able to achieve a net profit of USD 65.71 million, a growth of 11.96% compared to the year prior.

Statement of Financial Position

	2021 Audited	2022 Audited	2023 Audited
Assets			
Cash and placement with banks	174,237,948	234,264,074	318,840,509
Loans to customers	1,036,280,875	1,253,022,255	1,246,507,114
Loan Loss Reserve	(21,329,159)	(36,912,351)	(21,748,393)
Property, plant and equipment (net)	10,982,158	10,565,824	11,903,211
Other Assets	11,183,334	14,723,754	12,330,061
Total Assets	1,211,355,156	1,475,663,556	1,567,832,502
Liabilities			
Deposits from customers	581,937,121	767,174,498	903,917,855
Borrowings	344,799,426	384,704,836	278,543,274
Other liabilities	50,160,627	33,507,461	29,175,915
Total Liabilities	976,897,174	1,185,386,795	1,211,637,044
Equities			
Share capital	55,460,850	55,460,850	103,969,218
General Reserve	93,768,951	93,768,951	93,768,951
Regulatory and Other Reserves	(1,013,364)	(3,889,865)	5,408,459
Retained Earnings	86,241,545	144,936,825	153,048,830
Total Equity	234,457,982	290,276,761	356,195,458
Total Liabilities and Equity	1,211,355,156	1,475,663,556	1,567,832,502

LOLC (Cambodia)'s total assets grew by 6.2% to USD 1,567.83 million as of 31 December 2023, despite a slight decrease in its gross loan portfolio of 0.5% YoY to USD 1,246.51 million.

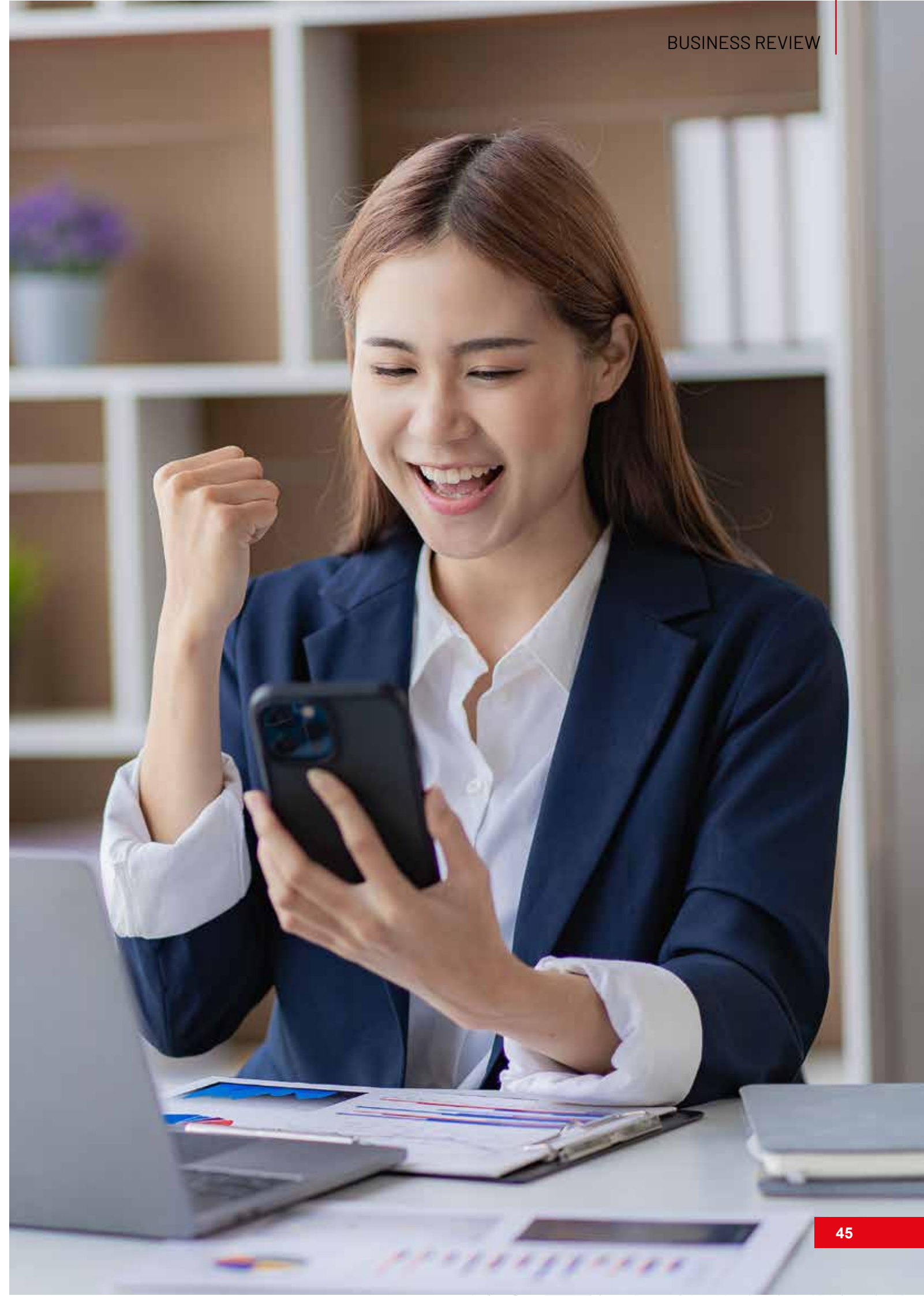
Key ratios

	FY2021	FY2022	FY2023
Key Ratio Indicators			
Return on Equity	26.3%	22.4%	20.3%
Return on assets	4.8%	4.4%	4.3%
Operating Expense to Average Gross Loan Portfolio	4.9%	4.6%	4.2%
Cost to Income Ratio (including Provision)	43.3%	48.8%	39.9%
Deposit to Loan Ratio	56.2%	61.2%	72.5%
Liquidity Coverage Ratio	227.5%	334.7%	273.5%
Solvency Ratio	26.8%	23.1%	24.7%
Non Performing Loan to Gross Loan Portfolio	1.8%	2.3%	2.2%
Debt-to-Equity Ratio	4.2x	4.1x	3.4x
PAR \geq 30 Days	2.1%	2.9%	2.7%
Gross Write-offs	0.2%	0.3%	1.4%
Number of Offices (Including Head Office)	81	83	83
Number of Personnel	3,297	3,535	3,590
Number of Active Borrowers	318,354	341,753	335,089
Depositors	462,125	517,349	510,972

LOLC (Cambodia) Plc. maintained its high performance by improving its Operating Expense to Average Gross Loan Portfolio to 4.2% (2022: 4.6%). The reason for the decrease was mainly due to Exchange fluctuation in the year. The Cost to Income Ratio (including Provision) saw a big improvement to 39.9% (2022: 48.8%).

LOLC (Cambodia) Plc. also maintained a high Liquidity Coverage Ratio at 273.5% compared to the central bank's requirement of 100% starting from 1st January 2020. In addition, the Solvency Ratio was also well maintained at 24.7%, which was above the minimum requirement by the central bank of 'not less than 15%'.

Asset quality was the key focus for management and the board of directors. Asset quality slightly increased to 2.2% (2022: 2.3%).



SIGNIFICANT CHANGES DURING THE YEAR 2023



New Customer Base for 2023

In 2023, there were around 60,000 new customers using LOLC Cambodia's products and services. Around 62% of new customers were female and 69% were living in rural areas. The majority of new customers were farmers, businessmen, workers and employees aged between 18-59 years old.

LOLC Cambodia keeps delivering its inclusive financial products and services to all Cambodians so that they have access to formal financial services to improve their business activities, generate more income and improve the quality of their lives.

New Activities and Products

In 2023, LOLC Cambodia kept upgrading and developing its products and services, including the following:

iPay Phase III: to make it more convenient and improve user-friendly functions, LOLC Cambodia has continuously upgraded its mobile banking app to iPay phase III. This new upgrade applies to its security system, user interface, and functionalities as follows:

- Cross border payment (Thai QR).
- Ability to scan QR code from photo gallery to make payment.
- Send money to mobile number.
- Generate Fixed Deposit certificate.
- Add LOLC logo in the middle of remittance QR Code.
- Allow foreign mobile phones to register iPay.
- Restrict multiple device login.
- Make transaction purpose mandatory.

Transaction Notification through Telegram: Responding to the customer needs, LOLC has developed a Telegram Notification function which allows LOLC customers to subscribe to a LOLC Telegram bot in order to get notifications when there is any transaction to their registered accounts. This feature was made available to customers in March 2023.

Cash Deposit/Withdrawal Partnership with Ly Hour Pay Pro: In order to make it more convenient for customers as well as to reduce the transactions performed through LOLC branches, LOLC is cooperating with Ly Hour Pay Pro by covering the transaction fee on behalf of customers on Cash Deposit and Withdrawal to/from LOLC accounts through Ly Hour Pay Pro Agents nationwide.

Payroll Service for Customers: Payroll Service was introduced to customers in May 2023. This Payroll Service allows business owners, companies, or institutions to manage their staff payroll by themselves through an LOLC platform called iPay Enterprise system. Payroll transactions are made by scheduled cash transfers from the main account of the company or institution to the employees' LOLC account.

CSS ATM Card: In 2023, LOLC Cambodia completed CSS EMV, another project with NBC. The three main functions completed in this project include:

- EMV standard chip functionality (new profile) that CSS CPV validated by FIME was added to the new LOLC Cambodia CSS ATM Card, in order to improve the card security.
- Classic cards and Premium cards are now activated as two different card types, both including EMV chip and magnetic stripe functions.
- Instant card request options are offered to fulfill customers' needs, so customers can immediately collect their CSS ATM Card at any nearby branch of LOLC Cambodia.

Chatbot: Chatbot functions of Dispute & Dispute Inquiry have gone live on Facebook, Telegram and the website. The chatbot – which can respond to both text and voice – makes it convenient for customers to get answers if they have any inquiries about products/services or in case of any disputes.

2024 OUTLOOK



LOLC Cambodia expects to increase its performance in 2024 as below:

	2021	2022	2023	2024e
Gross Loan Portfolio (USD '000)	1,036,280	1,253,022	1,246,507	1,445,000
Number of Loan Accounts	379,908	414,260	396,919	432,300
Deposit Balance (USD '000)	581,937	767,174	903,918	1,180,000
Number of Deposit Account	532,169	609,651	620,840	754,650
Number of Offices (include HO)	81	83	83	84
Number of Personnel	3,297	3,535	3,590	3,732



03.

CORPORATE GOVERNANCE

ORGANIZATIONAL CHART (52)

POLICY AND PRACTICE GUIDELINE FOR CORPORATE GOVERNANCE (54)

- Board of Directors
- Audit Committee
- Enterprise Risk Management and Compliance Committee
- Appointment and Remuneration Committee
- IT Steering Committee

REPORT OF THE BOARD OF DIRECTORS (66)

CODE OF ETHICS (68)

RISK MANAGEMENT AND INTERNAL CONTROL (70)

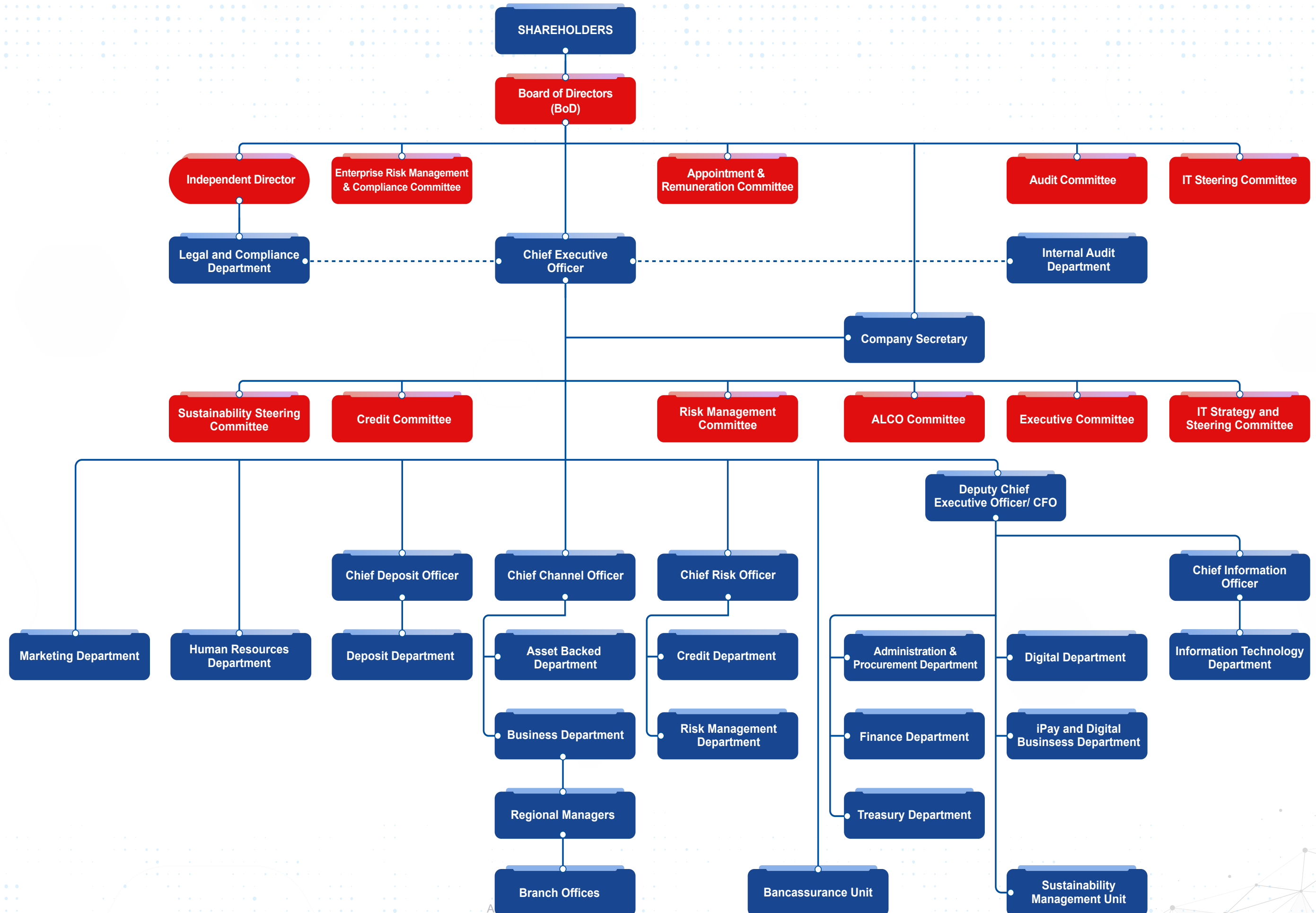
HUMAN RESOURCES DEVELOPMENT (78)

- Staff Capacity Building Matters
- Inclusivity Policies
- Incentives and Rewards
- Performance Evaluation

MANAGEMENT TEAM (80)



ORGANIZATIONAL CHART



POLICY AND PRACTICE GUIDELINE FOR CORPORATE GOVERNANCE



Board of Directors

Composition

The Board currently has five members, of whom two are Independent Directors. The Board of Directors (BoD) of LOLC Cambodia is a dynamic and competent group with a wealth of management, financial, and growth expertise and experience. The Board confirms it has the appropriate number of Independent Directors who bring strong, independent judgment to the Board's discussions on issues of strategy, audit, performance and risk.

The structure and composition of the Board are in line with the requirements of the Prakas issued by NBC. The Board of Directors is comprised of the following:

Name	Position
Mr. Brindley Chrisantha Gajanayake de Zylva (<i>Brindley de Zylva</i>)	Chairman
Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias (<i>Conrad Dias</i>)	Director
Mr. Dulip Rasika Samaraweera (<i>Dulip Samaraweera</i>)	Director
Mr. Hans Michael Theodor Moormann (<i>Michael Moormann</i>)	Independent Director - resigned 01 st January 2024
Mr. Indrajith Wijesiriwardana	Independent Director
Mr. Chitral Nalin Wijesinha	Independent Director - on board from 15 th January 2024

Board of Directors Profile



MR. BRINDLEY DE ZYLVA

Chairman

Brindley serves as the Chairman of the Board for LOLC (Cambodia) Plc., Serendib Micro Insurance Cambodia and is also the Managing Director of LOLC Myanmar Micro-Finance Company Ltd. With a career spanning over 40 years, Brindley has extensive experience in the Non-Bank Financial Services Industry (NBFI), including roles in licensed finance companies, microfinance institutions, specialized leasing companies, and microinsurance. His expertise in the NBFI sector covers areas such as credit and recovery management, finance, marketing, and sales. Brindley is a Fellow of the Sri Lanka Institute of Credit Management and was elected as its Honorary Secretary in the 2010. He has also been involved in the Council of Management of the Finance Houses Association of Sri Lanka, serving nine years as a member, four of which as Vice Chairman, and as a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited. In 2015, Brindley transitioned to oversee regional assignments for the LOLC Group in Myanmar and Cambodia.



MR. CONRAD DIAS

Director

Mr. Dias was the former Group CIO and Director of LOLC Holdings Plc., Director/CEO of LOLC Finance Plc., and the Co-founder of iPay. Mr. Dias graduated with his Master Degree from the University of Leicester majoring in business administration. He is a fellow of the Chartered Institute of Management Accountants, a Chartered Global Management Accountant, a fellow of British Computer Society and a fellow Member of Certified Management Accountant of Sri Lanka. Mr. Dias has contributed to the LOLC Group and the local IT Industry with his 30 years of experience and possesses domain expertise in sectors such as trading, banking and finance, asset management and manufacturing. In recognition of his contribution, he was awarded the CSSL CIO of the year award in 2016 and later awarded the professional Excellence Award in 2017 at the event organized by the Institute of Certified Management of Accountants of Sri Lanka. In 2020, a year of prize for Mr. Dias, he was inducted to the Global CIO Hall of Fame 2020 and is a winner of the Global CIO100 for the year 2020 from IDG USA.



MR. DULIP SAMARAWEERA
Director

Mr. Samaraweera is a Director of LOLC (Cambodia) Plc. He holds a Degree in Physical Sciences specializing in statistics from the University of Sri Jayewardenepura. Also, he is a passed finalist of the Chartered Institute of Management Accountants (UK). In 2004, Mr. Samaraweera began his career in investment research and joined the LOLC Group 3 years later. Furthermore, he serves as a director of LOLC Myanmar Microfinance Limited. He has acquired a variety of experience and professionalism in financial management, process improvement, strategic planning, investments and acquisitions.



MR. INDRAJITH WIJESIRIWARDANA
Independent Director

Mr. Wijesiriwardana is an Independent Director of LOLC (Cambodia) Plc. With more than 20 years of international experience in nearly 30 different countries, Mr. Wijesiriwardana is also a proficient consultant in international development finance. His experience covers key areas of expertise, including capacity building in the financial sector and Microfinance and SME Finance (MSME). Mr. Wijesiriwardana is also highly skilled in strategy and business design, developing inclusive financial systems, developing capacity in financial institutions focusing on MSME, institutional transformations, and product design and process improvements. During his career in the banking sector, he used to develop and evaluate project proposals and monitor projects before becoming a consultant. During this time, he was responsible for loan financing for small, medium, and large enterprises; trading financing; equity financing; restructuring; loan syndication; and leasing. He also took charge of managing and developing financial support services, including budgeting and monitoring, planning, accounting, and MIS. Mr. Wijesiriwardana joined LOLC (Cambodia) Plc. in January 2015.



MR. CHITRAL NALIN WIJESINHA – ON BOARD FROM 15TH JANUARY 2024
Independent Director

Mr. Wijesinha is an Independent Director of LOLC (Cambodia) Plc. He has over 27 years of experience in the financial services industry and managing money for retail and wholesale clients. He has extensive knowledge and expertise in banking and finance specializing in Investment and Retirement Planning, Group Superannuation, and KiwiSaver (Superannuation). His knowledge of the current industry practices, regulation/legislation, and market needs, coupled with a good understanding of the current market, has enabled him to perform his job at a very high standard. He is also currently working as Director/Shareholder and Principal Financial Adviser at Trilogy Financial Solutions NZ Limited (TFS). Besides, He is a member of the Wealthpoint Financial Adviser Provider (FAP) network and holds a license to provide advice in New Zealand. He is also an active member of the Wealthpoint Investment Committee. Prior to this, Mr. Wijesinha worked at Citibank as a foreign exchange, money market and bond trader dealing in the primary and secondary markets. He was also the Country Treasurer for Citibank Sri Lanka, and a member of ALCO responsible for liquidity, capital, and balance sheet growth of the bank (1996 to 2003).



MR. MICHAEL MOORMANN – RESIGNED 01ST JANUARY 2024
Independent Director

Mr. Moormann is an Independent Director of LOLC (Cambodia) Plc. Mr. Moormann has diverse experience in various positions and has worked across multiple different countries prior to acquiring his Senior Management positions. He has robust skills in change management, human resource management, and internal auditing. In 1971, he kicked off his career in the foreign division of ABN AMRO Bank in the Netherlands. 2 years later in 1973, he moved to Indonesia. In 1992, he started as the Regional Manager of private banking in Latin America for AB AMRO, after which he quickly became a Country Manager from 1994, serving for AB AMRO bank in several other countries, namely Sri Lanka, the Philippines, and Vietnam. After 11 years of experience, he went on to accomplish various consulting assignments in microfinance. Then, in February 2013, he joined LOLC (Cambodia) Plc.

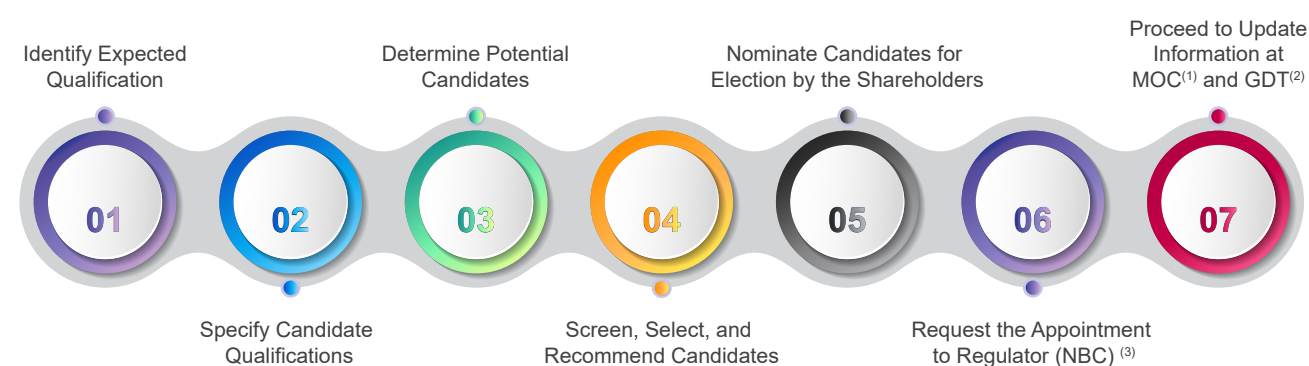
SELECTION OF BOARD OF DIRECTORS

A director can be any eligible natural person at least 18 years of age. A director is not required to be a shareholder.

All Shareholders in the General Meeting shall cast votes to elect a director. A director is appointed by a resolution approved by a majority of votes. One of its members will act as Chairman, presiding over the Board of Directors sessions and the Annual General Meeting.

Members of the Board of Directors are required to obtain approval from the National Bank of Cambodia (NBC).

Nominating Process



(1) - MOC - Ministry of Commerce

(2) - GDT - General Department of Taxation

(3) - NBC - National Bank of Cambodia

Board Meeting

Board meeting is generally conducted in quarters. The Board of Directors (BoD) reviews the overall company's performance in every meeting. The board is also kept informed of developments in the financial sector, such as statutory or regulatory changes, and their potential influence on the company.

In addition to reviewing and discussing regular board papers that report on performance and compliance, the BoD also reviews and discusses special board papers that address non-routine matters.

Primary Responsibilities of the Board

The BoD takes full responsibility for leading, controlling, guiding, and monitoring the institution's overall performance, and also enforcing accountability standards, all with the objective of enabling management to execute its obligations effectively.

The BoD is ultimately responsible for establishing a framework of good corporate governance for the institution, including financial reporting, risk management, and compliance processes.

When it comes to strategy, performance, resources, and business conduct, all board members contribute and bring their independent judgment, broad expertise, and experience to the table.

- Approve business plans and business strategies within organization;
- Oversee the overall AML/ CFT measures;
- Approve the opening and closing of bank accounts and set the authorized limit amount and authorized signatories for bank account(s);
- Approve remuneration policy for management and employees;
- Select, monitor, and replace key executives;
- Elect board committee members;
- Approve annual audited financial statement;
- Approve loan that LOLC Cambodia borrows from lenders;
- Propose to shareholders to:
 - Increase or decrease capital;
 - Select and appoint external auditor;
 - Revise the memorandum and articles of associations;
 - Declare the dividend;
 - Purchase, sell, or exchange immovable property or franchise which is worth more than USD 500,000;
 - Mortgage the Company's immovable property or encumbrance or lease of franchise/goodwill.

Attendance in meeting per year

Members	Date of Appointment	No. of Meetings	
		Attended	Held
Mr. Brindley de Zylva Chairman	15 th October 2015	4	4
Mr. Conrad Dias Director	12 th February 2018	4	4
Mr. Dulip Samaraweera Director	02 nd July 2018	4	4
Mr. Michael Moormann Independent Director	01 st February 2013	4	4
Mr. Indrajith Wijesiriwardana Independent Director	01 st January 2015	4	4

Annual Board Evaluation

No.	Description	Evaluation Procedure	Criteria
1	Board of Directors	Each director must assess the performance of the Board of Directors by assigning a quantitative score (1–5) to each criterion and signing the evaluation form. Following the evaluation, the Company Secretary will compile the results of all evaluations for board meeting discussion.	<ul style="list-style-type: none"> ○ Composition of Board of Directors ○ Oversight of Management ○ Understanding the company culture and its business ○ Conduct of Board meeting
2	Directors	Each director shall self-evaluate by assigning a score (1–5) to each criterion and signing the evaluation form, the Company Secretary will receive all assessment forms to compile the results for discussion at the board meeting.	Director performance quality

Independency and Transparency

The Board of Directors of LOLC (Cambodia) Plc. are non-executive, and two out of the five directors are independent directors. The structure and composition of the Board is in compliance with the Law on Commercial Enterprise, Prakas on Governance in Banks and Financial Institutions, Prakas on the Internal Control of Banks and Financial Institutions and Prakas on Fit and Proper Regulatory Requirement Entities and Licensed Banks and Financial Institutions.

QUALIFIED, ACTIVE AND INDEPENDENT BOARD	COMPLIANCE
Undergo the fit and proper testing by the NBC	✓
All board members shall attend meetings at least two times in one year	✓
Board members should exercise sound judgement	✓
The Audit Committee shall be chaired by an independent board member whose background is an expertise in finance and accounting	✓
TRANSPARENCY	COMPLIANCE
Disclosure to the public:	
<ul style="list-style-type: none"> ○ Board structure and management structure/organizational chart ○ Basic ownership structure ○ Where applicable, corporate group structure and corresponding ownership shares held ○ Code of conduct or ethical code ○ Annual report ○ Audited financial statement 	✓
LAW ON COMMERCIAL ENTERPRISE	COMPLIANCE
The directors of a company shall approve the annual financial statements and the approval shall be shown by the signature of one or more directors.	✓
A company shall not issue, publish or circulate copies of annual financial statements unless the financial statements are approved by the directors and accompanied by the auditor's report.	✓
Calling for meetings: Meetings of the board of directors shall be held at least once every three (3) months. The adoption of the Board of Directors Resolution shall be decided based on the majority vote of the members or representatives that were present in the meeting.	✓

Board Committees

The Board has appointed the following four committees:

- Audit Committee
- Enterprise Risk Management and Compliance Committee
- Appointment and Remuneration Committee
- IT Steering Committee

The four committees follow their regulatory guidelines or the approved Terms of Reference and use pre-approved agendas to cover all key items, while encouraging committee members to discuss any additional concerns.

The BoD has granted the committees the authority to request further information and to ask key management or other personnel to give detailed information, or to discuss recommended courses of action. Thus, it gives the BoD confidence that issues pertaining to operations, risks, governance, or regulations will be thoroughly discussed and the best solutions will be identified.

The committee meeting minutes are recorded during the board meetings therefore, all directors are kept aware of the discussions of each committee and can contribute when and where necessary.

Annual Evaluation of Each Committee

Evaluation Procedure	Criteria
Each committee member evaluates the work of his or her own board committee by assigning a score (1-5) to each criterion and signing the evaluation form. The Company Secretary will compile the findings for discussion at each board committee meeting after the review.	<ul style="list-style-type: none"> ○ Authority of board committee ○ Resources and organizing ○ Duty quality

Audit Committee

Composition

The Audit Committee is chaired by an Independent Director with experience in finance, accounting, and law. The Audit Committee Chairman is not the Chairman of the BoD; this is meant to enhance the BoD's ability to have vigorous and open discussions on topics submitted by the Audit Committee.

Mr. Moormann's extensive knowledge in finance has been a valuable asset to the audit committee and is in accordance with our good corporate governance practices.

Primary Responsibilities:

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

Meeting Time:

The Audit Committee was held 4 times in 2023 and the attendance of the members of the Audit Committee was as follows:

Members	Date of Appointment	No. of Meetings	
		Attended	Held
Mr. Michael Moormann Committee Chair/Independent Director	17 th July 2013	4	4
Mr. Brindley de Zylva Member/Chairman	15 th October 2015	4	4
Mr. Indrajith Wijesiriwardana Member/Independent Director	01 st January 2015	4	4

Enterprise Risk Management and Compliance Committee

Composition

The Enterprise Risk Management and Compliance Committee is chaired by an Independent Director with expertise in finance and risk management, and is independent from day-to-day operations as required by law and regulation.

Mr. Moormann takes the lead as Chairman of this committee because of his strength in internal auditing, finance, and many other fields in the banking and microfinance sector.

Primary Responsibilities:

- Ensuring that there is an effective risk management system for the operation of the business;
- Ensuring that there are proper policies in place;
- Reviewing and checking compliance report including the AML/CFT report to ensure compliance with law and regulation;
- Reporting to the Board of Directors;
- Meeting at least quarterly.

Meeting Time:

The Enterprise Risk Management and Compliance Committee meeting was held 4 times in 2023. The attendance of the members of the Enterprise Risk Management and Compliance Committee is shown in the table below:

Members	Date of Appointment	No. of Meetings	
		Attended	Held
Mr. Michael Moormann Committee Chair/Independent Director	02 nd November 2016	4	4
Mr. Brindley de Zylva Member/Chairman	06 th February 2016	4	4
Mr. Conrad Dias Member/Director	12 th February 2018	4	4

Appointment and Remuneration Committee

Composition

The Appointment and Remuneration Committee is chaired by an Independent Director with expertise in legal issues and banking.

Mr. Indrajith Wijesiriwardana chairs the Appointment and Remuneration Committee as he has acquired proficiency in consulting with experience in international development finance across multiple financial institutions and provides efficient financial support regarding planning and budgeting of remuneration for directors.

Primary Responsibilities:

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

Meeting Time:

The Appointment and Remuneration Committee meeting was held 4 times in 2023. The attendance of the members of the Appointment and Remuneration Committee is shown in the table below:

Members	Date of Appointment	No. of Meetings	
		Attended	Held
Mr. Indrajith Wijesiriwardana Committee Chair/Independent Director	02nd November 2016	4	4
Mr. Conrad Dias Member/Director	12th February 2018	4	4
Mr. Dulip Samaraweera Member/Director	02nd July 2018	4	4

IT Steering Committee

Composition

The IT Steering Committee is chaired by a Director with expertise in digital and information technology for the banking and microfinance sector.

Mr. Conrad Dias is appointed to be Chairman of the committee as he is the key thought leader and has a proficient and significant reputation in the IT industry.

Primary Responsibilities:

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

Meeting Time:

The IT Steering Committee meeting was held 4 times in 2023. The attendance of the members of the IT Steering Committee is shown in the table below:

Members	Date of Appointment	No. of Meetings	
		Attended	Held
Mr. Conrad Dias Committee Chair	06th February 2020	4	4
Mr. Brindley de Zylva Member/Chairman	06th February 2020	4	4
Mr. Indrajith Wijesiriwardana Member/Independent Director	06th February 2020	4	4

REPORT OF THE BOARD OF DIRECTORS

In addition to the audited financial statement for the year ended 31 December 2023, the Board of Directors takes pleasure in declaring the following:

Conflict of Interest

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

Director's Shareholding

Currently, no Directors own shares in LOLC Cambodia. There were no agreements to which the institution was a party to during or after the fiscal year that enabled directors to receive advantages through the acquisition of shares in or unsecured bonds of the institution or any other corporate entity.

Term of Director

Directors serve for an indefinite amount of time and may resign or be discharged by the shareholders. A Director may be removed from office by votes of the shareholders in the General Meeting. A vacancy in the Board of Directors may be filled by a resolution approved by an absolute majority of 2/3 (two-thirds) of the votes cast by all shareholders in the General Meeting.

A Director can step down from his/her role by providing at least one month's worth of notice to the Company Secretary in the form of a registered letter with an acknowledgment of receipt.

Compliance with Law and Regulation

LOLC Cambodia is compliant with all laws and regulations of the central bank and relevant regulators.

Corporate Governance

The BoD believes that good corporate governance benefits all stakeholders. The key messages conveyed in the Corporate Governance Report are as follows:

- Annual report has conveyed a fair and balanced view of the organization;
- Report states that the organization has complied with all laws, governance regulations and codes;
- It has given specific disclosures about the board, internal control reviews, going concern status, and relations with stakeholders.

Internal Control

LOLC Cambodia controls a broad and diverse range of risks based on its size and complexity. Based on the nature of these risks, it is possible for things to happen that could result in unexpected or unavoidable losses.

The built-in system of internal controls is intended to offer a fair level of assurance against the likelihood of material errors, fraud, or losses, but not absolute assurance. Instead of eliminating the risk, it helps the MDI manage it in order to meet particular internal control criteria and minimize business objective failure.

The Risk Management Department and Legal & Compliance Department examine protocols, practices, and policies on a regular basis and, if necessary, present reports to the Audit Committee and Enterprise Risk Management and Compliance Committee.

To ensure that everyone is aware of the severity of the issue and to accelerate the implementation of corrective action, any defects or weaknesses found are discussed with the relevant staff members. Follow-up on decisions is conducted at the following committee or board meeting.

Going Concern

Throughout the year, the Board of Directors evaluated both the interim and year-end financial statements. In addition, they have continually assessed operations and the company's operational environment, which includes the macro environment, potential risks, and resource allocation. The Board of Directors has determined, based on available information, that the company can sustain its current level of operations for the foreseeable future. As a result, the company has been assumed to be operationally viable throughout the preparation of the financial statements.

Auditor

According to the central bank's regulation requirements, LOLC Cambodia must rotate its External Auditor once every three years.

LOLC Cambodia's external auditor, KPMG, was appointed by the Board of Directors for three fiscal years from 2023 to 2025. All Directors are aware that the External Auditor does not have any relationships with the Company, nor any interest in contracts with LOLC Cambodia.

LOLC Cambodia is well practiced in having an audit partner rotation, which is in alignment with good governance.

The fee related to audit services and non-audit services (NAS) with KPMG Cambodia Ltd for the year ended 31 December 2023 are as follows:

	KHR'000	US\$
Audit Fees	472,650	115,000
Non-audit fees	248,655	60,500
	721,305	175,500

CODE OF ETHICS

LOLC Cambodia's professionalism and reputation will be affected by an employee's behavior both in and out of the office. Subsequently, all employees must adhere carefully to LOLC Cambodia's code of conduct.

Professional Conduct

All LOLC Cambodia personnel are obligated to maintain the highest levels of professionalism, morality, and integrity. The institution's top priority is the diligent and truthful execution of its work by its employees and management. In addition, all management and employees must comprehend, accept, and adhere to the following Code of Professional Conduct:

- Conduct yourself in accordance with LOLC Cambodia's core values;
- Ensure consistent professionalism with honesty and integrity;
- Use proper language with colleagues and clients;
- Carry out responsibilities professionally, reliably, and sincerely;
- Take all precautions to safeguard company's privacy and transactions;
- Be on time, wear LOLC Cambodia attire while working, and conserve LOLC Cambodia resources;
- No prejudice on the basis of political beliefs, ethnicity, or social rank should be shown to customers;
- Keep positive connections with clients. Financial Service Adviser must be available and responsive to customers;
- Follow client's rights:
 - the right to know and understand product terms and conditions and all costs before disbursement,
 - the right to refuse to accept any products,
 - the right to complain or ask questions about services or products offered by LOLC Cambodia,
 - the right to receive the loan schedule and other important documents upon (or before) disbursement and official receipt during loan repayment,
 - the right to receive fair and respectful treatment with no discrimination from LOLC Cambodia's employees, and
 - the right to expect LOLC Cambodia to keep personal and financial information confidential.
- Read out loud to the clients the privacy clause in the contract and privacy agreement before collecting clients' data and disbursement;
- Read, understand and implement LOLC Cambodia's code of conduct. Violation of the code of conduct will result in disciplinary action or termination;
- Follow the supervisor's instructions and carry out all required duties in accordance with LOLC Cambodia's, policies, procedures, and regulations;
- Report to direct supervisors, branch managers, or heads of department regarding a code of conduct violation case or other policies if there are any.

Prohibited Actions

Employees must **NOT**:

- Make false or misleading reports, fraudulently change documents, or conceal beneficial data or cause potential harm to LOLC Cambodia;
- Discriminate against others based on ethnicity, color, gender, age, etc. Employees are prohibited from persecuting others or engaging in adultery, as well as viewing or distributing pornographic material;
- Take advantage of their position to gain commissions or personal advantages. It is against the rules for employees and their relatives to participate in the bidding process;
- Use disrespectful language with late-paying clients. Instead, they must listen to clients' reasoning and develop a culture of mutual support and dialogue. Credit officers are tasked with collecting payments from customers, particularly those who are late with their payments. This requires them to conduct conversations with customers to find a solution and offer assistance. Employees must not insist customers to pay immediately, especially if some of them are experiencing financial difficulties;
- Play TONTINES in the workplace, consume alcoholic beverages during working hours, use illegal drugs, gamble or utilize weapons or any other item deemed illegal by the law, illegally alter documents, or engage in any act of violence, cursing, threatening, or sexual harassment against others;
- Divulge or utilize clients' privacy and LOLC Cambodia's proprietary information to a third-party without prior written consent, unless required by law, during employment with LOLC Cambodia or upon and after termination of employment.

RISK MANAGEMENT AND INTERNAL CONTROL



All financial institutions' business strategy must include risk management, and LOLC Cambodia is no exception. By concentrating on two factors: risk(s) and returns, risk management helps LOLC Cambodia's internal control function better and helps the company achieve its corporate objectives.

Risk management serves as the second line of defense by offering a qualified risk analytical perspective to safeguard LOLC Cambodia's interests. The department makes sure that LOLC Cambodia is shielded from any exposed business initiatives, systems, processes, and people in the line of business.

According to LOLC Cambodia's risk philosophy, risk management should successfully oversee and support overall institution objectives, decision-making processes, and business strategies.

LOLC Cambodia's risk frameworks strive for:

- Enhancing the business capacity to identify, evaluate and treat risk in order to maximize value for shareholders
- Matching the minimum amount of risk to the business strategy
- Evaluating the impact of emerging risk
- Creating risk treatment strategies that are consistent with the business culture of solid corporate governance.

The following risk management principles are implemented by LOLC Cambodia in its regular business operations:

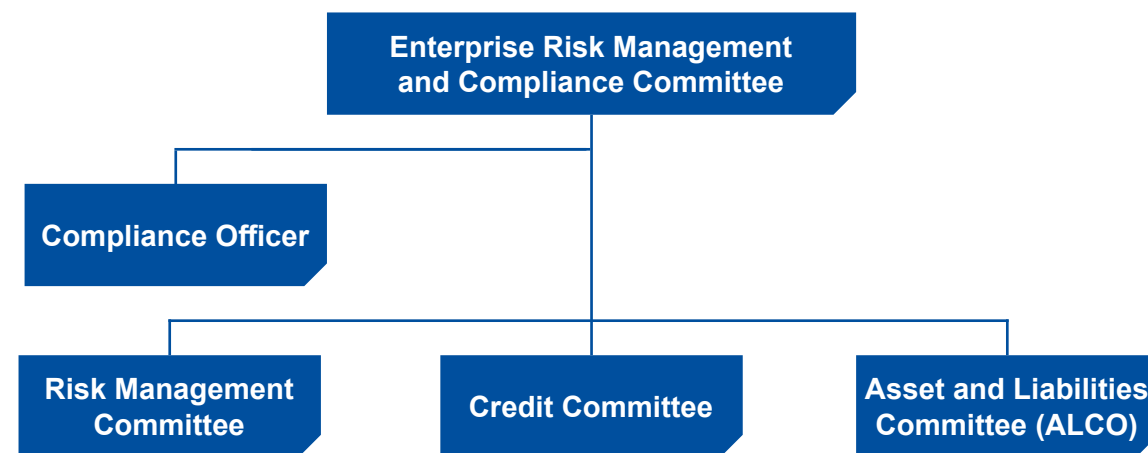
- Promote sustainable long-term expansion and profitability by embracing effective risk and corporate governance practices.
- Assist LOLC in generating returns for shareholders on a continual basis.
- Ensure that the risk management strategy is based on an understanding of the risks, disciplined assessment, objective measurement and monitoring procedures.

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

This system monitors all risk-taking activities and makes sure that they adhere to the agreed-upon risk appetite and risk tolerance.

All policies, procedures and guidelines are developed, communicated, and monitored to improve risk awareness and culture across all business and enablement functions.

Risk Management Governance



The Enterprise Risk Management and Compliance Committee is chaired by an independent board member. The committee normally meets once per quarter. The committee has a mission to keep track of all types of internal and external risks, credit, and finance to ensure all procedures and practices are within risk identification and that management is compliant with internal guidelines and external requirements. Moreover, the company's risk management and internal control systems are overseen to safeguard the company's assets and financial resources. The Assets and Liabilities Committee (ALCO) has key goals to evaluate, monitor, and approve liquidity risk, interest rate risk, regulatory risk, currency risk, and other financial risk implementation to optimize returns while maintaining a safe level of liquidity. The ALCO committee normally meets once per month and is chaired by the Deputy Chief Executive Officer/Chief Finance Officer.

Three Lines of Defense (3LD)

LOLC Cambodia follows the international best practices of three lines of defense including:





Credit Risk Management

Credit risk is the financial loss to LOLC Cambodia if a borrower fails to meet its contractual loan obligations. Moreover, most of LOLC Cambodia's income is generated by lending to clients; therefore, credit risk is a principal risk. LOLC Cambodia has a well-structured Credit Risk Policy, Credit Operating Manual, and other relevant rules implemented to handle LOLC Cambodia's portfolio quality.

Credit Exposures are actively monitored, reviewed, and reported to the Risk Committee monthly. Senior Management and relevant departments discuss, analyze, and identify any issues with timely and appropriate actions.



Liquidity Risk Management

Liquidity Risk occurs when the institution fails to meet current and future financing obligations in a timely manner. ALCO is chaired by the Deputy Chief Executive Officer/ Chief Finance Officer, who is responsible for discussing all treasury risk. In addition, the liquidity risk control and framework are established to enhance liquidity risk management. This risk is primarily monitored and managed based on cash flow projections regularly arising from the maturity profiles of assets, liabilities, off-balance sheet commitments and stress conditions.

On top of that, LOLC Cambodia also performs liquidity stress tests annually to identify vulnerable areas in its portfolio, monitor expected financial impacts and enable management to take proactive actions.



Capital Risk Management

Capital Risk occurs if LOLC Cambodia does not have sufficient capital resources to meet the minimum regulatory requirements to sustain its credit rating, strategic and growth options. Thus, having a sustainable and robust capital base is LOLC Cambodia's main strategy to maintain market confidence and enhance future business development. Led by the National Bank of Cambodia (NBC), the regulator monitors and sets capital requirements for the whole of LOLC Cambodia.

Like Market Risk and Liquidity Risk, the Capital Risk is monitored by the ALCO committee to guarantee the effective management of Capital Risk throughout LOLC Cambodia. Also, Capital risk is measured and monitored using limits set and calculated in accordance with NBC's requirements.



Operational Risk Management

Operational risk is associated with human error, system failures and inadequate procedures and controls. This risk might lead to unforeseen losses or reputation problems due to the following potential issues: inadequate information systems, technology failures, breaches in internal controls, fraud, or other operational problems. It is typical that operational risk takes place in all institutional operations, processes, workflows, products, and business activities.

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



Market Risk Management

Market Risk refers to the potential financial losses that may occur in LOLC Cambodia's trading books because of interest rates, equity prices, foreign exchange rates, and other indicators whose value are determined in a public market.

Foreign Exchange Risk is a financial risk associated with any price fluctuations among currencies. The risk may arise once a financial transaction is denominated in another currency (THB, USD) than the domestic currency (KHR). It refers to the impact of adverse movement in currency exchange rates on the value of the open foreign currency position.

Interest Rate Risk is caused by varying maturity dates and repricing of cash flows. LOLC's lending, deposit, source of fund, and investment activities give rise to interest rate risk. The interest sensitivity gap is used to assess the interest rate risk. ALCO is responsible for detecting LOLC Cambodia's interest rate risk profile based on its interest sensitivity gaps.



Reputational Risk Management

Reputational risk is related to deterioration in the market reputation, quality of service, rumors, complaints, confidentiality of client information, staff attitudes with customers and the public, etc. This risk arises from the public, clients, counterparties, investors, analysts, and regulators recognizing a negative image or lack of confidence in LOLC, which leads to loss of income and/or capital funds both now and in the future.

LOLC Cambodia serves through the sustainable delivery of inclusive and client-centric financial services. LOLC Cambodia adheres to the client protection principle and responsible lending principles, with proper credit assessments occurring before a loan is offered to a client, to prevent over-indebtedness.



Legal and Compliance Risk Management

The risk from changes or violations or non-conformance with laws, rules, policies, and ethical standards (regulatory, lender and/or internal) that may result in loss to LOLC Cambodia.



Strategic Risk Management

Strategic Risk is the risk that a strategy is wrongly designed, or the implementation of the strategy may fail to meet the institution's mission, vision, strategic and operating plans. It involves assessing how possible events and scenarios will affect the strategy, operation, company's value, earnings, capital, and business existence.

To ensure proper strategic risk management (SRM), LOLC integrates strategic risks into the planning process and provides decision making on key performance indicators (KPIs) to measure strategic risks. The board of directors and senior management actively participate in overseeing and managing strategic risks. The management teams control performance, growth, quality and profit, and provide integrated reporting for monitoring, navigating uncertainties, seizing opportunities, and achieving their strategic objectives effectively. All management committees are responsible for managing relevant strategies, and regularly discuss the results and progress.



Environmental Risk Management

The inherent risks of LOLC Cambodia's business activities are related to geographic, climatic and demographic factors (illness and death, mobility of population, local authorities' willingness to support, corruption, political tensions, etc.).



Information Technology Risk Management

In modern society, information security is the main factor in securing all digital products and services and their system needs to be aligned with both regulatory and international standard requirements. With the assistance of information security, LOLC Cambodia ensures that it can protect customers' data and information, including sensitive personal data and financial data, as well as the company's confidential data. Furthermore, the practice of information security emphasizes data privacy and security, building customers' trust and strengthening LOLC Cambodia's reputation. LOLC Cambodia understands the importance of cybersecurity in governing, managing, and protecting data and ensuring the system runs smoothly, securely, and accurately.

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

HUMAN RESOURCES DEVELOPMENT

LOLC Cambodia provides over 3,500 jobs to Cambodians. Working with LOLC Cambodia not only earns decent financial benefits and continuous human and professional development, but also contributes to helping clients across the Kingdom with reasonably priced financial services. As such, each employee takes part in improving their peers' lives and contributes to the socioeconomic development of their country.

Staff Capacity Building Matters

Throughout 2023, LOLC Cambodia organized a wide range of training and development courses for its over 3,500 employees:

- Orientation course
- On-the-job training
- Coaching program
- Refresher training
- Regional training
- On-site training
- Customized course
- Training video
- Job Rotation program
- Tablet Training
- Branch Management and Accountant Trainee Training
- Cross department training
- LOLC e-Learning Academy
- External training including local training and Overseas course; and
- Exposure visits to exchange knowledge and best practices among partners.

Inclusivity Policies

As diversity and neutrality are part of our core values, we will always ensure that our workplace upholds and adheres to human resources policies, clauses and practices that are as follows:

- Faith-based non-discrimination: No matter what religion our staff observes, LOLC Cambodia facilitates understanding towards them and amongst their colleagues.
- Professional code of conduct: At the workplace, our staff find mutual respect to move forward in their tasks and careers, especially with anti-harassment policies proving effective across all branches.
- Gender and diversity: Both people with disabilities and female candidates are always encouraged to apply for our vacancies.
- Convenient facilities: All LOLC buildings offer physical convenience to people with disabilities.

Incentives and Rewards

LOLC Cambodia offers competitive benefits to staff and interns, including:

Financial Benefits:

- Competitive salary;
- Seniority payment, provided in accordance to the Labor Law;
- Bonus for Khmer New Year, Pchum Ben, Year-end;
- Annual salary increment;
- Pension Fund;
- Monthly staff savings schemes;
- Allowance for monthly staff activities;
- Allowance for staff annual retreats,
- Monthly phone allowances;
- Uniform allowances;
- Monthly incentives;

Non-Financial Benefits:

- Medical allowances for staff and their family members;
- Hospitalization allowances for staff and their family members;
- Training and development opportunities;
- Opportunities for promotion;
- Annual leave and national holidays, in accordance with the Prakas of the Ministry of Labor and Vocational Training;
- Health and 24-hour personal accident insurance;
- Paid sick leave and maternity leave;
- Staff loan and housing loan with reasonable interest rates; and
- Other benefits

Benefits for Interns:

- Monthly allowances;
- Pension fund;
- Health and work-related personal accident insurance from the National Social Security Fund;
- Job skill training; and
- Opportunity to be employed full-time

Performance Evaluation:

Performance is evaluated twice per year. It provides benefits to both staff and supervisors. The supervisor can use the performance evaluation tools to set mid-year and year-end goals for their employees, continue to monitor their progress and provide feedback for more improvement. At the same time employees also gain benefits from the performance evaluation in knowing what goals they need to achieve, receiving constructive feedback from their supervisors related to their strengths and weaknesses and in working with their supervisors to plan for their areas of development.

MANAGEMENT TEAM





MR. SOK VOEUN
Chief Executive Officer

Sok Voeun, Chief Executive Officer, obtained a Master's Degree in Business Administration, majoring in Finance and Banking from Build Bright University in 2005. He obtained his Bachelor's Degree in Economic Science in Management of Enterprise at the former Faculty of Law and Economics in 2000. Since then, he has taken part in several training programs both at national and international levels related to the microfinance industry, credit management, human resource management, financial management, risk management, leadership, and good governance. He has attended overseas microfinance training programs in Italy, the United States, India, Thailand, Bangladesh and South Africa.

He started his career as a Credit Officer at ACLEDA Bank Plc. He was then promoted to Head of the Credit Control Unit in the Head Office for the next 4 years. He moved to SATHAPANA Ltd. (MFI) in 2005, where he worked as Operations Manager in charge of day-to-day operations until 2010, which included managing loans, savings, money transfer transactions and market expansion.

He started working for LOLC Cambodia as Chief Operations Officer in April 2010 and he was promoted to Deputy Chief Executive Officer in December 2012. Currently, he is Chief Executive Officer as appointed by the Board of Directors effective from June 1st, 2014.



MR. SOK SOPHAL
Deputy Chief Executive Officer / CFO

Sok Sophal, Deputy Chief Executive Officer/CFO, obtained his Master's Degree in Finance at the National University of Management in 2007. He received his Bachelor's Degree of Arts in English, majoring in International Business at the Institute of Foreign Languages (IFL) in 2005 and his Bachelor's Degree of Economics Science, majoring in Management of Enterprise at the former Faculty of Law and Economics in 2000. He has attended numerous trainings such as the Global Climate Partnership Fund Academy 2022 in Switzerland; 21st Century Board Leadership Model Masterclass, conducted by CA Sri Lanka Business School; the Boulder Program with a concentration in Management and Leadership (Italy) in 2019; In 2018, the Certified Management Accountant Program, focusing on strategic cost management and strategic business analysis; the Board Leadership Program conducted of the Thai Institute of Directors; The Leadership and Diversity for Innovation Program by Women's World Banking (USA) in 2016; the Advanced Management Program by Cornell University (Sri Lanka) in 2014; Syndication Loan Pricing & Structuring by Universal Network Intelligence (Malaysia) in 2013. On top of these, he has also attended several other workshops and training courses. Regarding work experience, he previously worked with ACLEDA Bank Plc. starting as Management Accountant staff, was subsequently promoted to AVP& Manager of the Management Accounting Unit under Finance Department (2001-2008). In 2008, he was promoted to be Assistant Senior Vice President (responsible for investment) of the Legal and Corporate Affairs Division in ACLEDA Bank. In January 2009, he was promoted to Deputy Head of Capital Market Division of ACLEDA Bank Plc. Mr. Sok Sophal started working with LOLC Cambodia in August 2010 as a Chief Finance Officer, and was promoted to Deputy Chief Executive Officer in March 2019.



MS. SVOEUY SODYNA
Chief Risk Officer

Svoeuy Sodyna, Chief Risk Officer, has completed ACCA Qualification from the most extensive professional accounting institute in the United Kingdom. She graduated with her Bachelor's Degree in Business Administration, majoring in Accounting, from the National University of Management in 2006. She went on to complete her Advanced Diploma in Accounting from CamEd Business School in early 2013.

She has participated in various professional courses relevant to the industry, such as risk management, financial management, strategic planning and other microfinance-related courses. Ms. Sodyna began her career with one of the 'big four' international accounting firms as Senior Auditor for nearly four years, in which her responsibilities included leading the audit team and completing the statutory and compliance audit for various industries including Banks and MFIs. She kicked off her journey with LOLC Cambodia in May 2011 and was promoted to Chief Risk Officer in March 2018.



MR. ROMESH PERERA
Chief Channel Officer

Romesh Perera was a former member of LOLC Finance Plc. (LOFC) Sri Lanka for 13 years prior to commencing his work as Chief Channel Officer in LOLC Cambodia. He has robust work experience with Non-Bank Financial Services (NBFI) in both licensed finance companies and specialized banks in Sri Lanka, holding senior managerial positions for the past 21 years.

Mr. Perera has diverse expertise and experience in both specialized banking and the NBFI sector, covering sales and marketing, credit risk, recovery management and finance. He is experienced in conventional and Islamic financing, trade financing, leasing, asset financing, savings and deposits growth, pawning operations and cross-operational functions. On top of that, he has successfully completed numerous professional courses related to the industry, which helped him to take over a new assignment for the LOLC group in Cambodia. For this reason, he started with LOLC Cambodia in June 2017 and was promoted to Chief Channel Officer in August 2018.



MS. CHHEANG KAGNA
Chief Deposit Officer

Chheang Kagna, Chief Deposit Officer, obtained a Master's Degree in Business Administration at Pannasastra University of Cambodia (PUC) in 2012. She graduated with a Bachelor's Degree, majoring in Management of Enterprise from Royal University of Law and Economics (RULE) in 2000 and a degree in English Literature from PUC in 2010.

Mrs. Kagna has joined numerous workshops and trainings at both national and international levels covering areas related to microfinance, such as managing growth and impact, emerging digital banking, sales and relationships, customer services, product development, retail banking operations and leadership. Moreover, Mrs. Kagna has remarkable experience in the banking and microfinance sector covering 24 years of working experience. She began her career with ACLEDA Bank and went on to SATHAPANA Bank Plc., where she conceptualized, introduced and mobilized the success of SATHAPANA's deposit products and financial services between 2007 and 2016. In January 2016, Mrs. Kagna joined LOLC Cambodia as Head of the Deposit and Financial Services Department, and she was promoted to Chief Deposit Officer in March 2019.



MR. DULEEP LIYANAGE
Chief Information Officer

Duleep Liyanage, Chief Information Officer, holds a Master's Degree in Business Administration, majoring in Finance from the Postgraduate Institute of Management - University of Sri Jayewardenepura (Sri Lanka). Mr. Liyanage has obtained numerous certificates in his academic years. He first obtained a Bachelor's Degree (2nd Upper Class) in Business Computing, awarded by the University of Wolverhampton (UK). On top of that, he then acquired other information security and IT professional governance qualifications, namely, he is a Certified Payment Card Industry Security Implementer (CPISI), a Certified Android Security Specialist and completed requirements for ISO 27001:2013 Lead Auditor.

Mr. Liyanage has 19 years of experience in Information Technology and Management. He worked in LankaPay (LankaClear (Pvt) Ltd.), the National Payment Infrastructure Provider in Sri Lanka under the guidance of the Central Bank of Sri Lanka. Besides this, he is proficient in information technology, project management, mobile technologies, payment card platforms and specializing in information security. During his tenure spell at LankaPay, he rendered his services as a security solution provider for national level payment systems in Sri Lanka such as the online Cheque Image and Truncation System (CITS), Just Pay; the retail mobile payment system, LankaSign; the PKI based Digital Certification Authority, and more. Moreover, Mr. Liyanage was an Associate Lecturer for Open University in the United Kingdom, the University of Sri Jayewardenepura and the Wayamba University of Sri Lanka.



MR. TENG PHEAP
Head of Internal Audit Department

Teng Pheap, Head of Internal Audit Department, completed a master's degree of Business Administration, majoring in Accounting and Finance from Western University in 2008. He obtained his bachelor's degree of Business Administration in Accounting from the National Institute of Business in 2004 and an associate degree in Banking, majoring in Accounting and Finance in 2000. He has attended numerous training courses in the areas of the international professional practice framework in Malaysia, business planning and managing growth in the Philippines, effective internal control in Mongolia, bank experience sharing in Sri Lanka, and other training courses in Cambodia on risk management, advanced internal auditing, report writing, leadership skills, and Information Security Management system. Over the past 15 years, Mr. Pheap has worked for many microfinance institutions and non-governmental organizations in Cambodia, including Catholic Relief Services from 1999-2003 as an internal auditor and branch manager. From there, Mr. Pheap worked for Angkor Microfinance Kampuchea (2004-2008) as regional manager and audit team leader, and he started working at LOLC Cambodia as Head of the Internal Audit Department in December 2008.



MS. LENG THAVY
Head of Human Resources Department

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



MS. TRY SOLA
Head of Treasury Department

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



MS. KEO TARATY
Head of Finance Department

Keo Taraty, Head of Finance Department, is currently pursuing ACCA Qualification in one of the most prestigious accounting institutes in the United Kingdom. She holds dual degrees – a Bachelor's Degree of Business Administration, majoring in Accounting from National University of Management (NUM) in 2010 and a Bachelor's Degree of Education, majoring in English Literature, from the Institute of Foreign Languages (IFL) in 2009. Ms. Taraty began her working career in one of the "big four" international accounting firms as Senior Auditor. During the three years of working there, she was responsible for leading the audit teams and completing the statutory and compliance audit for various industries including Banks and MFIs, companies, NGOs and other sectors. She worked at Maybank (Cambodia) Plc. as Accounting Manager for four years. Then, she joined LOLC Cambodia in June 2018 as Head of Finance Department.



MR. BUN BELLA
Head of Information Technology Department

Bun Bella, Head of Information Technology Department, obtained his Master's Degree of Science in Information Technology (MsIT) in 2015 from Norton University. Before that, he also achieved his Bachelor's Degree in Computer Science from Norton University in 2009. Mr. Bella has comprehensive experience working with LOLC Cambodia and other institutions spanning over 20 years. He has participated in IT-related projects within LOLC Cambodia such as migration legacy core banking system to a T24 system, implementation of ATM/POS switching system (CSS), NBC's Projects (FAST, RFT and Bakong Payment Systems), and other IT trainings such as ITIL® Foundation, Database Administration, ISO-IEC_27001-2013 and workshops in Cambodia, Sri Lanka and Singapore. He came on board with LOLC Cambodia in 2001 as MIS Encoder and was later promoted to MIS Supervisor in 2005. After three years of great working performance, he was promoted to MIS Unit Manager. Then, he went on to become Deputy Head of the IT department in 2015. After many years of hard work and loyalty, he was promoted to Head of Information Technology Department in January 2022.



MR. MUTH PISEY
Head of Credit Department

Muth Pisey, Head of Credit Department, obtained his Master's Degree in Finance from the National University of Management in Cambodia in 2013 and another Bachelor's degree in Business Management, with a concentration in Tourism, from the National University of Management in 2006. He has attended various trainings related to real estate and property valuation, workplace conflict resolution and negotiation, practical branch management, capacity building for internal auditors, employment and labor law, and empowering leadership, among others. He started with SATHAPANA Ltd. as Credit Officer in 2006 and was promoted to Chief Credit Officer at Ang Snoul District Branch in February 2008. In 2009, he became the Provincial Branch Manager of Kampot branch in SATHAPANA Limited (MFI). Mr. Pisey came on board with LOLC Cambodia as Branch Management Trainee in May 2010 and was appointed to be Branch Manager of Suong branch in July 2010. He was then promoted to Head of Administrative and Procurement Department in May 2014 and moved to the Credit Department as a Deputy Head. Then, he was promoted to Deputy Head of Business Department in November 2017. After a year, he was promoted to Head of Credit Department.



MR. THONG RITHY
Head of iPay and Digital Business Department

Thong Rithy, Head of iPay & Digital Business Department, obtained his Degree in International Relations at Paññāsāstra University of Cambodia in 2011. Prior to joining LOLC Cambodia, he drove merchant business and corporate partnership as deputy general manager at Woori Bank supporting 138 branches, and led 100+ client acquisition officers. He has served the banking industry over the past 15 years both at international and local banks, and held senior managerial positions before taking over as Head of iPay Sales and Digital Business at LOLC Cambodia. Mr. Rithy has a wide range of expertise and experience in e-Business development, e-Channels banking development, B2B partnership, and smart alliance programs. He provides leadership and direction to coordinate all activities of user acquisition, merchant acquisition, usage utilization, and customer retention programs. He strategizes roadmaps of digital business and product development to enrich user experiences via digital products and services. From 2010 to 2018, with ANZ Group, he led over 150 direct sale Wing Pilots and managed to execute sale and marketing strategy for WING's nationwide account activation and promotion at Wing (Cambodia) Plc. Then, at ANZ Royal Bank he managed portfolios of retail products (Mortgage, Personal Loan, and Credit Card), and monitored VISA card's performance and trends to minimize fraudulent transactions. He joined LOLC Cambodia as Head of iPay Sales and Digital Business in August 2022.



MS. KITH MARADY
Head of Legal and Compliance Department

Kith Marady obtained her Master of Laws in International Human Rights from Paññāsāstra University of Cambodia in 2022. She won an exchange course on Business and Human Rights to Lund University, Sweden, in 2017, and a one-year visiting student program to Bowdoin College in the United States in 2011. She holds two bachelor's degrees, one in law from Royal University of Law and Economics and another in English Literature from Norton University. She has attended various courses such as the Business and Human Rights Accelerator by UN Global Compact, Managing Financial Investigations (Intermediate) Virtual Program by OECD International Academy, IBF-Regulatory Compliance Certificate, ICA-AML International Advanced Certificate, Harpswell ASEAN Women's Leadership and other conferences in Singapore, the Philippines, Malaysia etc. Prior to work at LOLC (Cambodia) Plc., she was a Compliance Manager at Wing Money (Cambodia) Plc., Wing Bank (Cambodia) Plc and Maritime Specialized Bank; Head of Compliance at First Investment Specialized Bank and Senior Legal Advisor/Office Manager at HBS Law. Her skills include legal, compliance, AML/CFT, business and human right and corporate social responsibility (CSR).



MS. KHENG NAVY
Company Secretary

Kheng Navy, Company Secretary, obtained a Bachelor's Degree majoring in Economics in Enterprise Management at the Royal University of Law and Economics (RULE) in 2010. She has also received another Bachelor of Arts in Professional Communication at the Institute of Foreign Languages (IFL), the Royal University of Phnom Penh in 2012. She went on to complete research at SOK KONG IMPORT-EXPORT Co., LTD (SOKIMEX) and obtained a Diploma of Intensive English for Academic Purposes (IEAP) at Paññāsāstra Institute of Foreign Languages. Ms. Navy was involved in various courses and trainings such as the Principles of Accounting, Report Writing Skills, a Green Lending Workshop, Leadership and Corporate Governance. Before joining LOLC Cambodia, she worked at WING (Cambodia) Ltd. as a Call Center Consultant in 2012. Then, she began her journey with LOLC Cambodia as an Assistant Secretary in 2013 and was promoted to Company Secretary in June 2014.



MR. VA SOK OUN
Head of Administration & Procurement Department

Va Sok Oun is a highly educated professional with a master's degree in business administration, majoring in Business Management Administration from the National University of Management in Cambodia. He also holds a bachelor's degree in business administration from the same university. In addition, he graduated with a diploma in General English from PUC in 2014. Mr. Sok Oun has also attended many training programs related to leadership skills, motivational skills, critical thinking and problem-solving skills, supply chain management, inventory and warehouse management, property and security management, and business continuity plan. He was previously selected to join WVI's regional supply chain workshop in Bangkok. Mr. Sok Oun is a highly experienced professional with a wealth of knowledge in procurement and administration. He has worked in various organizations and has held several positions throughout his career. In 2015, he worked as a Procurement Officer at Advance Bank of Asia (ABA Bank). In December 2018, he worked as a Procurement and Strategy Sourcing at World Vision Organization. In 2021, he was the Procurement Supervisor at Wing Bank Cambodia PLC, where he was in charge of the general daily procurement activity, building rentals and partially supported Wing Bank's expansion. He joined LOLC as Procurement Unit Manager in 2022 and was appointed as Acting Head of Administration and Procurement Department. He was later promoted to Head of Administration and Procurement Department.

04.

COMMITMENT TOWARDS SUSTAINABILITY

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ROLES AND RESPONSIBILITY OF SUSTAINABILITY MANAGEMENT TEAM



- Lead development of LOLC's long-term Sustainability Management/ESG strategies and company-wide SM/ESG policy, including standards of conduct for employees.
- Ensure that LOLC policies and practices comply with the standards of other consumer protection and environmental, social and governance (ESG)
- Track, monitor, and report activities related to ESG.
- Gather and disseminate relevant best practices/learning materials that improve LOLC's ESG.
- Work to continually improve the staff's ESG awareness and strengthen their capacity.
- Design, develop, and implement ESG orientation courses for new staff and periodic workshops for existing staff, while ensuring that LOLC staff are well updated on changes related to ESG strategy.
- Collect and analyze company/client/industrial data to promote firm transparency and measure ESG improvement.
- Develop and conduct the annual ESG assessment and prepare an ESG report for publication and dissemination.
- Make recommendations to LOLC management and BOD based on the ESG assessment's findings and implement policy/procedural changes, as deemed necessary.

Mrs. Nop Soheat, Sustainability Management Manager, who leads in promoting the implementation of Sustainability Management (SM)/ESG in LOLC Cambodia by embedding them in policies, procedure, and best practices.




ESG ACHIEVEMENTS IN 2023 AND 2024 TARGETS



ESG Criteria	Selection	Annual Measurable KPIs	Indicators Tracked	KPI Calculation/ Measurement	2023 Achievements	2023 Targets	2024 Targets
ENVIRONMENT	CO2 emission saved	CO2 emission saved through Green Lending (tCO2)	LIL and LILAB with the purposes of buying LPG three-wheeler, car Prius, and motor PCX	# of CO2 emissions saved in Ton and it is generated and given by responsibility (GCPF) which relies on LOLC Cambodia's raw data submitted to them	10,137	>= 3,750	>= 5,000
	Access to green products	Number of clients access to green products through Green Lending Project	IL, GL, SME, WIL, SNL, LILAB, and HIL with the purposes of energy efficiency or renewable energy.	# of IL, GL, SME, WIL, SNL, LILAB, and HIL with the purposes of energy efficiency or renewable energy.	1,094	>= 1,000	>= 2,000
	Paper saved via activities	Reduction of A4 paper pages usage in lending process per client	A4 paper usage in lending process per client	# A4 paper pages usage reduction in lending process per client	112	<= 115	<= 110
		A4 paper saved in ream via tablet, iPay project, and client payment through PSPs	Loan processing via tablet, digital account opening, and payment transaction via PSPs	# of A4 paper saved in ream for loan processing via tablet, opening digital account, and payment transaction via PSPs	3,534	>= 2,500	>= 3,500

ESG Criteria	Selection	Annual Measurable KPIs	Indicators Tracked	KPI Calculation/ Measurement	2023 Achievements	2023 Targets	2024 Targets
SOCIAL	Water stress	Number of clients access to clean water, sanitation, and hygiene.	IL, GL, SME, WIL, SNL, LILAB, and HIL with the purposes of clean water, sanitation, and hygiene.	# of IL, GL, SME, WIL, SNL, LILAB, and HIL disbursement with the purposes of water, sanitation, and hygiene.	2,685	>= 2,500	>= 3,000
	Job creation	Number of total LOLC staffs and job creation by LOLC's clients (as of end period)	LOLC staffs and Job creation by LOLC's clients	# of LOLC staffs and job creation by LOLC's clients	548,050	>= 500,000	>= 550,000
	Female clients	Percentage of female borrowers (as of end period)	Female borrowers	% of female borrowers	70%	>= 65%	>= 65%
	Poverty outreach	Percentage of borrowers in rural areas (as of end period)	Borrowers in rural areas	% of borrowers in rural areas by Cambodia General Population Census data 2019.	79%	>= 70%	>= 70%
		Percentage of borrowers below 150% National Poverty Line (NPL) (as of end period)	Borrowers below 150% NPL	% of borrowers below 150% NPL by using PPI tool.	26.24%	>= 20%	>= 20%
	Clients involved in agriculture	Number of borrowers involved in agriculture (as of end period)	Borrowers used the loans in agriculture purpose	% of borrowers used the loans in agriculture purpose	49%	>= 40%	>= 40%
	Access to education	Provide financial education awareness to clients, communities, and youths.	Financial education awareness training courses provided to clients, communities, and youths.	# of financial education awareness training courses provided to clients, communities, and youths.	241	>= 200	>= 250
		Enhance the financial education awareness to staffs.	Financial education awareness training courses to staffs.	# of financial education awareness training courses provided to staffs.	N/A	N/A	>= 6
		Share key financial education awareness to clients and public.	Post the key financial education awareness messages through LOLC's Facebook Page.	# of posts of key financial education awareness messages through LOLC's Facebook Page.	N/A	N/A	>= 700
		Number of internal and external training courses for staffs	Internal and external training courses for staffs.	# of Internal and external training courses for LOLC staffs	1,992	>= 1,300	>= 1,500
Provide the refresher training on lending process/SM/ CPP to staffs.	The refresher training courses on lending process/SM/ CPP to staffs.	# of the refresher training courses on lending process/SM/ CPP provided to staffs.	N/A	N/A	>= 6		
Develop the financial education awareness video/show share to client and public.	The financial education awareness video/show producing for sharing through LOLC's Facebook Page.	# of the financial education awareness video/show producing for sharing through LOLC's Facebook Page.	4	>= 4	>= 6		

ESG Criteria	Selection	Annual Measurable KPIs	Indicators Tracked	KPI Calculation/ Measurement	2023 Achievements	2023 Targets	2024 Targets
	Impact on communities	Contribute to communities	Community events and other social activities (CSR)	# of community events and other social activities (CSR)	33	>= 24	>= 24
	Access to finance	Percentage of new clients are able to access financial services whether savings or credit	New clients (new borrowers and depositors)	# of new clients (new borrowers and new depositors)	13.45%	>= 7.50%	>= 7.5%
	Better living condition	Analyze the client income generation	Client income	Growth rate of Client income generation	Average income growth rate 6.89%	>= At least sample size of 5,000 clients	>= At least sample size of 5,000 clients
Number of clients access to better house condition through HIL and HL		HIL HL	# of HIL disbursed # of HL disbursed	3,628	>= 3,500	>= 3,500	
 GOVERNANCE	Independent directors	Number of independent directors (as of end period)	Independent directors	# of independent directors	2	>= 2	>= 2

EXCLUSION LIST / PROHIBITED ACTIVITIES

LOLC has developed an exclusion list to prohibit the financing of activities with negative impact on the environment and community. The company has in place robust measures to prevent loans being granted for any excluded activities. All loans are assessed by field staff and reviewed by the supervisor against the exclusion list and on the eventual social and environmental assessment.

No. Prohibited Activities List/Exclusion List

- 1 Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, including without limitation host country requirements related to environmental, health and safety and labor aspects
- 2 Production or trade in weapons and munitions
- 3 Production or trade in alcoholic beverages (excluding beer and wine)
- 4 Production or trade in tobacco
- 5 Gambling, casinos and equivalent enterprises
- 6 Trade, production, breeding or possession of animals, plants or any natural products in breach of the provisions of CITES *
- 7 Production or trade in radioactive materials
- 8 Production or trade in or use of unbounded asbestos fibers
- 9 Commercial logging operations or purchase of logging equipment for use in primary tropical moist forest
- 10 Production or trade in pharmaceuticals subject to international phase outs or bans
- 11 Production or trade in pesticides/herbicides subject to international phase outs or bans
- 12 Drift net fishing in the marine environment using nets in excess of 2.5 km. in length

- 13 Production or activities involving harmful or exploitative forms of forced labor/harmful child labor
- 14 Production or trade in products containing PCBs **
- 15 Production or trade in ozone depleting substances subject to international phase out
- 16 Production or trade in wood or other forestry products from unmanaged forests
- 17 Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- 18 Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
- 19 Business activities that could cause the land dispute, land loss, the loss of land possession, land use restriction, not allowing for residential enjoyment or other business operations thereon, and business activities that could cause evacuation and involuntary resettlement.
- 20 Any business relating to pornography or prostitution
- 21 Persistent Organic Pollutants (POPs); GHG emission, Carbon (Co2), water pollution and ground water contamination
- 22 Plantation projects that would require the removal of existing non-degraded natural forest
- 23 Cross-border trade of waste, except those authorized by the Basle convention and its underlying regulations
- 24 Business activities involving the production or generation of significant amount of solid and liquid/water waste.
- 25 Business activities that could cause hug explosion, hug dust, smoke, disturbing noise, causing adverse effect the safety and security of daily work, and living of people in the surrounding area.
- 26 Business activities involving the use of high volume of electricity/power, paper or water that could cause interruption to the neighboring community. Business activities that seen overexploitation natural resources.
- 27 Production and distribution or participation to racist, anti-democratic media or media advocating discrimination of one part of a population
- 28 Sector with little linkage effects, high risks and /or subject to speculation, e.g. Real Estate.
- 29 Production or services, which cause recognized and serious damage to the natural environment and are forbidden under the laws of Cambodia for that reason
- 30 Projects involving the construction of large dams that significantly and irreversibly***
- 31 Projects in, impacting, or cause the loss of natural World Heritage Sites such as memorial/ worship/holy site, farmland, village or community.
- 32 Projects in or impacting areas on the United Nations List of National Parks and Protected Areas
- 33 Extraction or infrastructure projects in or impacting: protected area Categories I, II, III, and IV as defined by the International Union for the Conservation of Nature
- 34 Activities that could cause Significant Environmental Harm; that could cause the loss of living thing, loss habitats to the life of rare species and common species. Business activities could cause the rising of unfriendly species, invasion of alien species, epidemic disease/cholera.
- 35 Located in or sufficiently near sensitive locations of national or regional importance to have perceptible environmental impacts.
- 36 Giving or receiving gifts that could be interpreted as intending to influence business decisions.

37	Making political contributions, i.e., to political parties or candidates.
38	Abusing confidential or material, non-public information.
39	Financial or economic crime, including involvement in money laundering.
40	Illegal or deceitful recording and reporting of financial and/or tax information.
41	Business transactions where the price for goods or services is set artificially high or low.
42	Any equipment, sector, or service subject to economic sanctions issued by the United Nations, the European Union or France, without absolute or relative restriction regarding the amount.
43	Illicit trade or activities that facilitate the illicit traffic of cultural property
44	Illicit activities involving organs, tissues and products of the human body, or genetic engineering activities banned by the national bioethical standards of France or of the host country, and by relevant applicable European or international standards.
45	Projects whose purpose and/or approach are inconsistent with human rights, and in the case of private sector financing, projects underpinned by rationales that clearly contradict the United Nations Guiding Principles on Business and Human Rights.
46	All fossil fuel power generation (below 500 tons included).

ENVIRONMENTAL & SOCIAL AWARENESS AND ASSESSMENT

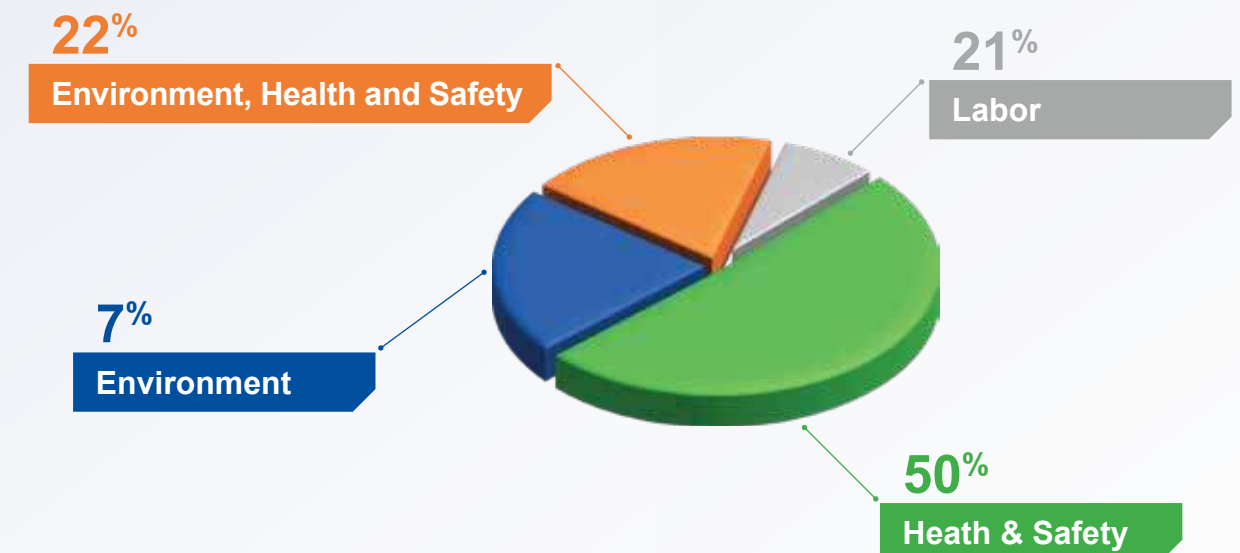
Environmental & social awareness and assessment has been conducted with all loans.

- For any loan lower than USD 30,000, the environmental and social awareness is reflected in discussions with clients on risk areas and eventual suggestions for improvement.
- For Small and Medium Enterprise loans (SME) from USD 30,000 and above, a comprehensive tool is fully integrated into the lending process. A detailed assessment is conducted to evaluate whether the impact is low, medium or high. Then, suggestions will be made to the client for their awareness and improvement. As an ongoing approach, the progress of environmental and social assessment is also monitored.

Environment and Social Assessment	# of Loan	Remarks
Low	84	<ul style="list-style-type: none"> The client's risk management quality is high. The client's risk level is low. Therefore, no action taken is required.
Medium	58	<ul style="list-style-type: none"> The client's risk management quality is ranged from medium to high. The client risk level is ranged from low to medium. Therefore, monitoring should be tracked to observe/monitor the progress of the risks.
High	0	N/A
Total	142	

Environmental Risk Exposure (From Jan to Dec 2023)

Our graph below demonstrates the numbers of risk areas on the assessed loans, whose business types are exposed to different areas of environmental risks such as:



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

In conclusion, LOLC Cambodia customer outreach does not fall in high-risk exposure.

CLIENT RIGHTS



LOLC Cambodia has developed and disclosed the client rights on its website and on a loan plastic folder of our documentation. The clients are clearly informed about their rights before or after loan disbursement. All LOLC clients are offered the rights below:

- Know and understand product terms and conditions and all costs before disbursement.
- Refuse to accept any products.
- Complain or ask questions about any services and products offered by LOLC.
- Receive the loan schedule and other important documents upon (or before) disbursement and official receipts during loan repayment.
- Receive fair and respectful treatment, no discrimination, from LOLC's staff.
- Expect LOLC to keep personal and financial information confidential.

COMPLAINT & RESOLUTION HANDLING MECHANISM



LOLC has established a comprehensive Complaint & Resolution Handling Mechanism to facilitate clients in providing feedback or complaints through various channels, both internal and external. All complaints and feedback received are handled promptly and in compliance with relevant regulations. Clients can submit their complaint or feedback by many available channels:

- Internal channels: Suggestion box, Verbal, Hotline number (023 991 990), Email(info@lolc.com.kh), Website(www.lolc.com.kh), Facebook (LOLC Cambodia).
- External channels: Cambodia Microfinance Association (CMA): 015 365 222 and National Bank of Cambodia (NBC): 023 722 563 / 023 722 221

CREDIT DISCIPLINE VIA A4 METACARD



LOLC always values clients' understanding of terms and conditions before taking the loan. In order to support clients who may have lower education, LOLC provides credit discipline by using visual aid kits such as A4 Metacard to support them for better understanding the terms and conditions, such as product's features, fee charges, cooling off, period, terms, conditions, information in loan agreement, exclusion list, E&S awareness, etc. In addition, the video guideline of using visual aids A4-Metacard is disclosed on LOLC's website.

LOLC CAMBODIA'S COMMITMENT IN RESPONSIBLE LENDING PRACTICES

In line with its commitment to responsible lending practices, LOLC Cambodia actively participates in the Responsible Lending Course is developed by IBF with the support from NBC, ABC and CMA. By December 2023, there were 1,308 staff attending this training program. The course is designed to adhere to a comprehensive regulatory framework that outlines key principles and guidelines for responsible lending within the financial sector. LOLC Cambodia plans to send the remaining staff to join such important course in early 2024.

Through this course, staff gained valuable insights into responsible lending practices to protect consumers from unfair financial behaviors.

All of this reflected LOLC Cambodia's commitment toward being a professional and responsible lending institution.

PARTICIPATED IN UNITED NATIONS GLOBAL COMPACT (UNGC)

UNGC is the world's largest corporate sustainability initiative. A call to companies to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and take actions that advance societal goals. The UNGC aims to enhance the global impact of businesses by upholding its Ten Principles and driving the achievement of Sustainable Development Goals (SDGs) through responsible companies and supportive ecosystems that foster positive change. The Ten Principles¹ are:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

LOLC also participated in the UNGC, which reflects LOLC's commitment to sustainability by advancing sustainable development goals and responsible business practices. Also, LOLC Cambodia can alignment its strategies with the UNGC's universal principles on human rights, labor, environment, and anti-corruption.

¹ <https://unglobalcompact.org/what-is-gc/mission/principles>

COMPLIANCE WITH CLIENT PROTECTION PRINCIPLES



- 2015: First CPP certificate from SMART Campaign, which was assessed by M-CRIL.
- 2018: Check-in review by M-CRIL, resulting in next validity renewal.
- 2022: Gold Level of Client Protection Certificate from Cerise and SPTF, which was assessed by MFR.



In order to ensure that LOLC's products and services do not harm to clients, environment, and social, LOLC commits to comply 8 Client Protection Principles:

Appropriate product design and delivery:

All our products and delivery channels are designed based on the customer's real needs and unique characteristics, ensuring it does not cause them any harm.

Prevention of Over-Indebtedness:

We fully comply with all requirements and instructions from regulators with utmost responsibility to ensure that our clients are not provided with a loan that they cannot afford to repay.

Transparency:

We provide clear and accurate information to all our customers related to costs, terms, and conditions of our products and services in a timely manner so that they can understand and make decisions effectively.

Responsible Pricing:

We set our products' prices fairly, reasonably, and are very competitive in the market, as well as being affordable for our customers, also ensuring our business is sustainable.

Fair and Respectful Treatment of Clients:

We treat our customers with respect and dignity. All of our staff are well educated on diversity and inclusion to avoid discrimination against clients on the basis of race, gender, religion, or other personal characteristics.

Privacy of Client Data:

We protect the privacy of customer information and data. The information will only be used when permitted by law, unless otherwise agreed to by the client.

Complaint & Resolution Handling Mechanism:

We have mechanisms in place to address client complaints as well as any feedback they might have and will always provide resolution and response in a timely and fair manner.

Board of Directors & Management:

The Board of Directors & Management are committed to Client Protection, and HR systems support our implementation.

FINANCIAL EDUCATION AWARENESS



Our financial education awareness potential channels include:



LOLC Cambodia’s past achievements in this area include:

- As of December 2023, a total of 63,007 individuals participated (74% or 46,925 were females) in the **Financial Education Awareness Training**. This training program attracted various demographics, including clients, villagers, university students, and children. However, due to the Covid-19 pandemic from 2019 to 2022, in-class training sessions were postponed.

In 2023, in-class training resumed for communities with a total of 237 courses attended by 4,218 participants (79% or 3,332 were females). Additionally, university students participated in four separate courses with a total enrollment of 210 students (74% or 155 were females).

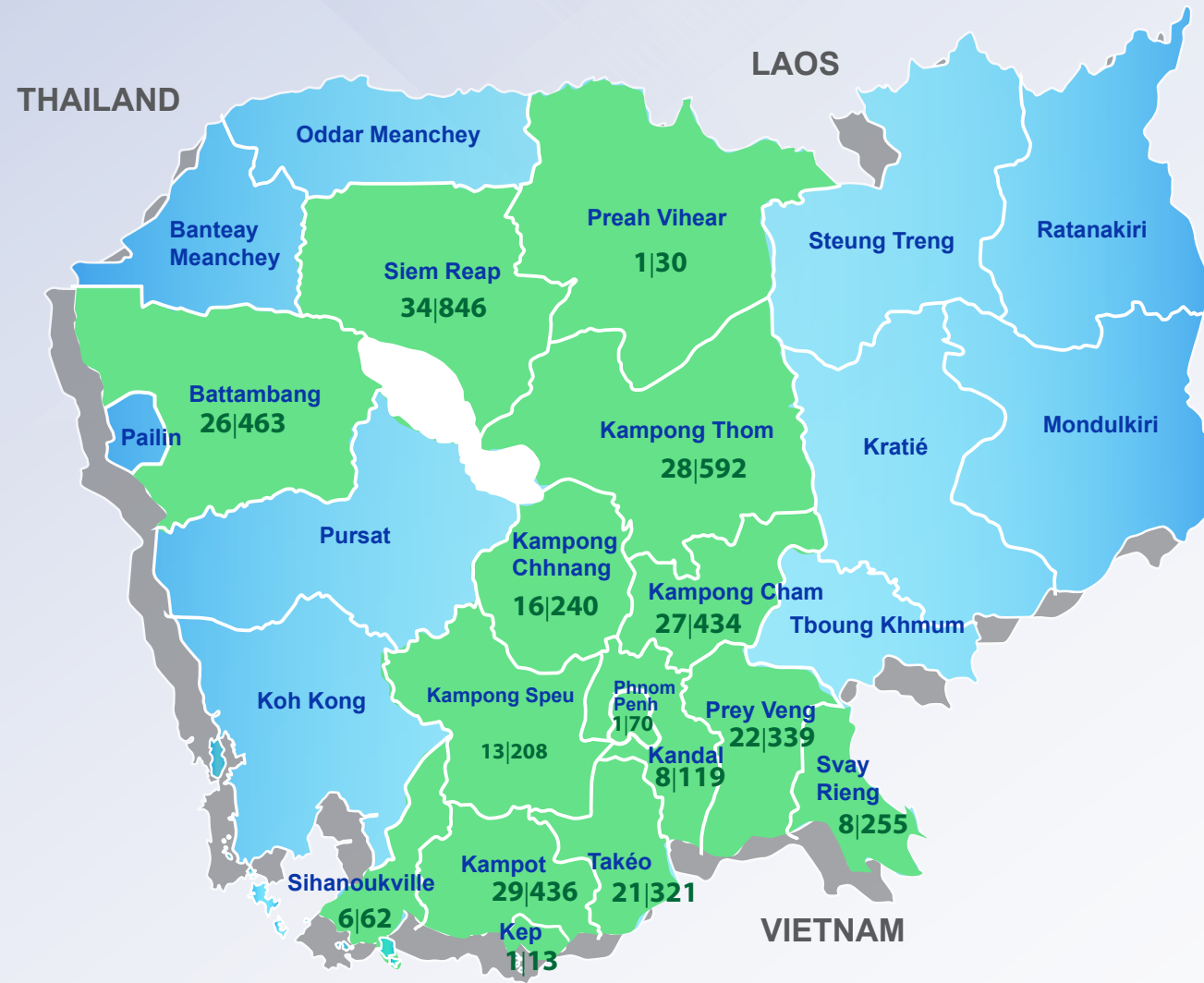
- Financial Education Awareness Videos** are produced to provide a financial literacy message to the public/clients. As of December 2023, 28 short videos have been produced and 26 videos have been posted on popular media channels and LOLC Facebook Page. As a result, the total number of views of the 26 videos reached 16.22 million.
- LOLC has developed numerous **Financial Education Awareness Messages** that were shared on its website and Facebook platform to enhance the financial literacy awareness of its clients and the general public through digital means.



Financial Education Awareness Training Modules:



Financial Education Awareness Training Achievement:



Note:

AA | BB : AA: #Training Courses | BB: #Participants

■ : Achievement in 2023

■ : Plan for 2024



CORPORATE SOCIAL RESPONSIBILITY (CSR) AND OTHER SOCIAL ACTIVITIES



Community Events: This is a part of LOLC's contribution to society, and some of LOLC's branches are selected and required to conduct this community event. For 2023, the branches participated in those activities, including:

- Bench installation, tree planting, school activities, and donated bins, and solar lights to communities, schools, pagodas and other public places;
- Provided study materials and donated some books to keep in libraries in order to support student study.
- Donated foodstuff to clients and flood victims.



Other Social Activities: LOLC's social outreach demonstrates its commitment to contribute to positive social and environmental impacts through its employees, clients, and communities. Those activities are described below.

- Signed an agreement with Ecobatt-Energy Cambodia to collaborate in collecting waste of electrical and electronic equipment that adversely affects the environment and human health, the agreement focuses on two main activities:
 - Collecting batteries from staff and clients through battery recycle bin in which is placed at the Operating Office of LOLC (Cambodia).
 - Collecting waste of electrical and electronic equipment (telephones, computers, air conditioners, printers, cameras, batteries, etc.) in contribution to Eco-Batt Energy Cambodia for recycling and waste separation.
- Donate bicycles and study materials for students to promote education sector in Cambodia and encourage students to study harder.
- Educated One Village One Product Project beneficiaries on "How to Get the Right Financial Services" in some provinces.
- Contributed to social work by delivering anti-drug campaign leaflets and other promotional materials to the General Secretariat of the National Authority for Combating Drugs (NACD) to disseminate drug-related awareness to the public.



ENVIRONMENTAL FOOTPRINTS



Our internal policy for environmental footprints is one thing. Our eco-friendly financial products make for another forward-thinking approach to our clients.

In order to establish baselines for the measurement of LOLC Cambodia’s efforts to reduce our environmental impact, LOLC Cambodia has started a tracking system for resource usage such as electricity, water, gasoline, and diesel. The results were found under their respective headings below and will be used as benchmarks for our future performance.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Total Staff	3,605	3,592	3,586	3,586
1. Electricity (Kwh)	550,039	610,990	684,729	659,648
Electricity (Kwh) Per staff	152.59	170.10	190.96	183.93
2. Water (m3)	16,809	16,785	17,927	14,451
Water (m3) Per staff	4.66	4.67	5.00	4.03
3. Gasoline (Liter)	122,580	103,223	101,301	94,874
Gasoline (Liter) Per staff	34.01	28.74	28.25	26.45
4. Diesel (Liter)	7,647	7,871	9,551	6,815
Diesel (Liter) Per staff	2.12	2.19	2.66	1.90
5. Paper	13,140	7,780	9,577	9,137
A4 Paper (package) per client	0.74	0.68	0.61	0.71

As an eco-conscious MDI, LOLC Cambodia has made efforts in minimizing our environmental impact, especially through efficient usage of energy (necessary power), from quarter to quarter.



ENVIRONMENTAL AND SOCIAL PRODUCTS



Green Lending

Currently, LOLC Cambodia is offering Green Lending in both leasing and loans through its existing products such as Financial Leasing (FL), Life Improvement Loan (LIL) and Life Improvement Loan Asset-Backed (LILAB).

The impact of Green Lending on CO2 emissions and energy saved is measured with technical support and tools from the Global Climate Partnership Fund (GCPF) through ResponsAbility. As of December 2023, 1.9 thousand clients are using LOLC Cambodia loan products to buy green products, amounting to a portfolio of USD 5.5 million. Apparently, LOLC Cambodia has contributed to decreasing CO2 emissions by 10,137 tCO2 through these loan products. Moreover, LOLC Cambodia was chosen as the outstanding MFI in providing Green Lending in 2021.

WASH Individual Loan

LOLC Cambodia has served clients with WASH Individual Loan product since 2016. The WASH Individual Loan helps clients to improve water access, sanitation, and hygiene in their communities. Our targets are those in good standing with LOLC Cambodia, who want to build or renovate latrines or wells, dig ponds, store water, or buy water filters, etc. As of December 2023, 4.9 thousand clients are using WASH Individual Loan product, with a gross loan portfolio of USD 7.2 million.

Home Improvement Loan and Housing Loan

Since 2016, LOLC Cambodia has also offered the Home Improvement Loan (HIL) to those clients who need to have their existing houses fixed or renovated. In 2019, LOLC Cambodia developed a new convenient product called Housing Loan (HL) for the clients who need to build or buy a new house. As of December 2023, LOLC Cambodia is offering such HIL and HL loans to 9.3 thousand clients, at its USD 56.7 million gross loan portfolio.



Before



After



Before

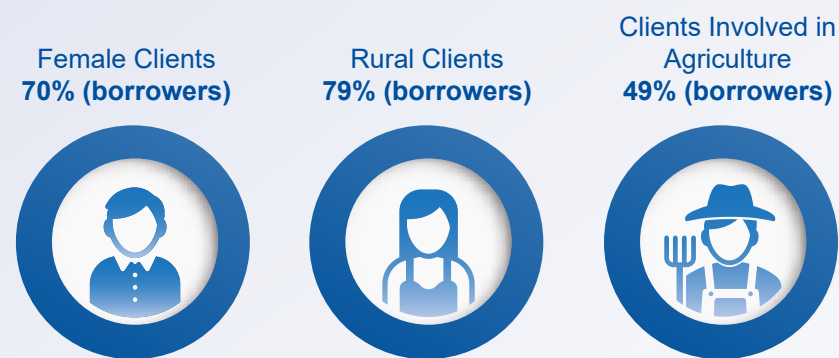


After

SOCIAL OUTREACH

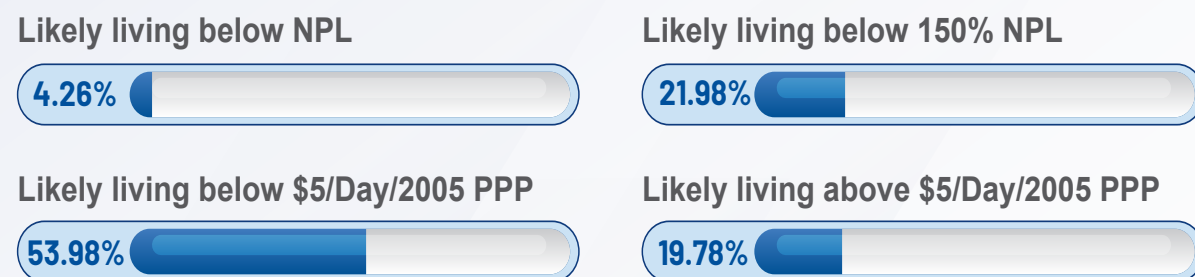


When it comes to our social outreach, we have achieved the following results:



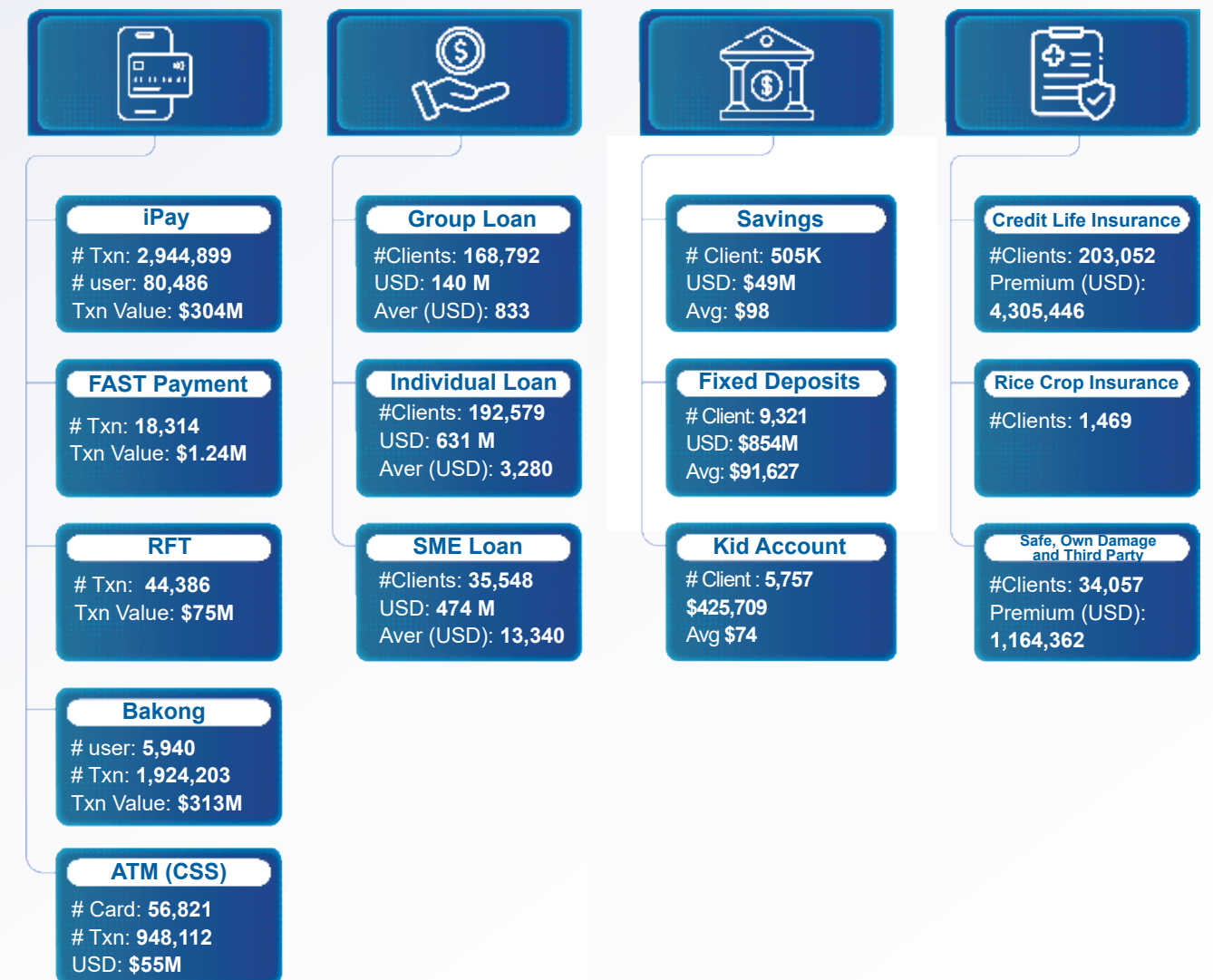
Poverty Probability Index (PPI)

LOLC Cambodia uses the Poverty Probability Index (PPI) tool to measure poverty outreach to clients and ensure that appropriate products are extended to the right clients. Moreover, in 2023, a survey with the sample size of 384 clients was conducted by using the PPI tool, and LOLC Cambodia was able to determine that clients are spread across the four categories as below:



Financial Inclusion

LOLC Cambodia offers its clients many types of financial products and services, such as credit products, deposit products, payment services, mobile banking, and insurance, all of which are affordable and meet our clients' needs and repayment capacity – delivered in a responsible and sustainable way without discrimination.



GOVERNANCE



Business Ethics:

These testify to LOLC Cambodia's well-developed code of conduct and rigorous implementation by its staff. An employee's conduct both within and outside the workplace will affect LOLC Cambodia's professionalism and reputation. Therefore, all employees must strictly abide by LOLC Cambodia's code of conduct. In addition, LOLC Cambodia has always complied with the lending guideline principles.

Independent Directors:

LOLC Cambodia fully complies with the requirements of regulators by having 2/5 of directors serving as independent directors. Moreover, their main tasks have been maintained to ensure transparency and accuracy of our financial practices and sound code of conduct at the BoD and management level.



LOLC CAMBODIA IMPACT ASSESSMENT



End Client Self-Perception Survey by OikoCredit

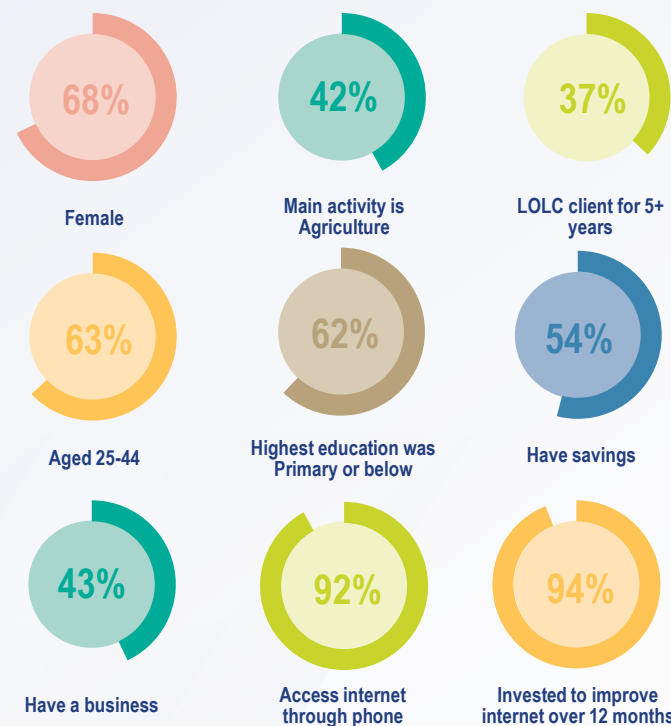
Methodology

In May 2023, LOLC collaborated in the Client Self-Perception Programme with Oikocredit for the second consecutive year. LOLC asked 760 respondents about the financial and non-financial changes that happened in their lives between May 2022 and May 2023.

The survey targeted clients from 8 branches across 4 main regions of LOLC activity: Coastal; Plain; Plateau and Mountain; Tonle Sap. At an overall level, results are representative of LOLC clients to the standard of 95% Confidence and 5% Margin of Error. Respondents were selected according to their regions but also according to the LOLC products they have received and according to their number of loan cycles with LOLC (respondents with 2 or more loan cycles were selected to participate).

Survey responses were collected by telephone call and were later validated by LOLC's Research Unit. The average duration time for each interview was 15 minutes.

Demographics of respondent

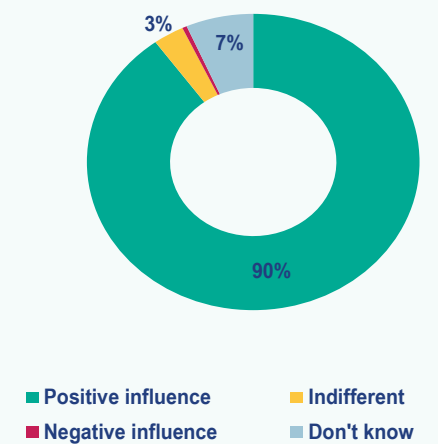


Customer Experience

684 respondents (90%) said LOLC had a positive influence on their wellbeing over 12 months. This suggests a sustained positive influence of LOLC towards their clients, especially when compared to the 2022 survey when, among 598 clients, 91% said LOLC had positive influenced their wellbeing.

The report revealed a remarkable 90% of respondents expressing their satisfaction with LOLC's contribution to their enhanced wellbeing over the preceding 12 months.

Influence of LOLC on wellbeing over the last 12 months. (n=759)



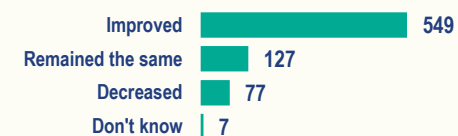
Income

549 (72% of total) respondents said their income increased between May 2022 and May 2023. This result indicates an improved situation compared to the 2022 survey, when only 38% of respondents increased their income over 12 months.

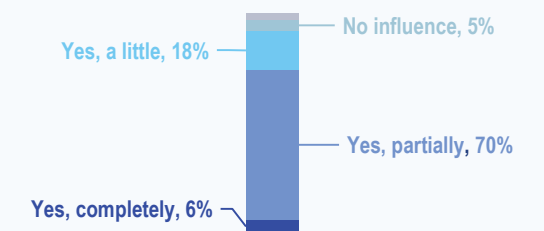
Among 549 respondents that reported an increase in income, 94% said that LOLC had some influence in generating this income increase.

Among 549 respondents that increased income, the most common explanation was that respondents "increased sales of existing products and services" offered by their business (37%) and due to an "increase in salary from an existing job" (24%).

Income change over 12 months



When income increased, was this due to LOLC? (n=549)



While most respondents reported an income increase, 90% of total respondents also confirmed that their income was enough to meet their basic needs over the last 12 months.

60% of total respondents reported that climate events had affected their income over 12 months. This was relatively higher particularly among respondents from Kamrieng (91%), Samlot (83%), Prey Kabbas (78%) and Me Sang (74%).

One of the most striking observations was the substantial increase in income over the past 12 months reported by 72% of clients. Remarkably, 94% of these individuals attributed this growth to LOLC's unwavering support and tailored financial solutions.

Business development

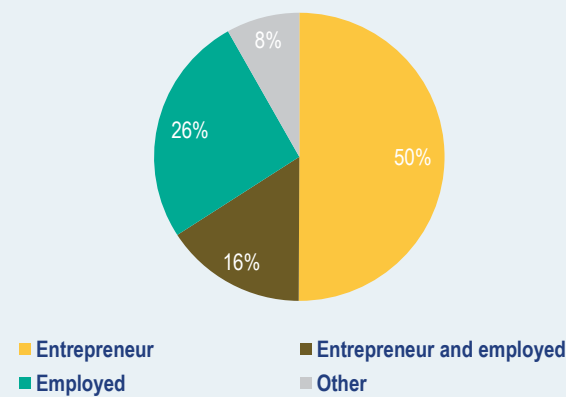
500 respondents (66% of the total) said they are entrepreneurs – either independently or in addition to having paid employment.

323 respondents (43% of the total) said they have a business.

Over 12 months, these 323 respondents expanded their business:

- 63% added a new product or service to their business.
- 47% bought new equipment/machinery for their business.
- 10% employed someone new in their business.
- 74% increased sales in their business.

Respondent source of income (n=759)



We are pleased to see that over 12 months, 64% of 500 clients who are entrepreneurs are able to expand their business whether add new products and services, investing in machinery and equipment, create more jobs, and increased their sales.

Savings

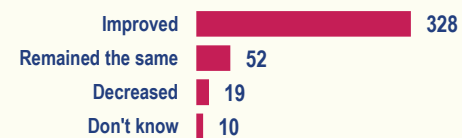
409 respondents (54% of total) said they have savings.

Among 409 respondents with savings, 80% said their savings increased over 12 months. This shows an improvement compared to 2022 when 45% of respondents with savings said their savings increased over 12 months.

Moreover, among the 409 respondents with savings, 52% said they could support themselves for more than 6 months using only those savings.

The report indicated that among clients who have savings, 80% of them with savings experienced have expanded in their savings amount over the past year. This remarkable feat underscores LOLC's ability to instill financial discipline and cultivate long-term financial stability among its clients.

Savings change over 12 months (54% have savings)

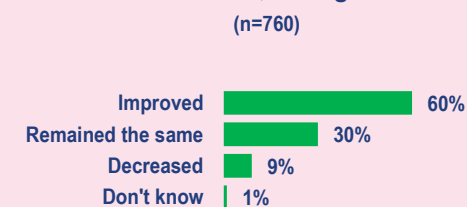


Ability to meet health needs

459 respondents (60% of total) said their household ability to cope with health needs and emergencies improved over 12 months. This result shows improvement compared to LOLC's results in 2022, when a smaller proportion of 38% said these abilities improved.

Among 66 respondents who decreased their ability to cope with health needs and emergencies in the last 12 months, 89% said this was due to a "lack of funds to cover health needs".

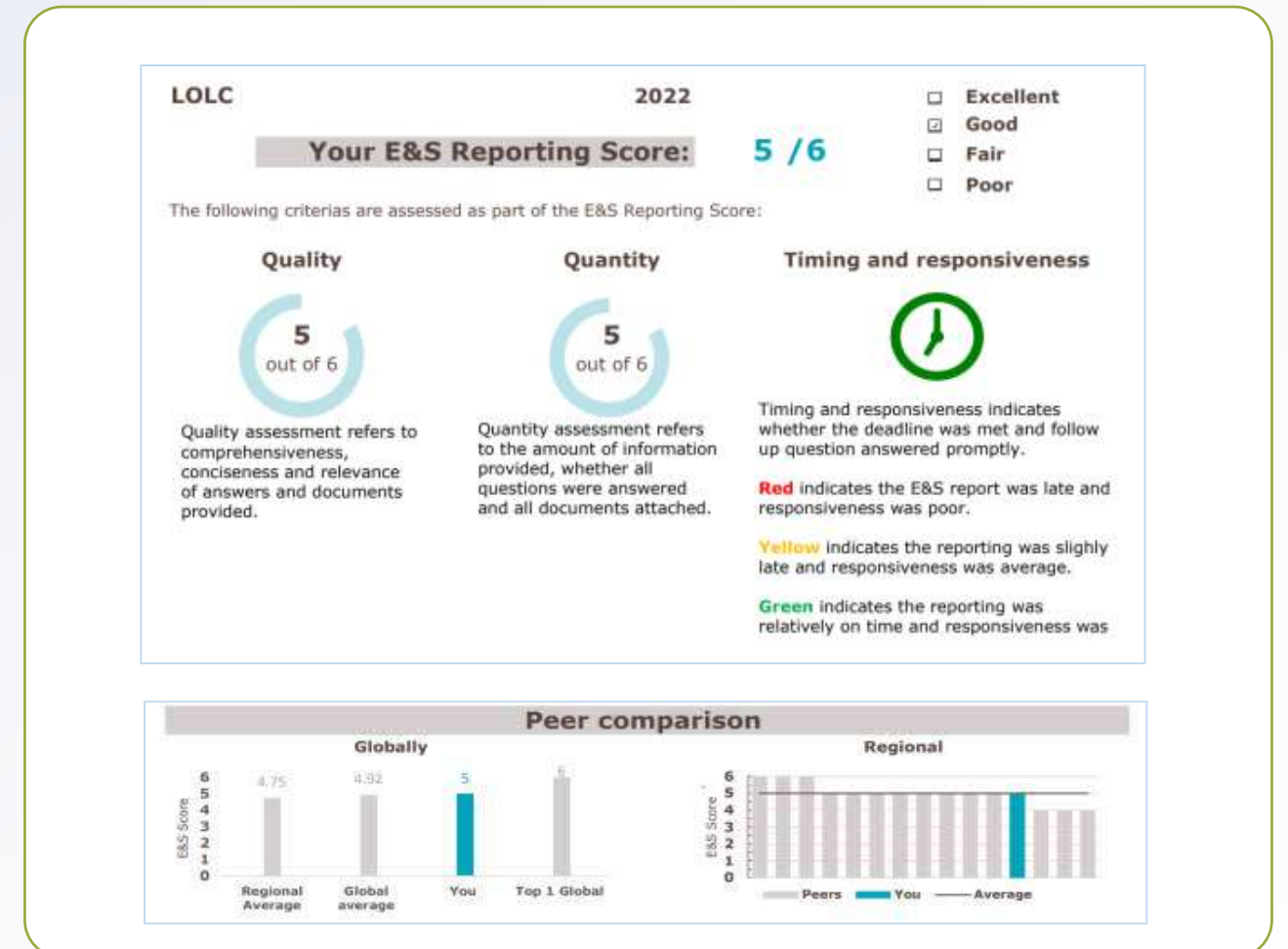
Change in household ability to cope with health needs, emergencies (n=760)



Over the past 12-month period, 90% of clients said that their household ability is likely to cope with health needs and emergencies, while 60% of clients mention "Improved".

Environmental & Social (E&S) Reporting Scorecard by responsibility

With strong commitment from LOLC Cambodia in providing sufficient information with quality and timely reported of E&S reporting to our partner (Global Climate Partnership Fund - GCPF), LOLC Cambodia received the recognition as below result:



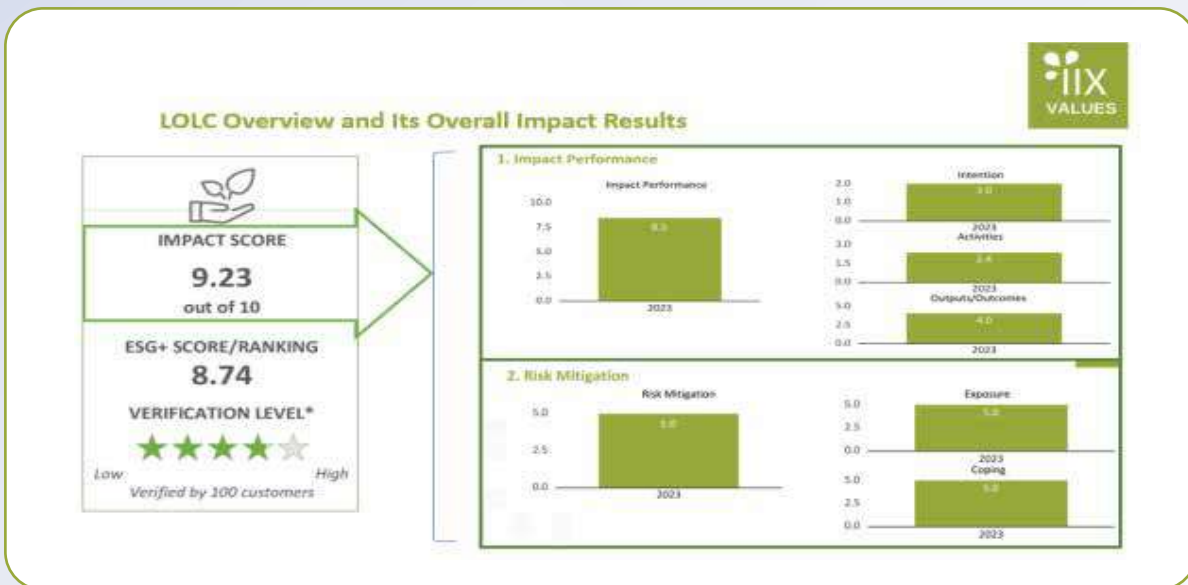
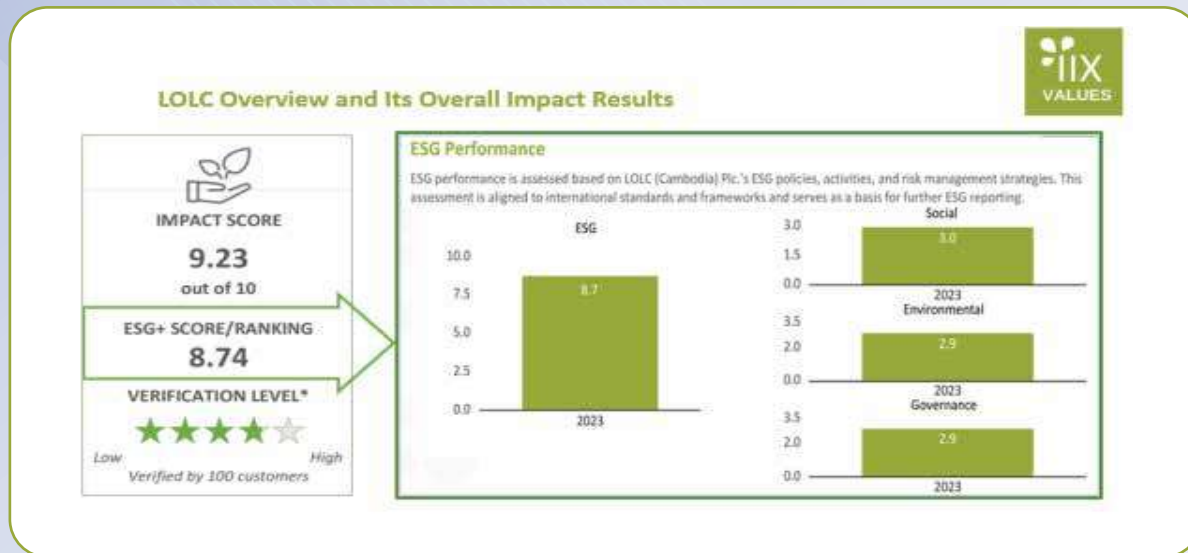
Impact Report by Impact Investment Exchange (IIX)

With support from IIX, LOLC conducted an impact survey on IIX's platform to generate the impact annually. To generate this impact analysis, the verification is to be completed online, where there are two surveys - one to be completed by the management of the company, and another short survey to be completed by 100 women beneficiaries of the company.

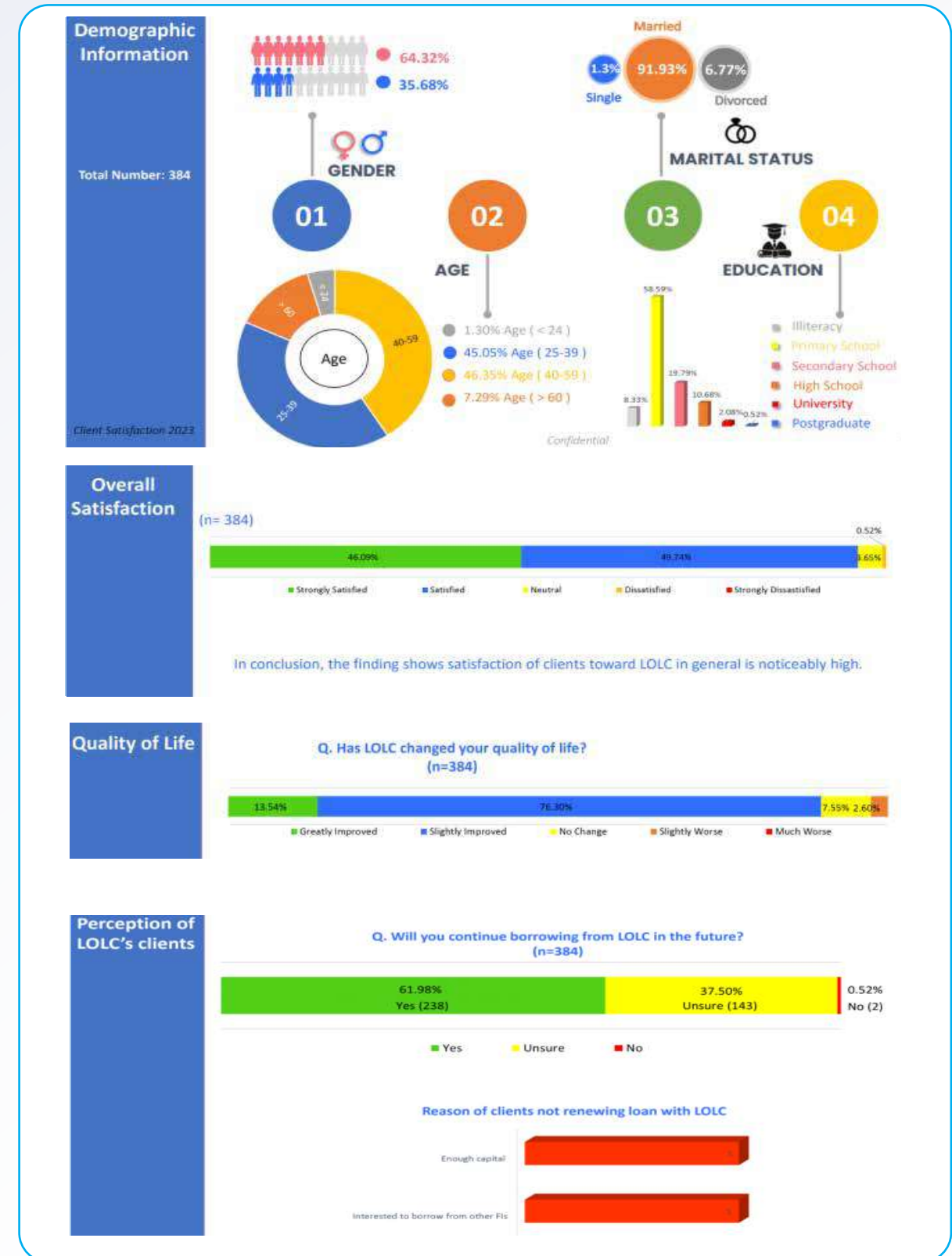
The findings from these surveys will generate an impact report on LOLC, which you may use internally/externally as required by LOLC Cambodia. Below is the result of the survey.

CLIENT SATISFACTION SURVEY

LOLC always conducts the client satisfaction survey annually in order to see the level of client satisfaction after using its products and services. It also determines clients' satisfaction level on products and services, finds out loopholes for improvement on products and services, explores feedback from clients, analyzes clients' complaints on products and services, and retains clients by innovating new products and services. Therefore, evaluating customer satisfaction has become increasingly popular and below is the demographic information and result of the survey in 2023:



- General Impact Observation**
- ❖ **Direct Impact to Customers**
 - LOLC has achieved the following impacts for its customers including:
 - Able to buy more/ better food for themselves
 - Experienced improvements in their health
 - Increased skills and knowledge
 - Income of beneficiaries has increased
 - Feel safer to travel alone
 - Experienced fewer accidents or safety incidents
 - Better relationships with the people around them
 - Access to more information
 - More confident
 - More time to do other (recreational) activities
 - Able to think beyond their immediate needs
 - ❖ **Extended Impact to Families/Communities**
 - LOLC has created the extended impacts to customers' families and communities as well including:
 - Children are able to eat more/better food
 - Family/ community members feel safer to travel alone
 - Family/ community members are able to access more information
 - Family/ community members have improved water sources and sanitation
 - Family/ community members have experienced fewer accidents or safety incidents
 - Family/ community member experienced improvements in their health
 - Children are going to school
 - Daughters are going to school and have more time to study



CLIENT SUCCESS STORIES



Mr. Leang Lay, an agricultural fertilizer and grocery sellers, located in Daun Meas 3 Village, Srechar Commune, Snoul District, Kratie Province expressed his gratitude to LOLC that “I am very grateful to the LOLC loans that has changed my living progressively up to now.”



“After using LOLC loans, my family’s life has improved by productive crop, and especially I have become a trader in buying and selling cattle as well.” **Ms. San Phan**, a cattle trader, growing pepper, and rubber plantation who lives in Chi Pen Village, Sre Char Commune, Angsnoul District, Kratie Province said.

Mrs. Kong Thida has a business of making spirit house (Prah Phum) in O’ambel Village, O’ambel Commune, Serey Sophorn District, Banteay Meanchey Province described the changes since accessing LOLC loan in 2016. “Thanks to LOLC, I have enough capital to expanse my business, and enough money for my children to go to school,”



05. FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2023

STATEMENT BY BOARD OF DIRECTORS (130)

INDEPENDENT AUDITOR'S REPORT (134)

FINANCIAL STATEMENTS (137)



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 Chrisantha 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 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:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- 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;
- maintain adequate accounting records and an effective system of internal controls;
- 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
- 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 Chrisantha 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))
ASSETS					
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
TOTAL ASSETS		6,404,595,771	6,075,306,855	1,567,832,502	1,475,663,556
LIABILITIES AND EQUITY					
LIABILITIES					
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
TOTAL LIABILITIES		4,949,537,324	4,880,237,428	1,211,637,044	1,185,386,795
EQUITY					
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)
TOTAL EQUITY		1,455,058,447	1,195,069,427	356,195,458	290,276,761
TOTAL LIABILITIES AND EQUITY		6,404,595,771	6,075,306,855	1,567,832,502	1,475,663,556

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\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Interest income	25	891,105,944	864,653,123	216,814,098	211,561,811
Interest expense	25	(354,216,437)	(306,307,880)	(86,184,048)	(74,946,875)
Net interest income		536,889,507	558,345,243	130,630,050	136,614,936
Fee and commission income	26	22,222,917	27,072,105	5,407,036	6,623,955
Fee and commission expense	26	(832,034)	(898,943)	(202,441)	(219,952)
Net fee and commission income		21,390,883	26,173,162	5,204,595	6,404,003
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		(29,849,686)	(5,091,311)	(7,262,697)	(1,245,733)
Net other operating loss		(1,685,388)	(72,036,065)	(410,069)	(17,625,658)
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	(54,831,042)	(54,918,223)	(13,340,886)	(13,437,295)
Profit before income tax		339,091,115	300,965,785	82,503,922	73,639,781
Income tax expense	31	(69,005,113)	(61,078,176)	(16,789,565)	(14,944,501)
Profit for the year		270,086,002	239,887,609	65,714,357	58,695,280
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)
Total comprehensive income for the year		270,086,002	239,887,609	68,390,418	55,818,779
Profit attributable to:					
Owners of the Company		270,086,002	239,887,609	65,714,357	58,695,280
Total comprehensive income attributable to:					
Owners of the Company		270,086,002	239,887,609	68,390,418	55,818,779

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))
Balance at 1 January 2022	224,377,400	350,389,302	380,415,116	-	-	-	955,181,818	55,460,850	86,241,545	93,768,951	-	-	(1,013,364)	234,457,982
Profit for the 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)
Total comprehensive income for the year	-	239,887,609	-	-	-	-	239,887,609	-	58,695,280	-	-	-	(2,876,501)	55,818,779
Balance at 31 December 2022	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
Balance at 1 January 2023	224,377,400	590,276,911	380,415,116	-	-	-	1,195,069,427	55,460,850	144,936,825	93,768,951	-	-	(3,889,865)	290,276,761
Profit for the 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
Total comprehensive income for the year	-	270,086,002	-	-	-	-	270,086,002	-	65,714,357	-	-	-	2,676,061	68,390,418
Transactions with owners in their capacity as owners:														
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)
Total transactions with owners	200,000,000	(237,159,663)	-	-	-	-	(37,159,663)	48,508,368	(57,602,352)	-	-	-	-	(9,093,984)
Balance at 31 December 2023	424,377,400	623,203,250	380,415,116	-	-	-	1,455,058,447	103,969,218	153,048,850	93,768,951	-	-	(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))
Cash flows from operating activities					
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)
Net cash generated from operating activities		725,100,041	103,007,553	176,423,369	25,203,708
Cash flows from investing activities					
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
Net cash used in investing activities		(12,000,233)	(6,256,272)	(2,919,764)	(1,530,774)
Cash flows from financing activities					
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)
Net cash (used in)/generated from financing activities		(452,955,718)	85,072,545	(110,208,205)	20,815,402
Net increase in cash and cash equivalents		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)
Cash and cash equivalents at end of the year	32	932,327,813	672,183,723	228,232,023	163,270,275

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:

	Years
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 enacted 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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
<i>Current:</i>				
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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4 (iii))	2022 US\$ (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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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	<u>33,588,984</u>	<u>28,609,371</u>	<u>8,222,517</u>	<u>6,949,082</u>
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	<u>(88,842,187)</u>	<u>(151,968,151)</u>	<u>(21,748,393)</u>	<u>(36,912,351)</u>
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)	<u>59,623,641</u>	<u>83,810,681</u>	<u>14,595,750</u>	<u>20,357,221</u>
	<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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255

(f) By relationship

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

(g) By residency

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Residents	5,091,981,563	5,158,692,624	1,246,507,114	1,253,022,255
Non-residents	-	-	-	-
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)****(h) By security**

	31 December		31 December	
	2023 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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	<u>6.78% – 18.00%</u>	<u>8.30% - 18.00%</u>

9. Statutory deposits with the National Bank of Cambodia

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

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\$ (Note 2.4 (iii))
Cost						
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
Less: Accumulated depreciation						
At 1 January	3,986,758	11,921,287	12,745,490	1,421,006	30,074,541	7,304,965
Depreciation for the 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
Carrying amounts						
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\$ (Note 2.4 (iii))
Cost						
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	4,705,627	13,905,072	15,942,656	2,366,310	36,919,665	8,967,614
Less: Accumulated depreciation						
At 1 January	3,600,771	12,384,608	11,422,902	1,159,096	28,567,377	7,012,120
Depreciation for the 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	3,986,758	11,921,287	12,745,490	1,421,006	30,074,541	7,304,965
Carrying amounts						
At 1 January	692,896	1,765,735	3,138,165	811,965	6,408,761	1,573,088
At 31 December	718,869	1,983,785	3,197,166	945,304	6,845,124	1,662,649

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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (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\$ (Note 2.4(iii))	US\$ (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	Work in progress	Total	
	KHR'000	KHR'000	KHR'000	US\$ (Note 2.4(iii))
Cost				
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>
Less: Accumulated amortisation				
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>
Carrying amounts				
At 1 January	<u>7,973,910</u>	<u>316,425</u>	<u>8,290,335</u>	<u>2,013,683</u>
At 31 December	<u>6,098,265</u>	<u>1,719,829</u>	<u>7,818,094</u>	<u>1,913,854</u>
2022				
Cost				
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>
Less: Accumulated amortisation				
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>
Carrying amounts				
At 1 January	<u>8,974,206</u>	<u>1,627,825</u>	<u>10,602,031</u>	<u>2,602,364</u>
At 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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 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	(10,383,799)	(768,386)	227,988	14,203	59,676	1,593,479	(9,256,839)
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 (Note 2.4(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	8,167,398	3,996,239	222,659	67,544	(272,841)	664,236	12,845,235
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 (Note 2.4(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	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(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	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(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	<u>5.00% - 7.90%</u>	<u>4.00% - 6.25%</u>

16. Deposits from customers

	31 December		31 December	
	2023	2022	2023	2022
	KHR'000	KHR'000	US\$	US\$
			(Note 2.4(iii))	(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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Current	3,168,407,625	2,845,931,679	775,619,982	691,263,463
Non-current	330,520,950	190,565,076	80,910,881	46,287,364
	<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	2.90% - 9.40%	2.90% - 10.0%

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
Shareholders:						
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
Transfer from retained earnings	200,000,000	-	48,508,368	-
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
At 31 December 2023			
Allowance per NBC	6,784,431	110,248,411	117,032,842
Less: Allowances per CIFRS 9	(6,252,615)	(88,842,187)	(95,094,802)
Regulatory reserve (A)			21,938,040
At 31 December 2022			
Allowance per NBC	3,749,889	122,871,049	126,620,938
Less: Allowances per CIFRS 9	(3,038,491)	(151,968,151)	(155,006,642)
Regulatory reserve (B)			-
Transfer from retained earnings to regulatory reserves (A - B)			<u>21,938,040</u>
In US\$ equivalent (Note 2.4(iii))			<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	3,285,449	499,271	799,379	122,161
	<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	11,708,809	11,144,062	2,848,859	2,726,709
	<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	3,497,167	2,696,827	850,893	659,855
	<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		339,091,115		300,965,785	82,503,922	73,639,781
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	20.35	69,005,113	20.29	61,078,176	16,789,565	14,944,501

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)	202,222,014	52,974,542	49,503,553	12,867,268
	<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
Adjustments for:				
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)
Changes in working capital:				
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
Net debt as at 1 January 2023	(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
Net debt as at 31 December 2023	<u>(884,096,100)</u>	<u>(27,481,666)</u>	<u>(253,753,175)</u>	<u>-</u>	<u>(1,165,330,941)</u>	<u>932,327,813</u>	<u>(233,003,128)</u>
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)
Net debt as at 1 January 2022	(1,152,112,820)	(25,228,428)	(252,600,043)	(81,741,175)	(1,511,682,466)	490,359,897	(1,021,322,569)
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
Net debt as at 31 December 2022	<u>(1,269,650,543)</u>	<u>(26,341,727)</u>	<u>(314,179,268)</u>	<u>-</u>	<u>(1,610,171,538)</u>	<u>672,183,723</u>	<u>(937,987,815)</u>
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	2022	2023	2022
	KHR'000	KHR'000	US\$ (Note 2.4(iii))	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	2022	2023	2022
	KHR'000	KHR'000	US\$ (Note 2.4(iii))	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	2022	2023	2022
	KHR'000	KHR'000	US\$ (Note 2.4(iii))	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))
Financial assets				
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	61,275	61,755	15,000	15,000
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>
Financial liabilities				
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
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)
Total	88,842,188	119,486,745	(30,644,557)

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))
Group loan				
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)
Individual loan				
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)
Life improvement loan asset backed				
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)
Home improvement loan				
Variation added to MEVs	(24,592)	375,929	(6,020)	91,311
Variation deducted from MEVs	21,692	(494,960)	5,310	(120,223)
Seasonal loan				
Variation added to MEVs	864,181	(1,321)	211,550	(321)
Variation deducted from MEVs	783,291	247	191,748	60
SME loan				
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)
Staff loan				
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:

Credit quality	Description
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)**

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
Loans and advances at amortised cost								
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	
Gross carrying amount	4,921,687,690	50,381,792	119,912,081	5,091,981,563	4,948,939,886	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)	(151,968,151)	
Net carrying amount	4,898,240,415	44,610,521	60,288,440	5,003,139,376	4,890,995,825	52,101,359	5,006,724,473	
In US\$ equivalent ((Note 2.4(iii)))	1,199,079,661	10,920,568	14,758,492	1,224,758,721	1,187,999,957	12,655,177	1,216,109,904	

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			
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January	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	23,447,275	5,771,271	59,623,641	88,842,187
In US\$ equivalent (Note 2.4(iii))	5,739,847	1,412,796	14,595,750	21,748,393

(*) 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			
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January	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			
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January	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			
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January	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	4,948,939,886	73,840,698	135,912,040	5,158,692,624
In US\$ equivalent (Note 2.4(iii))	1,202,074,299	17,935,559	33,012,397	1,253,022,255

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**

	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

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.

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
As at 31 December 2023				
Financial assets				
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
Total financial assets	1,832,809,373	3,943,863,113	162,785,957	5,939,458,443
Financial liabilities				
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
Total financial liabilities	512,307,602	4,299,324,104	50,318,571	4,861,950,277
Net on-balance sheet position	1,320,501,771	(355,460,991)	112,467,386	1,077,508,166
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
As at 31 December 2022				
Financial assets				
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
Total financial assets	1,741,980,524	3,696,889,994	246,259,466	5,685,129,984
Financial liabilities				
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
Total financial liabilities	541,588,088	4,044,245,742	186,196,618	4,772,030,448
Net on-balance sheet position	1,200,392,436	(347,355,748)	60,062,848	913,099,536
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\$
2023				
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	-
2022				
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.

	As at 31 December 2023					Non-interest rate sensitive KHR'000	Total 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		
Financial assets							
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
Total financial assets	321,475,817	69,796,103	194,814,329	2,730,692,162	2,044,940,975	577,739,057	5,939,458,443

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)

As at 31 December 2023	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
Financial liabilities							
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
Total financial liabilities	477,660,530	676,254,849	2,488,828,666	1,197,449,556	17,641,777	4,114,899	4,861,950,277
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

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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)

As at 31 December 2022	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
Financial assets							
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
Total financial assets	310,268,355	76,370,549	145,587,255	2,972,906,880	1,854,622,483	325,374,462	5,685,129,984
Financial liabilities							
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	35,658,696	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
Total financial liabilities	484,230,428	641,729,424	2,136,424,594	1,421,682,609	84,561,890	3,401,503	4,772,030,448
Net interest repricing gap	(173,962,073)	(565,358,875)	(1,990,837,339)	1,551,224,271	1,770,060,593	321,972,959	913,099,536
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.

2022	Impact on post	Impact on other	Impact on post	Impact on other
	tax profit	component of	tax profit	component of
	KHR'000	equity	US\$	equity
		KHR'000		US\$
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
Financial assets								
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	134,192,224	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	238,495,030	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	4,734,631	4,734,631	-	-	377,323	294,120	5,406,074
Total financial assets by remaining contractual maturities	5,939,458,443	8,171,360,816	1,169,461,357	348,689,982	1,430,354,508	4,400,192,057	822,662,912	8,171,360,816
Financial liabilities								
Deposits from banks and other financial institutions	193,575,862	23,912,558	23,912,558	82,733,547	91,167,790	-	-	197,813,895
Deposits from customers	3,498,928,575	459,118,939	459,118,939	564,364,362	2,287,966,621	363,332,763	1,739,023	3,676,521,708
Borrowings	884,096,100	16,947,541	16,947,541	99,713,551	339,784,287	503,870,980	-	960,316,359
Subordinated debts	253,753,175	-	-	7,626,314	86,860,007	210,100,860	-	304,587,181
Lease liabilities	27,481,666	651,663	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
Total financial liabilities by remaining contractual maturities	4,861,950,277	5,176,948,993	504,745,600	755,773,981	2,811,436,576	1,098,713,408	6,279,428	5,176,948,993
Net liquidity (gap)/surplus	1,077,508,166	2,994,411,823	664,715,757	(407,083,999)	(1,381,082,068)	3,301,478,649	816,383,484	2,994,411,823
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
Financial assets								
Cash on hand	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
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
Total financial assets by remaining contractual maturities	5,685,129,984	7,849,321,083	929,687,728	380,150,628	1,540,737,970	4,393,047,466	605,697,291	7,849,321,083
Financial liabilities								
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	1,289,650,543	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
Total financial liabilities by remaining contractual maturities	4,772,030,448	5,117,079,098	490,236,120	731,908,979	2,480,949,675	1,393,524,290	20,460,034	5,117,079,098
Net liquidity (gap)/surplus	913,099,536	2,732,241,985	439,451,608	(351,758,351)	(940,211,705)	2,999,523,176	585,237,257	2,732,241,985
In US\$ equivalent (Note 2.4(ii))	221,787,597	663,648,770	106,740,736	(65,440,454)	(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.

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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
As at 31 December 2023				
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	61,275	61,275
Total financial assets	-	-	61,275	61,275
In US\$ equivalent (Note 2.4(iii))	-	-	15,000	15,000
As at 31 December 2022				
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	61,755	61,755
Total financial assets	-	-	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 KHR'000	2022 KHR'000	2023 US\$ (Note 2.4(iii))	2022 US\$ (Note 2.4(iii))
Tier I capital				
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>
Tier II complementary capital				
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>
Total Capital Tier I + Tier II	<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.



Ideas for Growth

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