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LOLC (Cambodia) Plc.

គំនិតគឺជាគន្លឹះ Ideas for Growth

ANNUAL REPORT 2022



TABLE OF CONTENTS

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

CHAIRMAN'S MESSAGE

CEO'S REPORT

01

ABOUT LOLC CAMBODIA

- ◆ Cambodia at a Glance (20)
- ◆ LOLC Cambodia at a Glance (22)
- ◆ Certifications and Awards (29)
- ◆ Lenders and Partners (32)

02

BUSINESS REVIEW

- ◆ Business Performance (36)
- ◆ Three Years Financial Summary (42)
- ◆ Significant Changes During The Year For 2022 (46)
- ◆ 2023 Outlook (48)

03

CORPORATE GOVERNANCE

- ◆ Organizational Chart (52)
- ◆ Policy and Practice Guideline for Corporate Governance (54)
- ◆ Report of the Board of Directors (66)
- ◆ Code of Ethics (68)
- ◆ Risk Management and Internal Control (70)
- ◆ Human Resource Development (74)
- ◆ Management Team (76)

04

COMMITMENT TOWARD SUSTAINABILITY

- ◆ Social Performance Management Unit to Sustainability Management Unit (93)
- ◆ ESG Achievements in 2022 and 2023 Targets (94)
- ◆ Prohibited Activities (96)
- ◆ Environmental & Social Awareness and Assessment (98)
- ◆ Client Rights (100)
- ◆ Credit Discipline via A4 MetaCard (101)
- ◆ Compliance with Client Protection Principles (102)
- ◆ Financial Education Awareness (104)
- ◆ Corporate Social Responsibility (CSR) and other Social Activities (106)
- ◆ Environmental Footprints (109)
- ◆ Environmental and Social Products (110)
- ◆ Social Outreach (112)
- ◆ Governance (114)
- ◆ LOLC Cambodia Impact Assessment (115)

05

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORTS

- ◆ Statement by Board of Directors (120)
- ◆ Independent Auditor's Report (123)
- ◆ Financial Statements (126)

Revolutionary Payment Platform

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



KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS



LOAN CUSTOMERS

341,753



EMPLOYEES

3,535



GLP

USD 1.25

BILLION



BRANCH NETWORK

83

BRANCHES



DEPOSITORS

517,349



ATM CARDS

49,000+



DEPOSIT BALANCE

USD 767

MILLION



IPAY USERS

57,000+



TOTAL ASSET

USD 1.48

BILLION



IPAY MERCHANTS

8,000+



NET PROFIT

USD 58.70

MILLION



ATM MACHINES (CSS)

3,000+

FREE OF CHARGE





CHAIRMAN'S MESSAGE

Mr. BRINDLEY DE ZYLVA

Chairman

THE GLOBAL outlook continues to be uncertain amid financial sector turmoil, high inflation, effects of the Ukraine war and the continuing impact of COVID. The baseline forecast is for growth to fall from 3.4% in 2022 to 2.8% this year. Global headline inflation is set to fall from 8.7% in 2022 to 7% in 2023 on the back of lower commodity prices. Underlying core inflation is likely to decline more slowly. The rate of interest is important for both monetary and fiscal policy and a key determinant of the sustainability of public debt. Public debt as a ratio to GDP soared across the world during COVID-19 and is expected to remain elevated. Supply-chain disruptions and rising geopolitical tensions have brought the risks, potential benefits and costs of geo-economic fragmentation to the center of debate. A lot depends on how such fragmentation can reshape the geography of foreign direct investment and how it can affect the global economy.

CAMBODIA'S GDP growth could accelerate to 5.8% in 2023, after a growth of 5% in 2022, supported by the continued recovery of tourism and ongoing policy support, despite external pressures and the impact of rising prices on real disposal income. Tourism is poised to recover more strongly, following the return of tourists from China with the lifting of China's zero-covid policy. The Annual Report 2022 released by National Bank of Cambodia pointed out that Cambodia's economy would benefit from favorable factors such as rising investment in the region, implementation of the Regional Comprehensive Economic Partnership (RCEP) and bilateral agreements that include the Cambodia-China Free Trade Agreement and the Cambodia-Korea Free Trade Agreement. In the political sphere, the ruling party won a majority of council seats in the nationwide local elections in 2022 and should show a strong performance in the general elections scheduled for 2023 providing political stability.

THE COMPANY adopted a cautious approach in the face of the negative impact of measures taken to curb the spread of COVID-19. Cambodia has still to reach the pre-covid levels of economic activity due to the impact of climate change resulting in severe floods that adversely affected around 85,000 households across 74 districts in 14 provinces; causing damage to houses, infrastructure (roads, schools, health services etc.) and agricultural land. 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.

With the approach of 'living with COVID-19', people have adopted to the new normal and heightened the demand for digital financial services (DFS). LOLC Cambodia has fast-forwarded the uptake of DFS and we are able to offer a wide variety of digital banking solutions, which 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 are able to perform banking transactions conveniently from their mobile devices at any time without having to visit branch offices. In 2022, LOLC Cambodia rolled out the use of tablets in the field for client onboarding and data collection. This initiative improved productivity and reduce manual work, including loan origination, loan collection, and deposit taking. We will keep enhancing our digital offerings to provide convenience 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 280,000 micro entrepreneurs (67% of total borrowers) of which 75% are women with a majority coming from Rural Cambodia. The micro sector contributed just 23% of our total portfolio. The Small, Medium and Large sectors constituting 77% of our total portfolio has largely contributed in 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 keep extending its innovative digital financial services and products designed to reflect customer requirements. LOLC Cambodia will keep extending its social activities, financial literacy awareness and ESG activities to meet emerging business requirements.

It is very reassuring to note that 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 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 of our clients and shareholders that in 2023 we will continue to focus on areas that represent the best opportunities and support businesses that have shown resilience in light of the pandemic without losing sight of our environmental and social responsibilities.



Brindley de Zylva
Chairman



CEO'S REPORT

Mr. SOK VOEUN

Chief Executive Officer

Effective control of the Covid-19 outbreak has brought the local economy back to normal. Banking and financial sectors in Cambodia have also shown resilience and have actively contributed to supporting Cambodia's economic activities. Total assets of the microfinance sector increased by 23.2% (to USD 11.2 billion), while gross loan portfolio increased by 24.7% (to USD 9.7 billion) with 2.1 million accounts. Meanwhile, deposit collection of microfinance institutions increased by 21.2% to USD 5.1 billion with 2.6 million deposit accounts, according to the Annual Report 2022 of the National Bank of Cambodia.

In 2022, LOLC Cambodia conducted its business operations with caution and maintained its loan portfolio growth by focusing on quality and strong internal control. While the country was still recovering from Covid-19, Cambodia was hit by a severe natural disaster brought on by climate change, catastrophic floods, with 14 out of 25 provinces affected. Houses, infrastructure (roads, schools, hospitals) and agricultural land were all inundated. 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 resume their business activities.

LOLC CAMBODIA'S MAIN ACHIEVEMENT IN 2022

Loan performance

LOLC Cambodia maintained quality growth in 2022, increasing its loan portfolio by 21% to reach USD 1,253 million, while the portfolio at risk greater than 30 days was 2.95%. The number of borrowers increased by 7% to around 342 thousand. Our borrowers are made up of groups and individuals, representing 47% and 53% respectively. The vast majority of loans outstanding are individual and group loans going to low-income and non-poor clients reflecting LOLC Cambodia's mission 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.

Loan Portfolio Quality

Adapting to macroeconomic changes and constraints, LOLC Cambodia has made itself ready for adverse situations and continues the expansion of its loan portfolio growth by focusing on quality and strong internal control. The Board of Directors and management team have collaborated closely to enhance credit risk management and internal control by implementing the following measures:

- Loan assessment and evaluation are conducted following cash flow base analysis;
- Different levels of authorities are required for loan review and loan approval;
- Frequent reviews of the policies, procedures or manuals and their implementation;
- System support on detecting and restricting the implementation of policies and procedures;
- Continued strengthening of credit monitoring after disbursement through a variety of approaches;

- Integration of risk management culture throughout LOLC Cambodia;
- Continued strengthening of credit quality assurance team to ensure the implementation of internal control;
- Internal Audit Department to play a crucial role in ensuring the application of robust internal controls;
- Credit quality-based incentive structure for financial sale advisors and other field personnels;
- Requiring that 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);
- Continued provision of training and retention programs to strengthen staff capacity and enhance staff's skills and knowledge to ensure proper implementation;
- Incorporation of Client Protection Principles as a fundamental risk management practice;
- Maintaining compliance with ABC/CMA lending guidelines regarding multiple loans and refinancing.

Deposit Performance

The deposit base has drastically increased reaching an amount of over USD 767 million, a growth of 32% when compared to the end of 2021. The number of depositors has increased to more than 517 thousand with a growth of 12%. The exponential growth of deposit balance and depositors demonstrates that LOLC Cambodia is a reliable microfinance institution delivering superior customer service, guaranteeing client protection, and providing competitive and innovative deposit and loan products. By the end of 2023, LOLC Cambodia aims to nearly double its deposit amount in order to catch up to its competitors.

Digital Banking

In order to support business development and cater to the fast growth of digital financial service requirements, LOLC Cambodia has been investing in various innovative digital banking projects in order to provide superior customer experience.

- In 2022, LOLC Cambodia upgraded its iPay Cambodia mobile app with new interfaces and more convenient functions and encouraged its customers to use available digital products and electronic payment via FAST payment, RFT (real-time fund transfer), Bakong and internet banking. These digital payment platforms enable LOLC Cambodia customers to perform banking transactions conveniently via their smartphones anywhere and anytime without any charges.
- Additionally, with LOLC Cambodia ATM CARD, LOLC Cambodia customers are able to withdraw cash nationwide from thousands of ATM machines of partnered institutions who are CSS members.
- Besides these initiatives, LOLC Cambodia is launching a tablet banking system and expects to implement it in all branches by the end of 2023. Through the tablet banking system, our officers are able to perform their tasks (such as loan origination, loan collection and customer onboarding) conveniently from tablet devices reducing manual work, and increasing productivity, efficiency, and effectiveness.
- In addition, LOLC Cambodia has also been integrating third party connectivity in order to contribute more distribution channels and provide the best customer experience.

Environmental, Social, and Governance (ESG)

LOLC Cambodia continues to deliver its inclusive, responsible, and environmentally friendly financial services to rural Cambodians.

As of December 2022, about 78% of its loan clients were living in rural areas, around 70% of borrowers were females, and 47% of borrowers were involved in agriculture where there was no significant environmental risk exposure. 4.8 thousand clients had access to clean energy, 9.8 thousand clients were using home improvement loans, 5.4 thousand clients were using WASH loans for better sanitation and clean water, and 517 thousand clients had access to savings. Approximately 24% of clients were likely living below 150% of the National Poverty Line (using PPI tools for measuring poverty).

As per the company's strategy, environmental, social and governance management standards including Client Protection Principle (CPP), Universal Standard of Social Performance Management (USSPM), environmental, social, and governance best practices, etc. are all integrated into institutional policies, procedures, training, delivery of products and services, and monitoring tools. This is because management and the Board of Directors wholeheartedly believe in the philosophy that "the company succeeds only if the clients succeed". As a result, in 2022, LOLC Cambodia was awarded the **Gold Level of Client Protection Certification from Cerise and SPTF**. This verified that LOLC Cambodia always protects and supports its clients to financially grow their businesses through efficient and sustainable financial services. Besides these, LOLC Cambodia was awarded the **BB+ of social rating**, which indicates adequate social performance management, client protection systems and alignment to the social mission. And, the **α Medium of institutional rating by Microfinanza**, which indicates strong outlook for financial sustainability, strong and stable fundamentals.

To support Sustainable Development Goals (SDGs) as well as to be part of the solution toward environmental and social protection, LOLC Cambodia has put a lot of effort into embedding key points that can address

concerns about environmental, social, and governance, into the loan process, making sure the loan origination process involves ESG in decision-making.

LOLC Cambodia has an exclusion list which prohibits the financing of activities that negatively impact the environment and community. LOLC Cambodia has robust measures in place to prevent loans being granted for the financing of any excluded activities. All loans are assessed by the field staff and reviewed by supervisors against the exclusion list and assessed on the environmental and social impact. Environmental and Social assessments are carried out with all loans. For loans which are lower than USD 30,000, environmental and social awareness is discussed with clients regarding 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 to make suggestions to the client about awareness and where to make improvement. As an ongoing implementation, the progress of 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 using visual aids A4-Metacard is disclosed on LOLC Cambodia's website.

Due to Covid-19, in-class training for financial literacy awareness and other related activities were postponed during the year. As such, 4 financial literacy videos were produced and posted to the public on the LOLC Cambodia Facebook page and other LOLC Cambodia's social media to deliver financial literacy messages, consumer protection, self-motivation and small business management skills. From 2020 to 2022, 24 financial literacy videos were produced and posted. The videos reached more than 16 million viewers.

Furthermore, LOLC Cambodia also allocated part of its budget to contribute to other social activities such as the following:

- Bench installation in public places, holding school activities, organizing tree planting, sponsoring books for local libraries, building wells and installing hand washing stations;
- Donation to Cambodian Red Cross for charity activities;
- Donation of food, trash bins and study materials to children organizations;
- Funding of Youth for Community program to assist with various humanitarian programs to reduce poverty and family hardship;
- Educated One Village One Product Project beneficiaries on "How to Get the Right Financial Services" in some provinces;
- Assisted FASMEC in developing successful business activities for project beneficiaries on "How to Get the Right Financial Services";
- Contributed to social work by delivering anti-drug campaign leaflets and other promotional materials to help the General Secretariat of National Authority for Combating Drugs (NACD) disseminate drug-related awareness to the public.

STRATEGIC PRIORITIES FOR 2023

We see 2023 as the year of new opportunities and challenges for LOLC Cambodia.

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 Cambodia.

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 Cambodia will keep innovating inclusive digital financial services to cater to client's requirements with anywhere banking experience in Cambodia.

On the funding side, LOLC Cambodia will diversify sources of funds to ensure funding requirements are sufficient to support LOLC Cambodia's growth. Aside from sources of funds from shareholder paid-up capital, borrowings and deposits, LOLC Cambodia issued its first corporate bonds to support LOLC Cambodia's long-term growth and is in the process of issuing its second corporate bonds to potential investors.

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

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

Finally, I would like to express my sincerest 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 sincerest gratitude to all the LOLC Cambodia staff who have been working hard/smart and highly committed to performing their work with integrity, ethics, professionalism and high responsibility. Additionally, I would like to express my sincerest thanks to all LOLC Cambodia's clients, investors and business partners for supporting LOLC Cambodia and for being a part of its achievements. To the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks — both

for your support in 2022 and in anticipation of happy and prosperous coming years.



Sok Voeun
Chief Executive Officer

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 About LOLC Cambodia
- ◊ Brief History
- ◊ Ownership Structure

CERTIFICATIONS AND AWARDS (29)

LENDERS AND PARTNERS (32)

01

CAMBODIA AT A GLANCE



Geography and Demography

Cambodia enjoys a strategic location in the heart of mainland Southeast Asia, and is well connected with other countries in the Asia Pacific region and beyond through multiple international flight routes. Because of its high vaccination rate and ability to control the Covid-19 outbreak effectively, Cambodia was able to reopen its economy and the local economy was successfully brought back to normal.

Cambodia has a population of nearly 17 million people and a 1.5% growth rate. The average age is 26.6 years old and 81.7% of the population aged 15-59 years are in the labour force with unemployment estimated at 1.2%. However, it is estimated that unemployment rates may rise up to 4.8% due to the economic impact of Covid-19. The labour force is becoming increasingly skilled as nationwide literacy and graduation rates rise. 70% of the Cambodia's population are under 35 years of age. There are stark differences between the younger and older generations regarding their level of education and consumer behaviors. 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 dozens of malls, commercial centres and international franchises launching every week.

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. Only 38% of urban households have access to wifi; however, there were a total of 21.42 million mobile phones accounted for in 2020, which corresponds to an average of 1.3 per person, the fourth-highest (mobile/smart) phone per capita in the world. The number of social media users in Cambodia was equivalent to 71.3% of the total population in January 2021, with users favoring Facebook, YouTube, TikTok and Instagram. Social media marketing is crucial for businesses in Cambodia, and most local businesses will have Facebook pages for their companies instead of websites.

The kingdom's 25 provinces (the capital city of Phnom Penh is a municipality) are connected by national roads and highways. The majority of the country travels by motorbike with 95% of households owning motorbikes compared to 12% car ownership according to the 2019

census. Public transport is limited in urban areas with a handful of bus routes available in Phnom Penh, however, this is offset by the low cost of ride-hailing apps such as Grab and Pass App charging as low as 3000R (75c) per kilometer. Minibuses and taxis are used for travel to provinces and remote areas.

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

Macroeconomic Situation

The economy continued to recover at its GDP growth rate of 5.1% in 2022, supported mainly by the reopening of domestic economic activities and growing external demands. The manufacturing sector achieved strong growth, with garments for export increasing by 64.3%, non-garments for export increased by 1.1 times and manufacturing products for the domestic market increased by 88.5%. At the same time, the tourism sector grew well, with international visitors exceeding expectations by 2.2 million, though achieving only 1/3 compared to the pre-crisis period, while domestic tourism completely returned to normal. The construction and real estate sectors grew slowly by 0.8% and 0.5% respectively, supported by rising domestic demands, while the agricultural sector continued to grow at a slower pace of 0.7% due to early rainfall with large quantities and rising production costs due to rising fuel and fertilizer prices.

Inflation rose to 5.3% higher than in 2021 (2.9%), mainly due to rising fuel and food prices under the influence of the Russia-Ukraine war and the disruption of the global supply chain, while domestic demands continued growing steadily. The exchange rate was stable at around 4,102 riel per US dollar, with the riel depreciating slightly by 0.1% from the previous year.

Source: NBC Annual Report 2022.

Microfinance Situation

Cambodia's microfinance industry witnessed a 24.7% portfolio growth compared to year-end 2021, reaching around USD 9.7 billion in December 2022, having more than 2.1 million borrowers and PAR>30 days of 2.5%. The number of depositors reached around 2.6 million with a deposit balance of more than USD 5.1 billion, an increase of 21% compared to year-end 2021. Microfinance providers in Cambodia operate nationwide and have innovative products such as unsecured lending, leasing, asset-backed lending, SME, agriculture lending, etc. Moreover, Fin-tech solutions are also popular across mobile, online payments and digital lending.

Currently, there are more than 80 licensed providers in the country while the top 5 MDIs take up 86% of portfolio market share.

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

Source: CMA Report as of 31st December 2022 and NBC Annual Report 2022.

LOLC CAMBODIA AT A GLANCE

Map of Operating Area



SUMMARY



Scan Here for our Branch Network



Number of Branches



Number of Provinces

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

Vision, Mission, Core Values



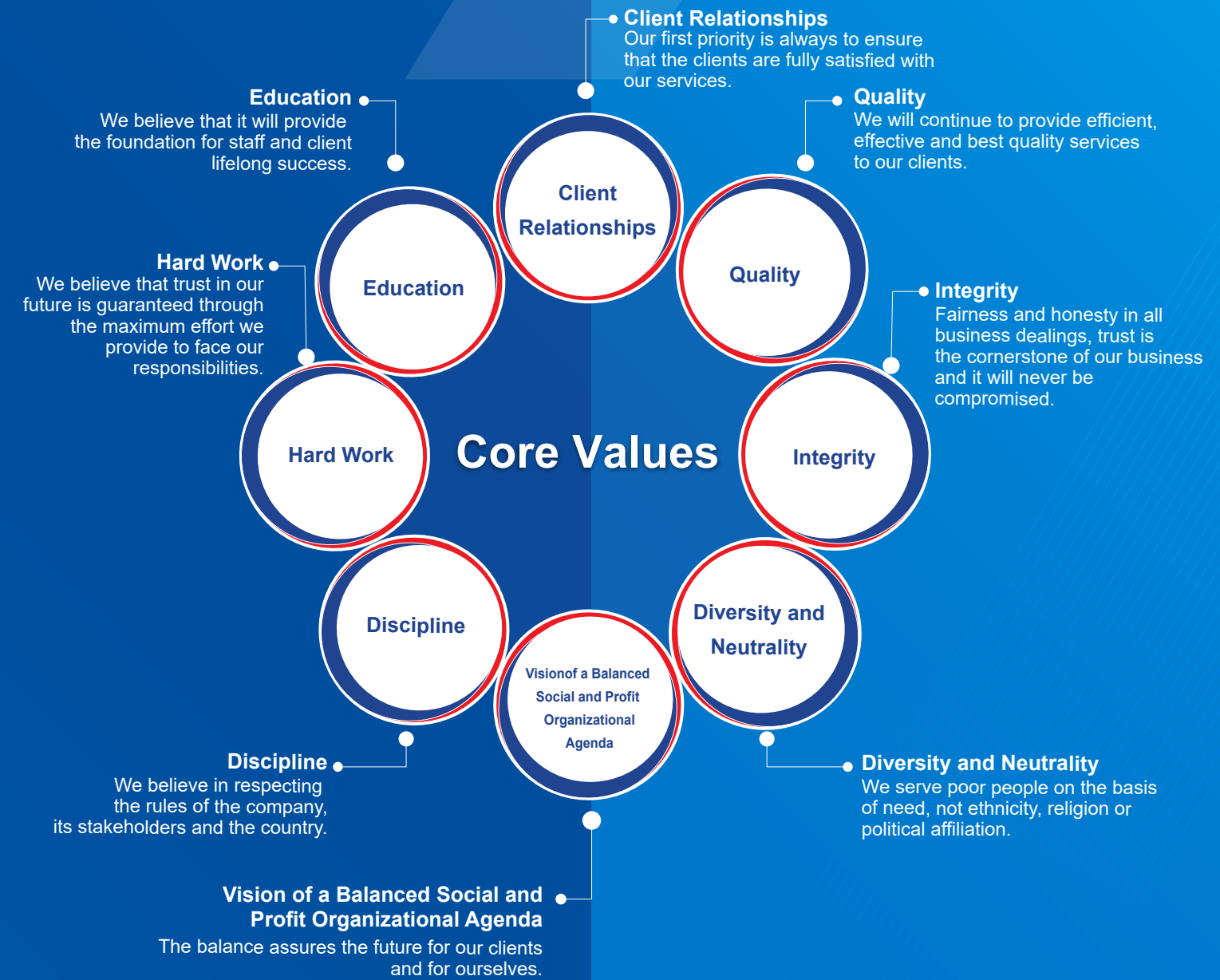
Vision Statement

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



Mission Statement





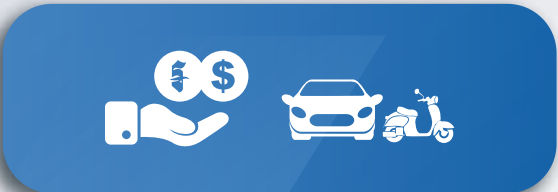
LOLC Cambodia's mission is to create lasting positive impact on the communities it serves through the sustainable delivery of inclusive and client-centric financial services, while at the same time generating stakeholder value.



Brief Overview about LOLC Cambodia



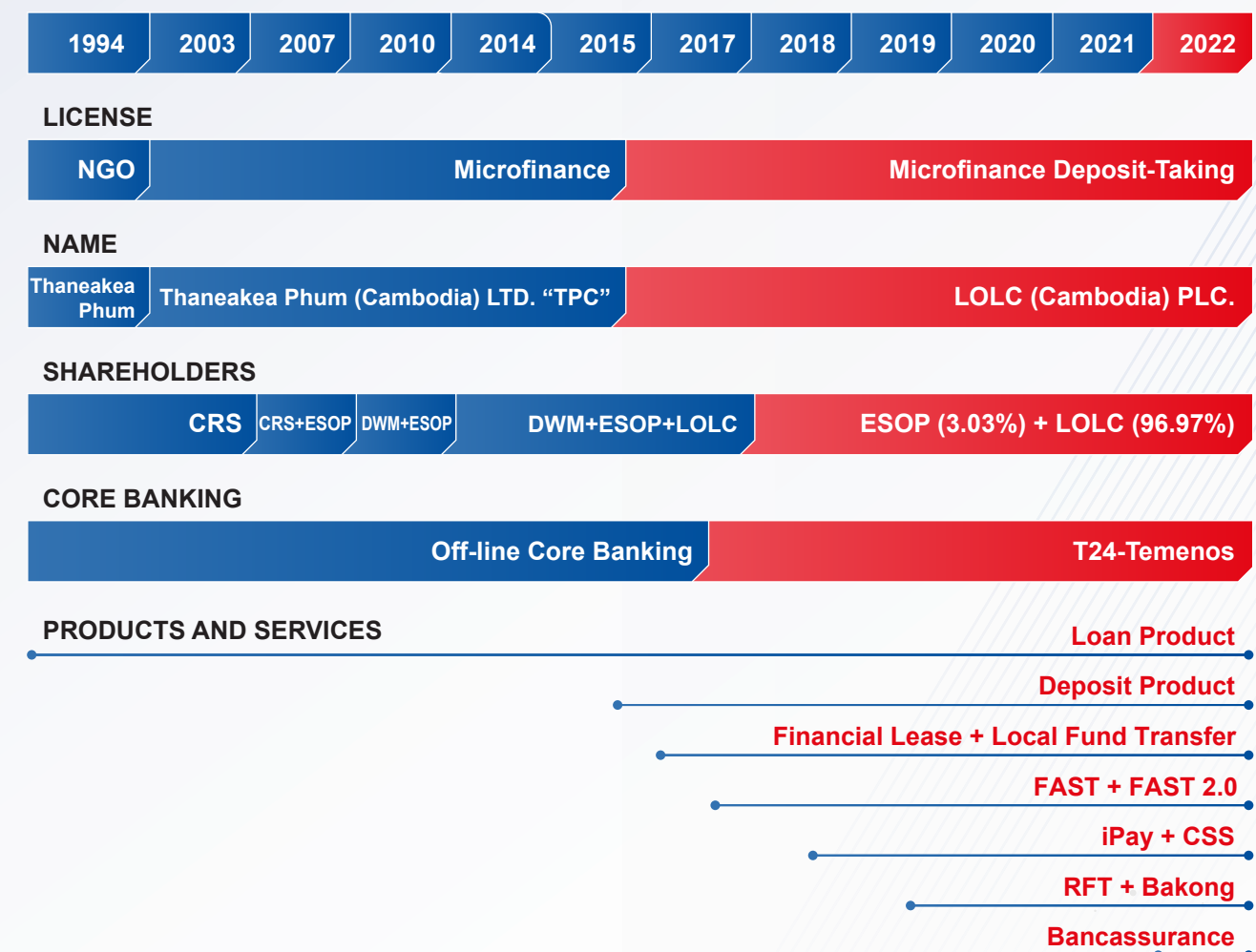
LOLC Cambodia received a Microfinance Deposit-Taking License from the National Bank of Cambodia (NBC) to offer credit and deposit products. Furthermore, LOLC Cambodia also received permissions to operate finance lease/leasing service and several other approvals to offer additional services to customers 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 and payment services. With the revolution of technology, LOLC Cambodia has leveraged its digital financial services to offer more distribution channels in order to provide a superior customer experience. These services include iPay Cambodia Mobile Application, Internet Banking, Bakong, FAST, RFT and ATM CARD via CSS.

<p>DEPOSIT</p> 	<p>IPAY CAMBODIA</p> 	<p>CSS ATM CARD</p> 
<p>LOCAL FUND TRANSFER</p> 	<p>LOAN / FINANCIAL LEASE</p> 	

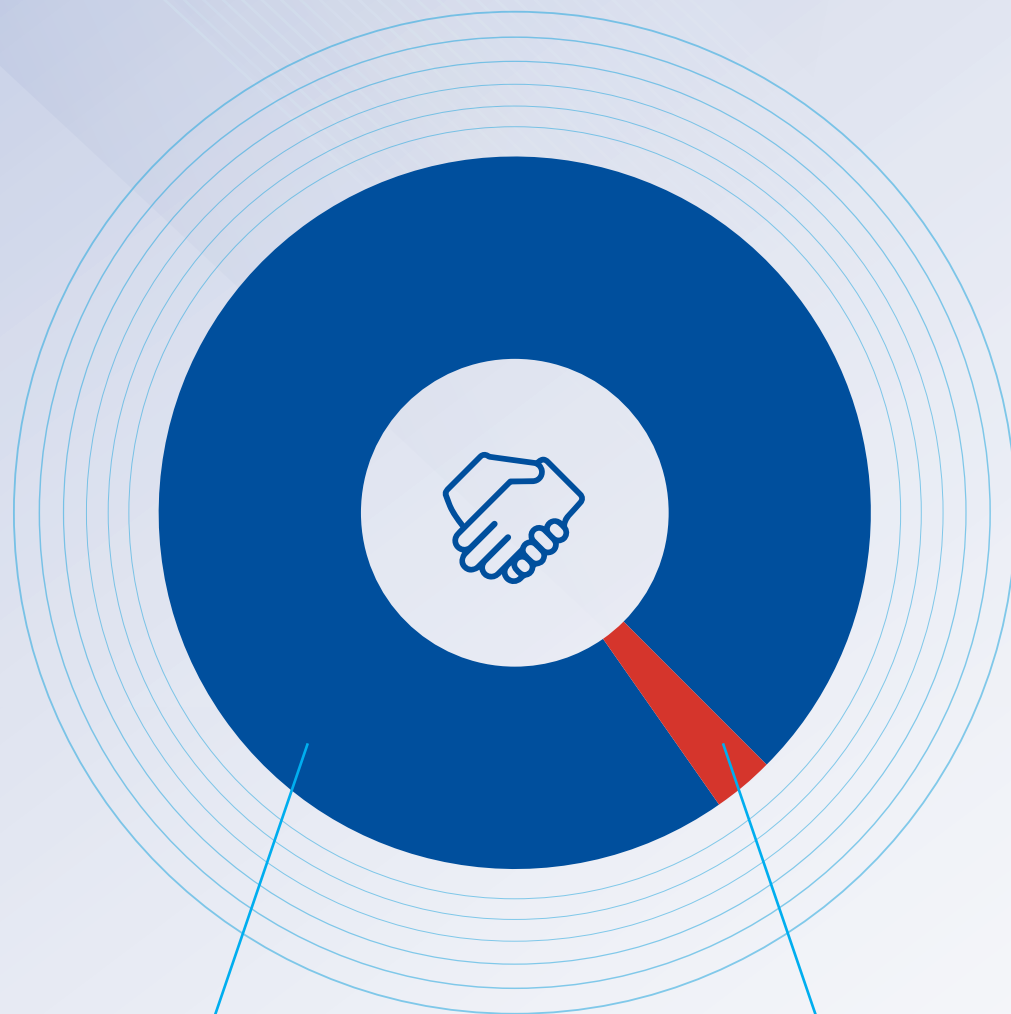
Brief History

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 (former named as LOLC Private Limited) bought all stakes of DWM and LOMI owing 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 mobile banking application, internet banking, and local fund transfer both within LOLC Cambodia and interbank transfer via NBC projects (FAST, RFT and Bakong). On top of these, LOLC Cambodia also issued CSS ATM Card allowing customers to withdraw cash from more than 3,000 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 service and in 2022 LOLC Cambodia obtained a 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)

the Gold Level of Client Protection Certification from Crise and SPTF. This verifies that LOLC Cambodia always protects and supports clients to financially grow their businesses through efficient and sustainable financial services.



Global Climate Partnership Fund (GCPF)

This award recognises LOLC Cambodia's strong commitment to creating products that encourage energy efficiency and environmentally friendly practices to fight climate change.



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 for

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.

CBC Data Quality Award

This award recognises LOLC Cambodia as excellence in data quality, recognized by Credit Bureau Cambodia (CBC), specializing in credit reporting of all financial institutions in Cambodia.



LENDERS AND PARTNERS

Lenders

Local Lender





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

International Lender




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

Partners



Loan Collection

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

Technical Assistant Providers

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

Guarantee Partners

- USAID 
- CGCC 

BUSINESS REVIEW

BUSINESS PERFORMANCE (36)

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

THREE YEARS FINANCIAL SUMMARY (42)

- ◊ Statement of Profit or Loss and Other Comprehensive Income
- ◊ Statement of Financial Position
- ◊ Key Ratios

SIGNIFICANT CHANGES DURING THE YEAR FOR 2022 (46)

2023 OUTLOOK (48)

02

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 agriculture 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 offer 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 utilize moveable assets with a maximum lease amount of USD 50,000 or its equivalent in other currencies, and clients are able to become asset's legal owner at the end of the lease term.

Loan Breakdown by Products

GLP By Products	2021				2022			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
GL	179,638	47.3%	153,835	14.8%	192,631	46.5%	174,530	13.9%
IL	101,771	26.8%	329,735	31.8%	112,362	27.1%	362,015	28.9%
SME	22,858	6.0%	302,652	29.2%	32,571	7.9%	436,512	34.8%
SNL	21,962	5.8%	94,309	9.1%	24,895	6.0%	116,971	9.3%
HIL	9,741	2.6%	51,361	5.0%	9,823	2.4%	57,764	4.6%
LIL	37,890	10.0%	101,727	9.8%	37,274	9.0%	103,309	8.2%
WIL	5,877	1.5%	2,230	0.2%	4,585	1.1%	1,716	0.1%
FL	171	0.0%	432	0.0%	119	0.0%	205	0.0%
Total	379,908	100%	1,036,281	100%	414,260	100%	1,253,022	100%

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

Loan Breakdown by Sectors

Sectors	2021				2022			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
Agriculture	168,103	44.2%	362,028	34.9%	194,222	46.9%	448,186	35.8%
Manufacture	2,112	0.6%	6,703	0.6%	2,511	0.6%	8,634	0.7%
Trade and Commerce	48,669	12.8%	229,658	22.2%	59,787	14.4%	344,489	27.5%
Services	27,080	7.1%	104,395	10.1%	24,324	5.9%	106,617	8.5%
Transportation	2,468	0.6%	13,947	1.3%	2,759	0.7%	17,430	1.4%
Construction	37,105	9.8%	98,899	9.5%	45,251	10.9%	125,096	10.0%
Others	94,371	24.8%	220,651	21.3%	85,406	20.6%	202,570	16.2%
Total	379,908	100%	1,036,281	100%	414,260	100%	1,253,022	100%

In 2022, almost 36% of total loan portfolio was lent to agriculture sector, while trade and commerce, and services sectors represented 27.5% and 8.5% respectively.

Loan Breakdown by Poverty Ranking

Client Type	Loan Size	2021				2022			
		# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
Very Poor	<= 750	63,916	16.8%	25,114	2.4%	52,196	12.6%	19,945	1.6%
Poor	> 750 <= 1,500	109,015	28.7%	91,449	8.8%	116,083	28.0%	96,416	7.7%
Low Income	> 1,500 <= 3,000	90,368	23.8%	138,013	13.3%	110,971	26.8%	166,790	13.3%
Non Poor 1	> 3,000 <= 10,000	86,803	22.8%	389,092	37.5%	93,344	22.5%	416,695	33.3%
Non Poor 2	> 10,000 <= 30,000	29,434	7.7%	377,517	36.4%	41,282	10.0%	537,852	42.9%
Non Poor 3	> 30,000	372	0.1%	15,096	1.5%	384	0.1%	15,324	1.2%
Total		379,908	100%	1,036,281	100%	414,260	100%	1,253,022	100%

* For the purpose of such analysis, the client's income is required to keep proper records in the core banking. However, with the current limitation of digital data, the analysis of client concentration by its likelihood of poverty level which is benchmarking from the Poverty Probability Index (PPI) definition, LOLC Cambodia uses the average loan size as a proxy for poverty ranking classification as per the above table.

In 2022, most account numbers were with loan sizes from "less than USD 750 to USD 1,500" representing 41%, while loan size of "more than USD 1,500 to USD 30,000" represented almost 60% compared to total gross loan portfolio.

Loan Breakdown by Collateral Base

Client Type	2021				2022			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
Unsecured	193,372	50.9%	167,529	16.2%	239,722	57.9%	194,153	15.5%
Secured	186,536	49.1%	868,752	83.8%	174,538	42.1%	1,058,869	84.5%
Total	379,908	100%	1,036,281	100%	414,260	100%	1,253,022	100%

In 2022, almost 58% 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	2021				2022			
	# Account	% Account	GLP (USD '000)	% GLP	# Account	% Account	GLP (USD '000)	% GLP
KHR	217,060	57.1%	293,710	28.3%	233,617	56.4%	354,863	28.3%
USD	137,277	36.1%	685,233	66.1%	154,607	37.3%	838,150	66.9%
THB	25,571	6.7%	57,338	5.5%	26,036	6.3%	60,009	4.8%
Total	379,908	100%	1,036,281	100%	414,260	100%	1,253,022	100%

More than 28% of loan outstanding was 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, and Transfer money. It is an ideal option for customers who wish to keep their money secure as well as 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 iPay Cambodia mobile banking application.

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

Kid Accounts provide parents and guardians greater ease for long-term money savings for 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 Products

Deposit Type	2021				2022			
	# Account	% Account	Balance (USD '000)	% Balance	# Account	% Account	Balance (USD '000)	% Balance
Savings Account	516,204	97.0%	46,555	8.0%	588,337	96.5%	46,565	6.1%
Fixed Deposit Account	15,965	3.0%	535,382	92.0%	21,314	3.5%	720,609	93.9%
Total	532,169	100%	581,937	100%	609,651	100%	767,174	100%

The depositor has seen a gradual growth of 12% and total deposit balance has increased by 32% to reach USD 767 million by end of 2022.

Deposit Breakdown by Currency

Client Type	2021				2022			
	# Account	% Account	Balance (USD '000)	% Balance	# Account	% Account	Balance (USD '000)	% Balance
KHR	304,647	57.2%	35,355	6.1%	348,207	57.1%	82,103	10.7%
USD	196,393	36.9%	541,473	93.0%	226,915	37.2%	678,523	88.4%
THB	31,129	5.8%	5,109	0.9%	34,529	5.7%	6,548	0.9%
Total	532,169	100%	581,937	100%	609,651	100%	767,174	100%

In terms of accounts, 57% were in KHR currency. In terms of balance, 88% were 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 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 Card (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 3,000 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 transfer within LOLC Cambodia as well as interbank fund transfer through NBC projects such as FAST Payment, Retail Pay (Real Time Fund Transfer) and Bakong, via counter, internet banking and mobile banking apps with free of charge.

THREE YEARS FINANCIAL SUMMARY

Statement of Profit or Loss and Other Comprehensive Income

	2020 Audited	2021 Audited	2022 Audited
Income Statement			
Interest Income	163,261,822	175,545,340	211,561,811
Interest Expenses	(66,149,084)	(61,549,044)	(74,946,875)
Net interest income	97,112,738	113,996,296	136,614,936
Provision for bad and doubtful Financial Instruments	(10,193,853)	(5,812,620)	(18,082,848)
Net interest income after provision	86,918,885	108,183,676	118,532,088
Net foreign exchange gain/(loss)	(132,254)	296,744	(453,147)
Other income	5,887,091	5,964,440	7,314,340
Personnel expenses	(28,380,901)	(32,638,167)	(35,254,990)
Depreciation and Amortization	(2,512,538)	(2,993,580)	(3,061,215)
Other administrative expenses	(9,943,549)	(10,834,997)	(13,437,295)
Profit from operations	51,836,734	67,978,116	73,639,781
Income Tax expense	(7,821,377)	(13,326,192)	(14,944,501)
Net Profit for the Period	44,015,357	54,651,924	58,695,280
Currency Translation Difference	1,377,453	(1,370,158)	(2,876,501)
Total Comprehensive Income for the year	45,392,810	53,281,766	55,818,779

In 2022, LOLC Cambodia was able to achieve a net profit of USD 58.70 million, a growth of 7.40% compared to last year.

Statement of Financial Position

	2020 Audited	2021 Audited	2022 Audited
Assets			
Cash and placement with banks	214,088,528	174,237,948	234,264,074
Loans to customers	855,921,611	1,036,280,875	1,253,022,255
Loan Loss Reserve	(16,644,746)	(21,329,159)	(36,912,352)
Property, plant and equipment (net)	8,488,950	10,982,158	10,565,824
Other Assets	9,674,651	11,183,334	14,723,755
Total Assets	1,071,528,994	1,211,355,156	1,475,663,556
Liabilities			
Deposits from customers	536,019,918	581,937,121	767,174,498
Borrowings	308,738,631	344,799,426	384,704,836
Other liabilities	45,594,229	50,160,627	33,507,460
Total Liabilities	890,352,778	976,897,174	1,185,386,794
Equities			
Share capital	55,460,850	55,460,850	54,500,219
Reserves and others	52,336,168	92,755,587	92,401,048
Retained Earnings	73,379,198	86,241,545	143,375,495
Total Equity	181,176,216	234,457,982	290,276,762
Total Liabilities and Equity	1,071,528,994	1,211,355,156	1,475,663,556

LOLC Cambodia's total assets reached around USD 1.48 billion as of the end of 2022, a growth of 22% compared to last year. This result was made up primarily of its gross loan portfolio which registered a growth rate of 21% YoY to USD 1.25 billion.

Key ratios

	FY2020	FY2021	FY2022
Key Ratio Indicators			
Return on Equity	27.8%	26.3%	22.4%
Return on Asset	4.2%	4.8%	4.4%
Operating Expense to Average Gross Loan Portfolio	5.0%	4.9%	4.6%
Cost to Income Ratio (including Provision)	49.7%	43.3%	48.8%
Deposit to Loan Ratio	62.6%	56.2%	61.2%
Liquidity Coverage Ratio	235.3%	227.5%	334.7%
Solvency Ratio	24.0%	26.8%	23.1%
Non Performing Loan to Gross Loan Portfolio	1.3%	2.1%	2.9%
Debt-to-Equity Ratio	4.9x	4.2x	4.1x
PAR \geq 30 Days	1.3%	2.1%	2.9%
Gross Write-offs	0.2%	0.2%	0.3%
Number of Offices (Including Head Office)	79	81	83
Number of Personnel	3,140	3,297	3,535
Number of Active Borrowers	303,555	318,354	341,753
Depositors	401,662	462,125	517,349

LOLC Cambodia maintained a high performance in improving its Operating Expense to Average Gross Loan Portfolio to 4.6% in 2022. The Cost to Income Ratio (including provision) slightly increased to 48.8%.



SIGNIFICANT CHANGES DURING THE YEAR FOR 2022



New Customer Base for 2022

In 2022, there were around 78,000 new customers using LOLC Cambodia's products and services. 65% of new customers were female and 71% 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 2022, LOLC Cambodia kept upgrading and developing its products and services such as 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 the following:

- LOLC Cambodia Rewards,
- Bill payment partnership with ACLEDA,
- Change condition/close Fixed Deposit,
- Generate monthly statements,
- Share transaction details in PDF,
- Show KHQR Code in iPay user & Merchant, and
- Scan KHQR to pay, and more.

Bakong KHQR: in 2022, LOLC Cambodia enabled its KHQR services, which was available for both merchants and iPay users (remittance KHQR). With this KHQR service, users are able to use iPay Cambodia app to scan and pay any merchants with KHQR code; also, iPay users can generate their own KHQR code to receive money from any partnered banks and financial institutions.

Kid Account: In order to respond to ever-increasing customer needs, LOLC Cambodia has developed a new product Kid Account. This product makes it more convenient for parents and guardians with long-term savings plans, fueled by high interest rates. As such, our customers can fulfill the financial needs of their children in line with their specific areas of growth such as education, business plans, travel and future expenses.

Digital Savings Account: This product allows customers to open a savings account instantly through iPay Cambodia app. By default, a newly created Digital Savings Account is defined as Basic KYC, which allows customers to perform a transaction of up to USD 500 per day, while earning an interest rate of 3% p.a. Customers can request to upgrade their digital savings accounts to Full KYC, with all conditions the same as a normal Savings Account.

CSS ATM CARD: In 2022, LOLC Cambodia completed CSS EMV, another project with NBC. The three main functions completed in this project include:

- EMV standard chip functionality added to the new LOLC Cambodia CSS ATM Card aiming to improve the user's security.
- Classic card and Premium card now activated as two different card types, both including EMV chip and magnetic stripe functions.
- Instant card request options offered to fulfill customer's needs, so customers can immediately collect their CSS ATM Card at any nearby branch of LOLC Cambodia.

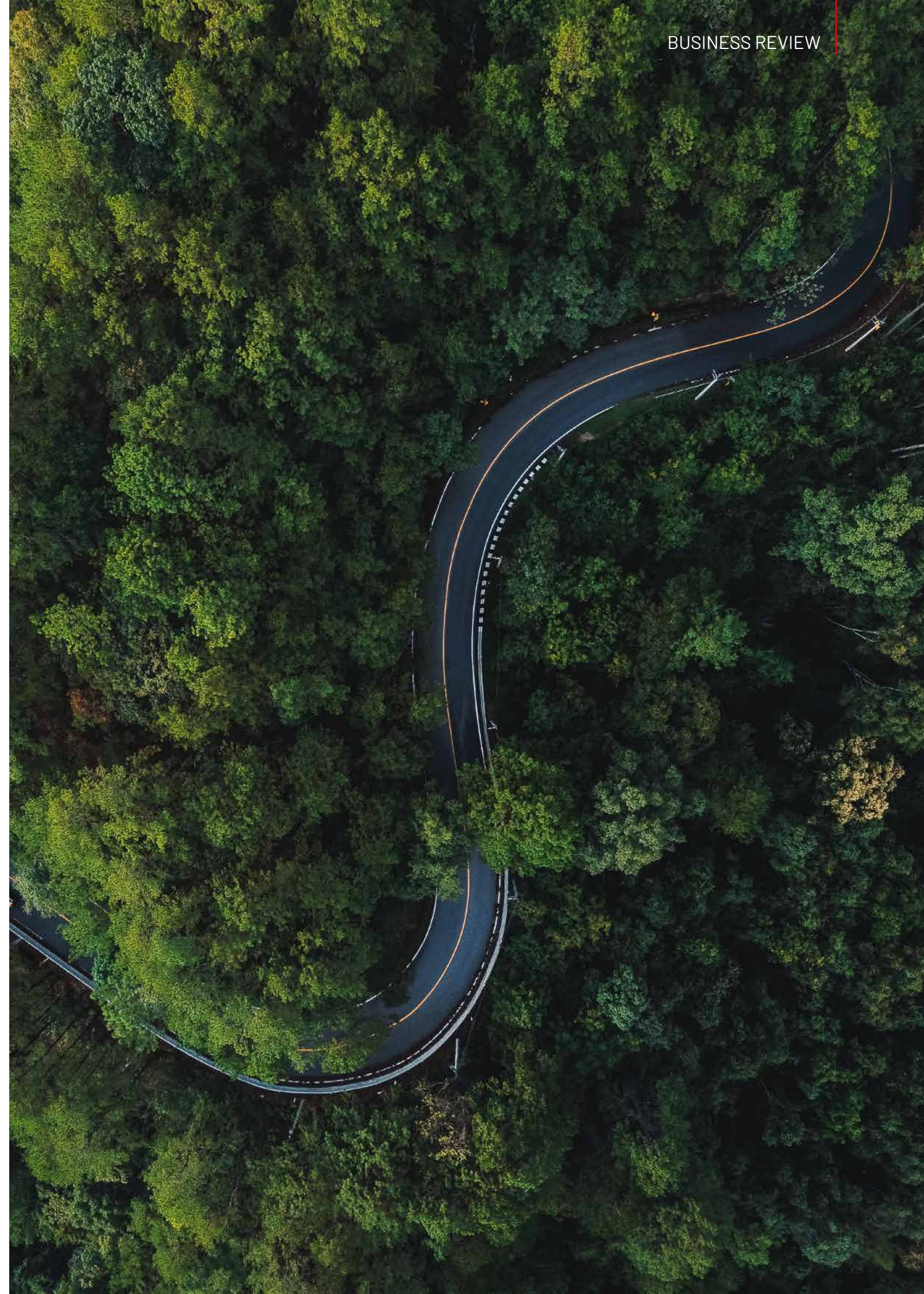
Chatbot: Chatbot functions of Dispute & Dispute Inquiry have gone live on Facebook, Telegram and website, the chatbot – that can respond to both text and voice – makes it convenient for customers to get answers if they have any inquiries about products/services or in case of any disputes.

2023 OUTLOOK



LOLC Cambodia expects to increase its performance in 2023 as below:

	2020	2021	2022	2023e
Gross Loan Portfolio (USD '000)	855,922	1,036,281	1,253,022	1,634,993
Number Loan Accounts	360,152	379,908	414,260	475,900
Deposit Balance (USD '000)	536,020	581,937	767,174	1,116,980
Number Deposit Account	461,775	532,169	609,651	703,724
Number Offices (include HO)	79	81	83	84
Number Personnel	3,140	3,297	3,535	3,693



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)

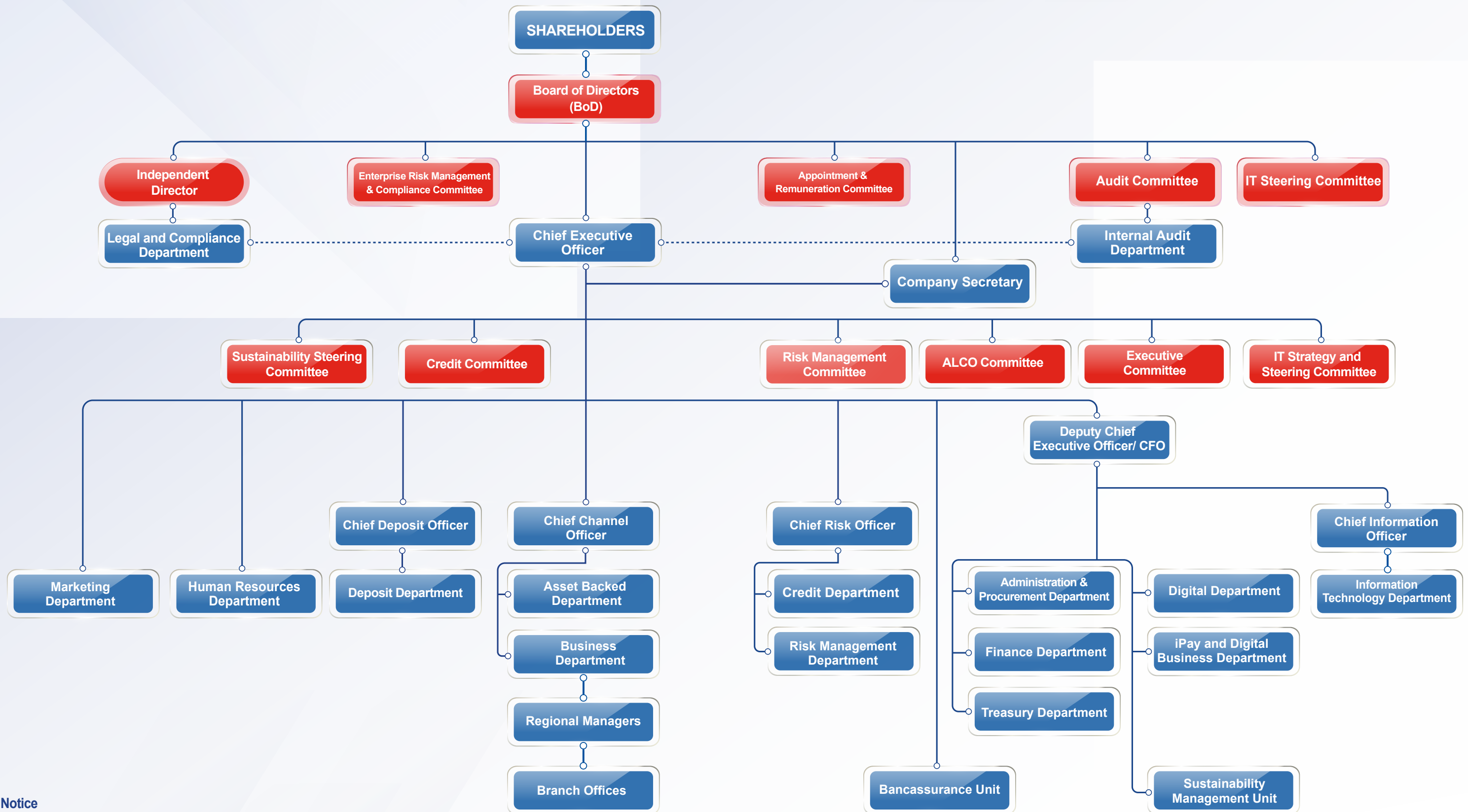
HUMAN RESOURCES DEVELOPMENT (74)

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

MANAGEMENT TEAM (76)

03

ORGANIZATIONAL CHART



Notice

--- Communication line — Direct supervision line

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 de Zylva	Chairman
Mr. Conrad Dias	Director
Mr. Dulip Rasika Samaraweera	Director
Mr. Michael Moormann	Independent Director
Mr. Indrajith Wijesiriwardana	Independent Director

Board of Directors Profile



MR. BRINDLEY DE ZYLVA
Chairman

Mr. de Zylva is the Chairman of the Board of LOLC (Cambodia) Plc. and LOLC Finance Plc. in Sri Lanka. He is also the Managing Director of LOLC Myanmar Micro-Finance Company Ltd. Prior to sitting as the Chairman of LOLC (Cambodia) Plc., Mr. de Zylva has plenty of overseas experience in both board and general management positions in 37 consecutive years of working in the Non-Bank Financial Services Industry (NBF), including licensed finance companies, microfinance institutions, and specialized leasing companies. He has potent experience and expertise surrounding the NBF sector covering credit and recovery management, finance, and marketing and sales. Mr. de Zylva is a fellow of the Sri Lanka Institute of Credit Management and was later selected as an Honorary Secretary in the 2010 institute election. Also, he was involved in the Council of Management of the Finance Houses Association of Sri Lanka, where he served nine years as a member – four of which as a vice chairman – and as a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited, in Sri Lanka. In 2015, these positions were handed over for Mr. de Zylva to oversee a regional assignment for the LOLC Group in Myanmar & 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.



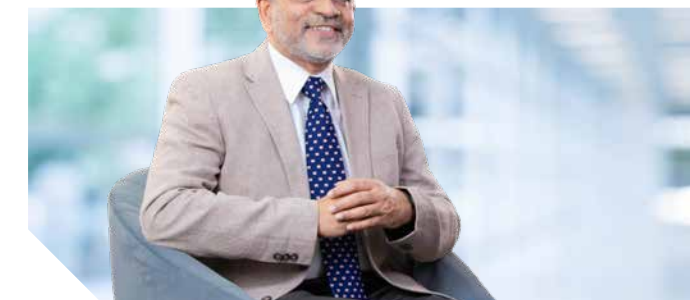
MR. DULIP RASIKA SAMARAWEERA
Director

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. MICHAEL MOORMANN
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 skills. 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 from 2005. Then, in February 2013, he joined LOLC (Cambodia) Plc.



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 being 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.

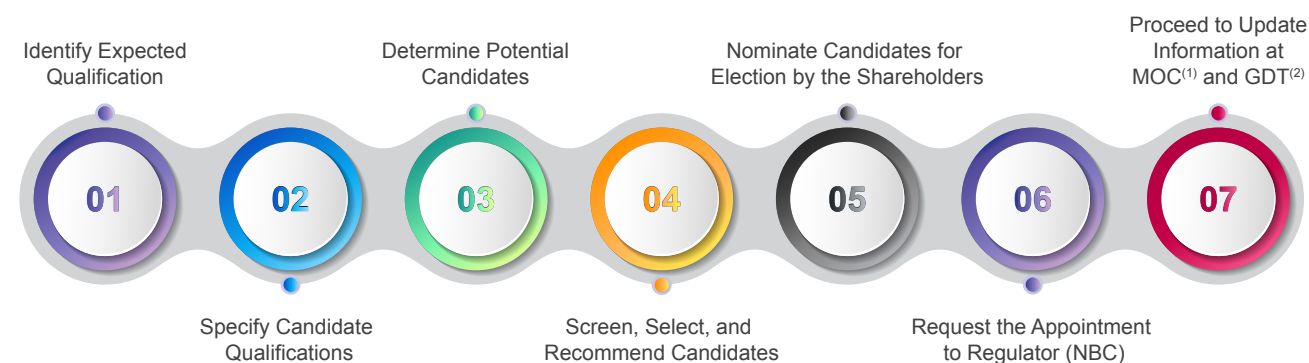
SELECTION OF BOARD OF DIRECTORS

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

Board Meeting

Board meeting is generally conducted in quarters. The board of directors 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 board also reviews and discusses special board papers that address non-routine matters.

Primary Responsibilities of the Board

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

The Board is ultimately responsible for establishing a framework of good corporate governance for 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;
 - Dissolve or liquidate the company;
 - Declare the dividend;
 - Purchase, sell, or exchange the 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 Rasika 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. Shortly after self-evaluation, the other two directors will conduct a peer review. After the peer review, 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 Bank and Financial Institutions, Prakas on the Internal Control in Bank 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 presented 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 board 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 Board 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 Boards are kept aware of the discussions at each committees 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 Board; this is meant to enhance the Board 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 2022 and the attendance of the members of the Audit Committee is as follows:

Members	Date of Appointment	No. of Meetings	
		Attended	Held
Mr. Michael Moormann Chairman / 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

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 a lead as a Chairman of this committee because of his strength in internal auditing, finance, and many other fields in 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 AML/CFT report to ensure the 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 2022. 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 Chairman / 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 for compensation of directors and ensuring fair treatment to all employees;
- Ensuring the full compliance of HRM policy with Cambodia 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 2022. 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 Chairman / Independent Director	02 nd November 2016	4	4
Mr. Conrad Dias Member / Director	12 th February 2018	4	4
Mr. Dulip Rasika Samaraweera Member / Director	02 nd 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 banking and microfinance sector.

Mr. Conrad Dias is appointed to be a 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:

IT Steering Committee in 2022 was held 4 times in 2022. 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 Chairman / Director	06 th February 2020	4	4
Mr. Brindley de Zylva Member / Chairman	06 th February 2020	4	4
Mr. Indrajith Wijesiriwardana Member / Independent Director	06 th February 2020	4	4

REPORT OF THE BOARD OF DIRECTORS

Besides the audited financial statement for the year ended 31 December 2022, the Board of Directors takes pleasure in declaring the following:

Conflict of Interest

The directors 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.

However, so far, no directors have had a conflict of interest with 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 debentures 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 replaced by the resolution approved by an absolute majority of 2/3 (two-third) 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 Company Secretary at least one-month prior notice 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 Board believes that good corporate governance benefits all stakeholders. The key messages conveyed in the Corporate Governance Report as follows:

- Annual report has conveyed a fair and balanced view of the organization;
- Report state 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 control a broad and diverse range of risks based on its size and complexity. Base 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. Following-up on decisions is conducted at following committee or board meetings.

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 3 years.

The LOLC Cambodia's external auditor, PWC, was appointed by the board of directors for 3 fiscal years from 2020 to 2022. All directors are aware that the External Auditor does not have any relationships with the Company, nor do have 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.

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 are prohibited.
- Permitted to divulge or utilize clients' privacy and LOLC Cambodia's company to third-party without a 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 institution's 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 in order to safeguard the LOLC Cambodia's interests. The department makes sure that the LOLC Cambodia is shielded from any exposed business initiatives, systems, processes, and people in the business lines.

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's 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's 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 the company in generating resilient and, high 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 executed 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.

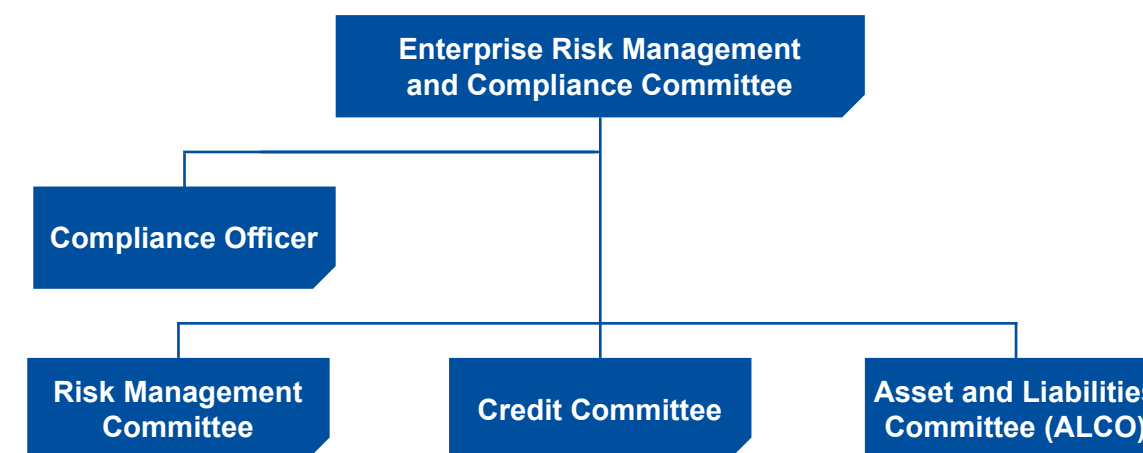
This system monitors all risk-taking activities and makes sure that they adhere to the agreed-upon risk appetite and risk tolerance.

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

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

- 1). the first line of defense (front line),
- 2). the second line of defense (risk management and compliance function)
- 3). the third line of defense (internal audit).

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 are 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. Furthermore, 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 risks implementation in order 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.

Credit Risk

Credit Risk is defined as the potential losses if an obligor fails to achieve its contractual obligations to LOLC Cambodia. 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 on a monthly basis. Senior Management and relevant departments discuss, analyze and identify any issues with timely and appropriate actions.

Liquidity Risk

Liquidity Risk occurs when the institution's ability fails to meet current and future financing demands obligations in a timely manner. ALCO chaired by the Deputy Chief Executive Officer / Chief Finance Officer is responsible for discussing all treasury risk. In addition, a liquidity risk control and framework are established to enhance liquidity risk management. This risk is primarily monitored and managed on the basis of cash flow projections regularly arising from the maturity profiles of assets, liabilities, off-balance sheet commitments and stress conditions. On top of that, LOLC Cambodia also performs liquidity stress tests annually to identify vulnerable areas in its portfolio and monitor expected financial impacts and enable management to take proactive actions.

Capital Risk

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 in order 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.

Similar to Market Risk and Liquidity Risk, the Capital Risk is monitored by 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.

Market Risk

Market Risk refers to the potential financial losses that may occur in LOLC Cambodia's trading books as a result 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 happen once a financial transaction is denominated in a currency other (THB, USD) than the domestic currency (KHR). Interest Rate Risk is caused by varying maturity dates and reprising of cash flows. At the moment, the interest sensitivity gap is used to assess the interest rate risk. ALCO is in charge of detecting LOLC Cambodia's interest rate risk profile based on its interest sensitivity gaps.

Operational Risk

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, for example 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 subject to adequate control and procedures.

Information Security

In modern society, information security is the main role 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 as it builds customers' trust and strengthens LOLC Cambodia's reputation. LOLC Cambodia understands the importance of cybersecurity in governing, managing and protecting data and ensures the system runs smoothly, securely and accurately and is available to use, in order to help support overall business operations.

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

Legal and Compliance Risk

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.

Environmental Risk

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

Reputational Risk

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. 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 with proper credit assessment before offering loan to client to prevent them from over-indebtedness.

HUMAN RESOURCES DEVELOPMENT

LOLC Cambodia provides over 3,000 jobs to Cambodians. Working with LOLC Cambodia not only earns its employee's 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 fellows' lives and contributes to the socio-economic development of their country.

Staff Capacity Building Matters

Throughout 2022, LOLC Cambodia organized a wide range of training and development courses for its over 3,000 employees:

- Orientation course
- On-the-job training
- Coaching program
- Refresher training
- Regional training
- On-site training
- Customized course
- Training video
- Job Rotation program
- 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 practice 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 found 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 Labour Law;
- Bonus for Khmer New Year, Pchum Ben, Year-end;
- Annual salary increment;
- Monthly staff savings schemes;
- Pension fund;
- Allowance for monthly staff activities;
- Allowance for staff annual retreats,
- Monthly phone allowances;
- Uniform allowances;
- Fully paid maternity leave;
- Monthly incentive

Non-Financial Benefits:

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

Benefits for Interns:

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

Performance Evaluation:

Performance valuation 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 visited the Boulder Institute of Microfinance in Italy, the United States, India, Thailand, Bangladesh, and South Africa for his overseas microfinance training programs.

He started his career as Credit Officer at ACLEDA Bank Plc. He was then promoted to Head of 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 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: In 2022, Global Climate Partnership Fund Academy 2022 in Switzerland; 21st Century Board Leadership Model Masterclass, conducted by CA Sri Lanka Business School; In 2019, Boulder Program with concentration in Management and Leadership (Italy); In 2018, Certified Management Accountant Program, focus on strategic cost management and strategic business analysis; Board Leadership Program conducted by Thai Institute of Directors; In 2016, Leadership and Diversity for Innovation Program by Women's World Banking (USA); In 2014, Advanced Management Program by Cornell University (Sri Lanka); In 2013, Syndication Loan Pricing & Structuring by Universal Network Intelligence (Malaysia). 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, subsequently promoted to AVP & Manager of 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 Audit Senior 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.

Also, 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 16-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 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 (CPI SI), a Certified Android Security Specialist and completed requirements for ISO 27001:2013 Lead Auditor.

Mr. Liyanage has 14 years of experience in Information Technology and Management. He worked in LankaPay (LankaClear (Pvt) Ld.), 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, obtained 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. He has attended numerous training courses in the areas of 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 and leadership skills. 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 after LOLC Cambodia was incorporated in 2004, and Angkor Microfinance Kampuchea (2004-2008) as a regional manager and audit team leader. 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 1-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 Audit Senior 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 Audit Senior. During the three years of working, 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 3 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 so 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 Ang Snoul District Branch in February 2008. In 2009, he was 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 moved to hold position as Deputy Head of Business Department in November 2017. After a year, he was promoted to Head of Credit Department in August 2018.



MR. NUTH THENG
Head of Business Department

Nuth Theng, Head of Business Department, obtained his Master's Degree in Business Administration from Norton University in 2011. He graduated with a Bachelor of English Literature from Cambodian University for Specialties in 2007. He went to Prey Veng Regional Pedagogy Center, where he was certified in Pedagogy, majoring in Maths & Physics. He participated in various trainings and development, capacity building, branch management, risk management, credit management, training of trainers, leadership and management, asset based finance, successful selling skills, effective team building and many other training courses and workshops conducted by national and international experts. Mr. Nuth Theng started his career as a Maths & Physics and English teacher between 2000 and 2005. He went on to take part in Prasac microfinance, in which he worked as a Credit Officer intern, and then Credit Officer and a Sub-Branch manager from 2005 to 2011. After 6 years of work experience, he continued his journey with LOLC Cambodia starting in 2011, where he has served in many positions, such as Branch Management Trainee, Branch Manager, Lending Specialist, Regional Manager, and Asset-Backed Project Manager. In 2018, Mr. Nuth Theng was appointed to become Head of the Asset-Backed Department and was transferred to his current position as Head of the Business Department in September 2018.



MR. PHAI PHALLA
Head of Marketing Department

Phai Phalla, Head of Marketing Department, is a 2011 Banking Finance graduate from Norton University who later evolved himself through diverse workshops and training. Mr. Phalla started his working career in 2009 in many top-notch companies in Cambodia both in non-financial and financial industries. Those companies include commercial bank, MDI, MFI, leasing company and telecommunications company in which his main responsibilities were marketing and communications, branding, customer services and complaint management. Due to his high competency, Mr. Phalla has had quick growth and success in companies. From an officer to a senior officer, supervisor, manager and a senior manager of project management office in one of the leading banks in Cambodia, Mr. Phalla has achieved it all before starting with LOLC Cambodia in 2022 as Head of Marketing Department.



MR. THONG RITHY
Head of iPay and Digital Business
Department

Thong Rithy, Head of iPay & Digital Business, 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 14 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 program. He provides leadership and direction to coordinate all activities of user acquisition, merchant acquisition, usage utilization, and customer retention program. 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), 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, Head of Legal and Compliance Department. Prior to her Master of Laws in International Human Rights from Paññāsāstra University of Cambodia 2022, she graduated with a Bachelor's Degree in Law from the Royal University of Law and Economics and also holds a Bachelor's Degree in English Literature from Norton University. In 2011, she went to the United States for her visiting student program at Bowdoin College for 1 year. 6 years later, she won a place on an exchange course on Business and Human Rights at Lund University, Sweden in 2017. Before starting with LOLC Cambodia, Ms. Marady has a lot of training experience, such as ICA-AML International Advanced Certificate, IBF-Regulatory Compliance Certificate and Harpswell ASEAN Women's Leadership and conferences in Singapore, Philippines, Malaysia etc. She began her managing career with Wing Money (Cambodia) Plc, Wing Bank (Cambodia) Plc, and Maritime Specialized Bank as Compliance Manager. Then, she worked as Head of Compliance at First Investment Specialized Bank and Senior Legal Advisor/Office Manager at HBS Law. Ms. Marady is proficient in legal compliance, AML/CFT, business and human rights research and corporate social responsibility (CSR).



MS. KHENG NAVY
Company Secretary

Kheng Navy, Company Secretary, obtained 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 Principles of Accounting, Report Writing Skills, a Green Lending Workshop, Leadership and Corporate Governance. Before joining at 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.

COMMITMENT TOWARDS SUSTAINABILITY

SOCIAL PERFORMANCE MANAGEMENT UNIT TO
SUSTAINABILITY MANAGEMENT UNIT (93)

ESG ACHIEVEMENTS IN 2022 AND
2023 TARGETS (94)

PROHIBITED ACTIVITIES (EXCLUSION LIST) (96)

ENVIRONMENTAL & SOCIAL AWARENESS AND
ASSESSMENT (98)

CLIENT RIGHTS (100)

CREDIT DISCIPLINE VIA A4 METACARD (101)

COMPLIANCE WITH CLIENT PROTECTION
PRINCIPLES (102)

FINANCIAL EDUCATION AWARENESS (104)

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND
OTHER SOCIAL ACTIVITIES (106)

ENVIRONMENTAL FOOTPRINTS (109)

ENVIRONMENTAL AND SOCIAL PRODUCTS (110)

SOCIAL OUTREACH (112)

GOVERNANCE (114)

LOLC CAMBODIA IMPACT ASSESSMENT (115)

04

COMMITMENT TOWARDS SUSTAINABILITY

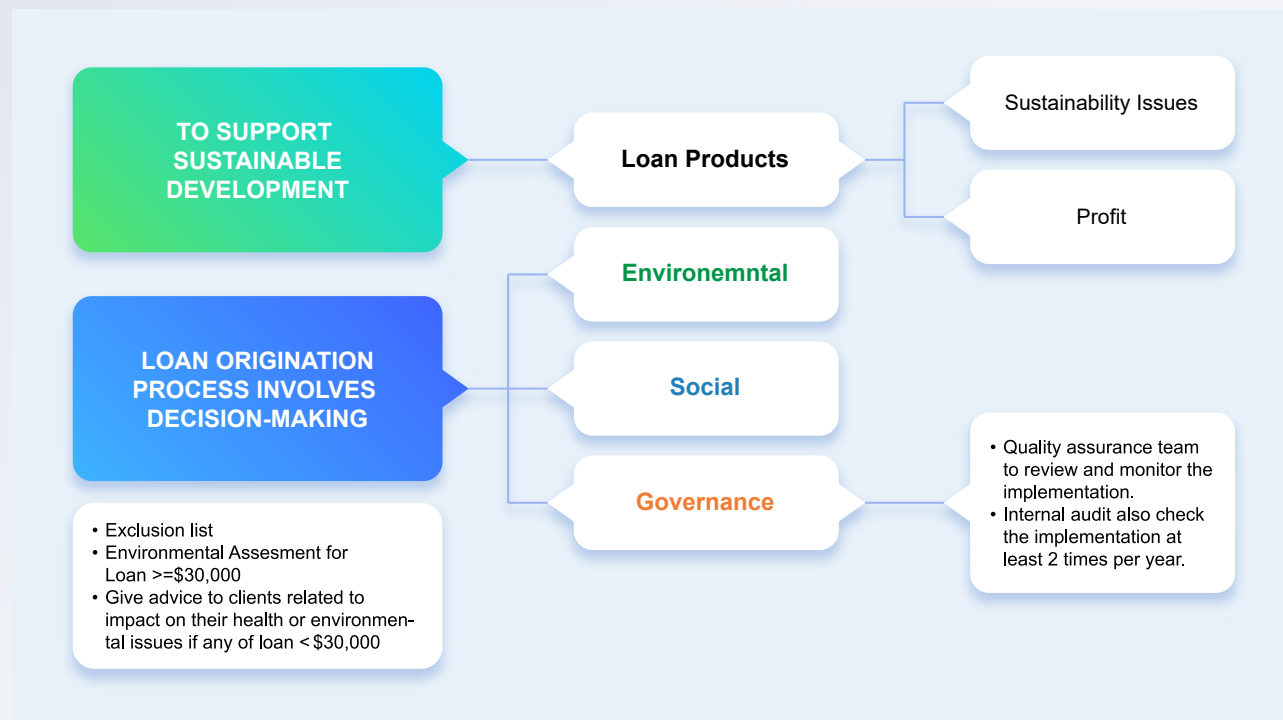


SOCIAL PERFORMANCE MANAGEMENT UNIT TO SUSTAINABILITY MANAGEMENT UNIT

In order to support the sustainable development of the government and take part in the solutions toward environmental and social protection, LOLC Cambodia has put its efforts towards embedding in its loan processes the following key points to address concerns about Environmental, Social, and Governance (ESG) factors. Such efforts require every stakeholder's involvement, as such:

- Lenders as the funding supporters,
- LOLC Cambodia as the financial provider, and
- Clients as those who demand environmentally-friendly products.

Acknowledging the key roles this unit plays, LOLC Cambodia's Board has agreed to enlarge its scope and have now renamed it from **SOCIAL PERFORMANCE MANAGEMENT UNIT to SUSTAINABILITY MANAGEMENT UNIT**, with its following **key roles and responsibilities as follows**:



- Lead development of LOLC Cambodia's long-term Sustainability Management/ESG strategies and policy, including standards of conduct for employees.
- Ensure that LOLC Cambodia policies and practices comply with Client Protection Principles (CPP) and other ESG standards.
- Track, monitor, and report activities related to Sustainability Management/ESG.
- Gather and disseminate relevant best practices/learning materials that improve LOLC Cambodia's ESG.
- Work to continually improve the staff's ESG awareness and strengthen their capacity.
- Design, develop, and implement ESG orientation courses and update new strategies for new staff and periodic workshops or training for existing staff,
- 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.





ESG ACHIEVEMENTS IN 2022 AND 2023 TARGETS

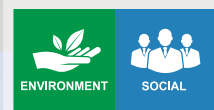
Achievements in 2022 and 2023 Targets

ESG Criteria	Annual Measurable KPIs	Description	2022 Achievements	2022 Targets	2023 Targets
	CO ₂ emissions saved ⁽¹⁾	CO ₂ emission saved through Green Lending (tCO ₂)	7,303	N/A	>= 5,000
	Access to green products	Number of clients with access to green products through Green Lending	672	>= 250	>= 1,000
	Trees saved ⁽²⁾	Analyze paper reduction by tablet & iPay project to save number of trees	N/A	N/A	>= 12
	Water stress	Number of clients with access to better water, sanitation, water filter, water & sanitation, and household water through WASH Loans.	2,952	>= 2,500	>= 3,500

(1) - CO₂ emissions saved is generated and given by responsibility (GCPF) which relies on LOLC Cambodia's raw data submitted to them.

(2) - Trees saved is calculated based on the definition from <https://www.greengirlrecycling.com/post/how-many-trees-does-your-office-use-each-month>

ESG Criteria	Annual Measurable KPIs	Description	2022 Achievements	2022 Targets	2023 Targets
	Job creation	Number of total staff	3,535	N/A	>= 3,500
	Female clients	Percentage of female borrowers	70%	>= 65%	>= 65%
	Poverty outreach	Percentage of borrowers in rural areas	78%	>= 70%	>= 70%
		Percentage of clients below 150% National Poverty Line (NPL).	24%	>= 20%	>= 20%
	Clients involved in agriculture	Percentage of borrowers involved in agriculture.	47%	>= 30%	>= 30%
	Access to education	Financial education awareness training courses	11 Courses	N/A	>= 200
		Financial education awareness video	8	N/A	>= 4
	Impact on communities	Number of internal and external training for staffs	1,949	>= 1,200	>= 1,300
		Number of community events and other social activities (CSR)	24 events	N/A	>= 24
	Better living condition	Access to finance	Percentage of new clients able to access financial services whether savings or credits.	7.5%	>= 7.5%
Analysis of the client income generation		Sample size of at least 5,000 clients	>= Sample size of at least 5,000 clients	>= Sample size of at least 5,000 clients	
	Number of clients access to better house condition through HIL and HL	3,500	N/A	>= 3,500	
	Independent directors	Number of independent directors	2	N/A	>= 2



PROHIBITED ACTIVITIES (EXCLUSION LIST)

LOLC Cambodia has developed an exclusion list to prohibit the financing of activities with negative impacts on the environment and community. The company has in place robust measures to prevent loans being granted for any such 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.	Description
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 in wildlife or wildlife products regulated under CITES
7	Production or trade in radioactive materials
8	Production or trade in or use of unbonded 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
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	Any business relating to pornography or prostitution
20	Persistent Organic Pollutants (POPs)
21	Plantation projects that would require the removal of existing non-degraded natural forest
22	Cross-border trade of waste, except those authorized by the Basle convention and its underlying regulations
23	Production and distribution or participation to racist, anti-democratic media or media advocating discrimination of one part of a population
24	Sector with little linkage effects, high risks and /or subject to speculation, e.g. Real Estate.
25	Production or services, which cause recognized and serious damage to the natural environment and are forbidden under the laws of Cambodia for that reason
26	Projects involving the construction of large dams that significantly and irreversibly
27	Projects in or impacting natural World Heritage Sites
28	Projects in or impacting areas on the United Nations List of National Parks and Protected Areas
29	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
30	Activities that could cause Significant Environmental Harm
31	Located in or sufficiently near sensitive locations of national or regional importance to have perceptible environmental impacts.
32	Giving or receiving gifts that could be interpreted as intending to influence business decisions.
33	Making political contributions, i.e., to political parties or candidates.
34	Abusing confidential or material, non-public information.
35	Financial or economic crime, including involvement in money laundering.
36	Illegal or deceitful recording and reporting of financial and/or tax information.
37	Business transactions where the price for goods or services is set artificially high or low.



ENVIRONMENTAL & SOCIAL AWARENESS AND ASSESSMENT

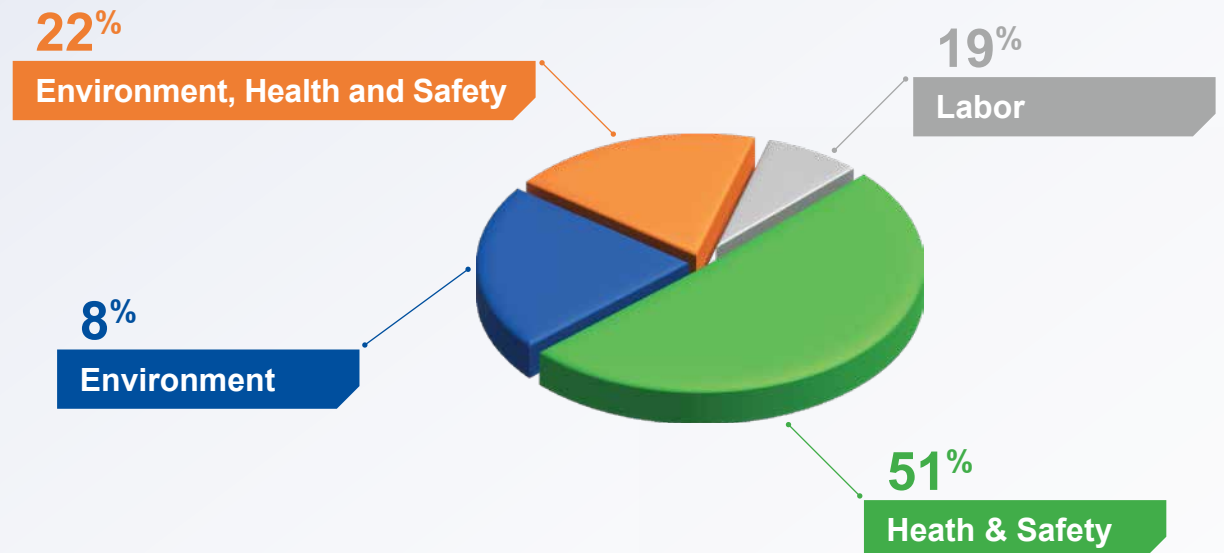
Environmental & social awareness and assessment has been conducted with all loans.

- 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. From January to December 2022, 308 loans were assessed.

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].

Environmental Risk Exposure



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

Environment and Social Assessment	# of Loan	Remarks
Low	176	<ul style="list-style-type: none"> The client's risk management quality is high. The client's risk level is then low. Therefore, no action taken is required.
Medium	132	<ul style="list-style-type: none"> The client's risk management quality is ranged from medium to high The client risk level is then ranged from low to medium. Therefore, monitoring should be tracked to observe/monitor the progress of the risks.
High	0	n/a
Total	308	

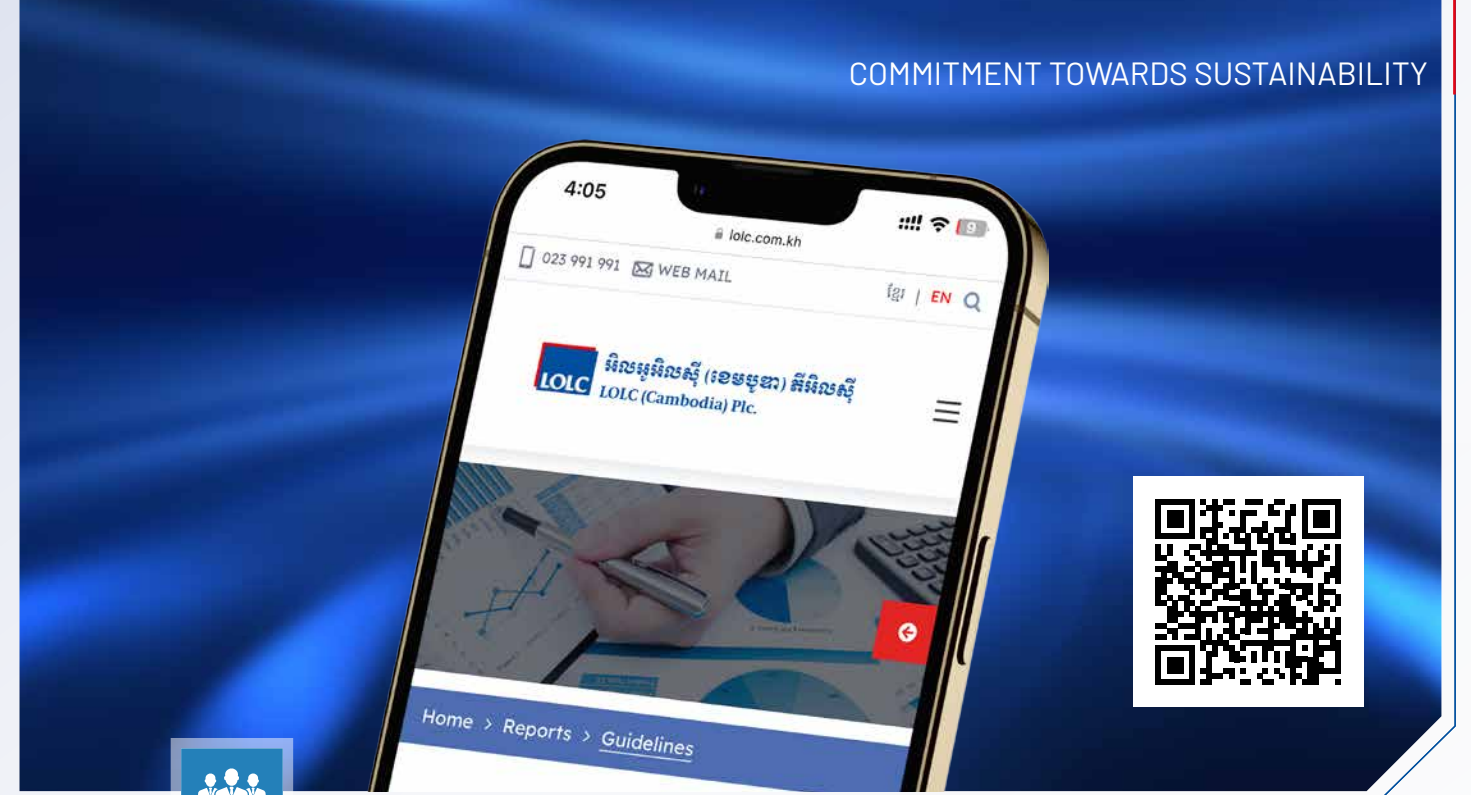


CLIENT RIGHTS

LOLC Cambodia discloses the client's rights on its website and in the documentation handed out to every customer. Moreover, client rights information is included in the visual aids (A4-Metacard) and shown at least two times (during assessment and before disbursement), so that clients are informed.

The clients are clearly informed about their rights before and after loan disbursement and they are also printed on their loan plastic carrier bag. All LOLC Cambodia clients are offered/guaranteed the following rights:

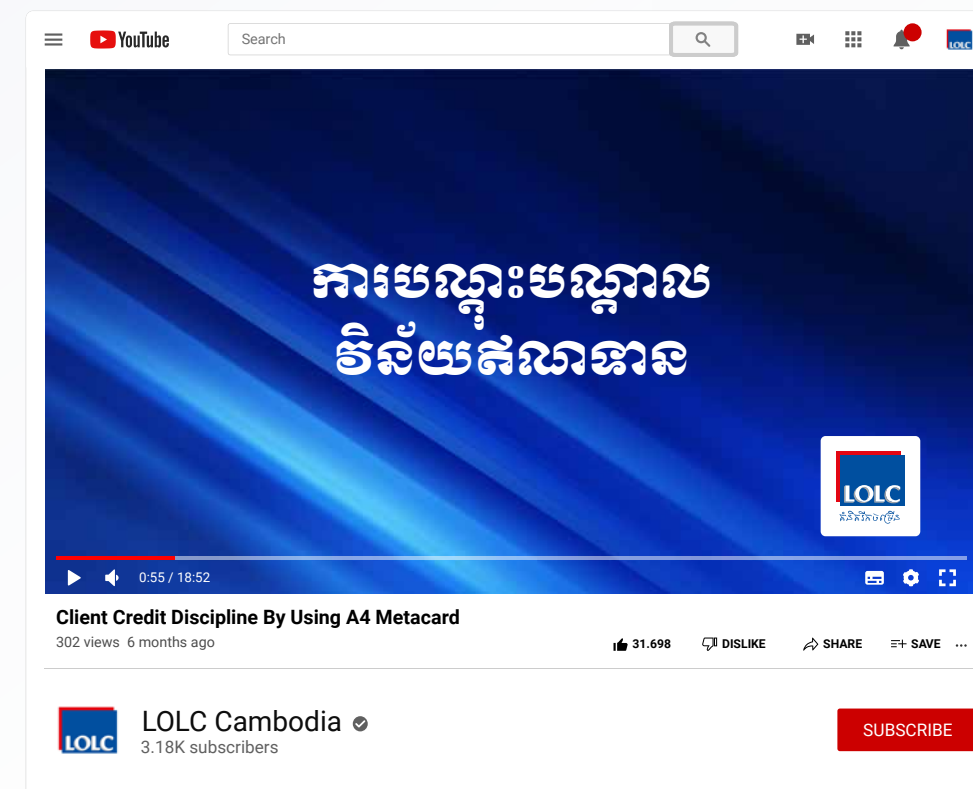
- To know and understand product terms and conditions and all costs before disbursement;
- To refuse to accept any product;
- To complain or ask questions about any service or product offered by LOLC Cambodia;
- To receive loan schedules and other important documents upon (or before) disbursement and official receipts during loan repayment;
- To receive fair and respectful treatment, without discrimination, from LOLC Cambodia's staff; and
- To expect LOLC Cambodia to keep personal and financial information confidential.



CREDIT DISCIPLINE VIA A4 METACARD

A4 Metacard is a visual aid kit for using to do the credit discipline to clients. At least two times (during assessment and before disbursement), clients are informed about a product's features, fee charges, cooling-off period, terms, and conditions by using visual aids (A4-Metacard). In addition, the video guideline using the A4-Metacard visual aids is disclosed on LOLC Cambodia's website. (www.lolc.com.kh/en/guidelines)

Client Credit Discipline By Using A4 Metacard





COMPLIANCE WITH CLIENT PROTECTION PRINCIPLES

LOLC Cambodia was assessed by Microfinanza Rating (MFR) for the CPC in November 2021 and in February 2022, LOLC Cambodia was awarded the Gold Level of Client Protection Certificate from Cerise and SPTF. The certificate is valid until February 2025.

- 2015: First CPP certificate from SMART Campaign, assessed by M-CRIL
- 2018: Check-in review by M-cril, resulting in next validity renewal till 2020
- 2022: Gold Level of Client Protection Certificate from Cerise and SPTF.

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 ensure our business is sustainable.

Fair and Respectful Treatment of Clients

We treat our customers with respect and dignity, all 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.

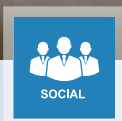
Privacy of Client Data

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.





FINANCIAL EDUCATION AWARENESS

Our financial education awareness potential channels include:



LOLC Cambodia’s past achievements in this area include:

- Financial literacy in-class training: This training was attended by 58,579 including clients, non-clients, university students and children.
- Financial literacy awareness: 75 banners with key messages of financial education were designed and 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: These videos were produced to deliver financial literacy messages to the public and our clients.

In 2020, due to Covid19, financial literacy awareness in-class training and other related activities were postponed. Instead, during this time, 24 short financial literacy videos were produced and posted to our engaging LOLC Cambodia Facebook Page. As a result, as of December 2022, the videos reached a total of 16.08 million views.

In 2022, in One Village One Product Project (OVOP), LOLC Cambodia provided financial education awareness on “How to Get the Right Financial Services” to 1,170 OVOP beneficiaries in Kampong Cham, Kampot, Siem Reap, Takeo, Banteay Meanchey, Sihanoukville, Battambang, Kampong Chhnang, Svay Rieng, and Oddar Meanchey provinces and Phnom Penh capital.

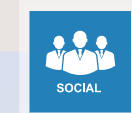
Financial Education Awareness Training Modules:





Other Social Activities: These include LOLC Cambodia's sponsorship and contribution to social activities such as Covid-19 crisis relief, anti-drug leaflets, donations to customers and flood victims, and fresh milk nutrition programs.

- Youth for Community: LOLC Cambodia funded their humanitarian activities to reduce poverty and family hardship.
- Red Cross Cambodia: LOLC Cambodia pledged an annual donation to the Cambodian Red Cross for its humanitarian activities in society on the 159th Anniversary of the World Red Cross and Red Crescent Day, themed *"Together with the Cambodian Red Cross to solve challenges and continue to strengthen community resilience."*



CORPORATE SOCIAL RESPONSIBILITY (CSR) AND OTHER SOCIAL ACTIVITIES

Community Events: These reflect LOLC Cambodia's contributions to society operated by each branch. Activities include road maintenance, bench installation in public spaces, school activities, tree planting, book donations to libraries, well construction, public space cleanup and more.



- Federation of Association for Small and Medium Enterprises of Cambodia (FASMEC): LOLC Cambodia supported FASMEC in building a successful business activity related to financial education awareness for the project's beneficiaries on *"How to Get the Right Financial Services"*.
- 09th Cambodia Book Fair 2022: LOLC Cambodia supported The Cambodia Book Fair 2022 in organizing the event with the topic of "A Day Reading, A Day More of Understanding" to promote reading, writing, and the publishing industry in Cambodia.





- Anti-drug leaflets: LOLC Cambodia handed out 80,000 leaflets on drug issues and other promotional materials to the General Secretariat of the National Authority for Combating Drugs in order to disseminate information on drug issues to the public, through the National Drug Control Committee, and Ministry Members of the National Authority for Combating Drugs.
- Donation to Khleang Leu Children Organization in Preah Sihanouk province: On December 25th, 2022, LOLC Cambodia contributed appliances, foodstuff, and stationery, to Khleang Leu Children Organization, located in Sangkat 2, Sihanoukville, Preah Sihanouk province. Founded in 2013, the organization has helped a great number of children with such training courses as Khmer, English, dance, health education and nutrition.

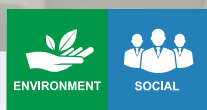


ENVIRONMENTAL FOOTPRINTS

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 to benchmark our future performance.

	Q1-2022	Q2-2022	Q3-2022	Q4-2022
Total Staff	3,432	3,476	3,518	3,545
Electricity (Kwh)	499,359	525,032	588,690	546,922
Electricity (Kwh) Per staf	145.47	151.07	167.38	154.28
Water (m ³)	17,123	16,315	11,779	11,099
Water (m ³) Per staf	4.99	4.69	3.35	3.13
Gasoline (Liter)	102,479	104,266	141,642	135,074
Gasoline (Liter) Per staf	29.85	30.00	40.26	38.11
Diesel (Liter)	8,808	8,390	8,200	8,271
Diesel (Liter) Per staf	2.56	2.41	2.33	2.33

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



ENVIRONMENTAL AND SOCIAL PRODUCTS

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

Green Lending

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

With technical support and the tools to measure the impact of Green Lending on CO2 emissions and energy saved from Global Climate Partnership Fund (GCPF) through ResponsAbility, LOLC Cambodia has contributed in decreasing CO2 emissions by 74,989 t CO2 as of December 2022. As such, as of December 2022, there are 5,000 clients are using LOLC Cambodia loan products to buy green products with the portfolio of USD 14 million. 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 2022, 5,400 clients are using WASH Individual Loan product, with a gross loan portfolio of USD 4 million.



Home Appliance Loan

In order to improve its clients' living conditions, LOLC Cambodia has made Home Appliance Loans (HAL) available. With HAL, clients can buy refrigerators, air-conditioners, television sets, washing machines, etc. As of December 2022, this HAL product have served 6,600 clients, at its USD 3.3 million gross loan portfolio.

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 Dec 2022, LOLC Cambodia is offering such HIL and HL loans to 9,800 clients, at its USD 57.8 million gross loan portfolio.



SOCIAL OUTREACH

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

Female Clients
70% (borrowers)



Rural Clients
78% (borrowers)



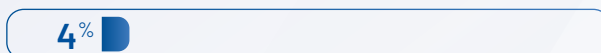
Clients Involved in
Agriculture
47% (borrowers)



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 2022, a survey with the sample size of 658 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:

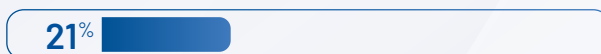
Very Poor



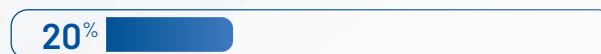
Lower Income



Moderate Poverty Poor

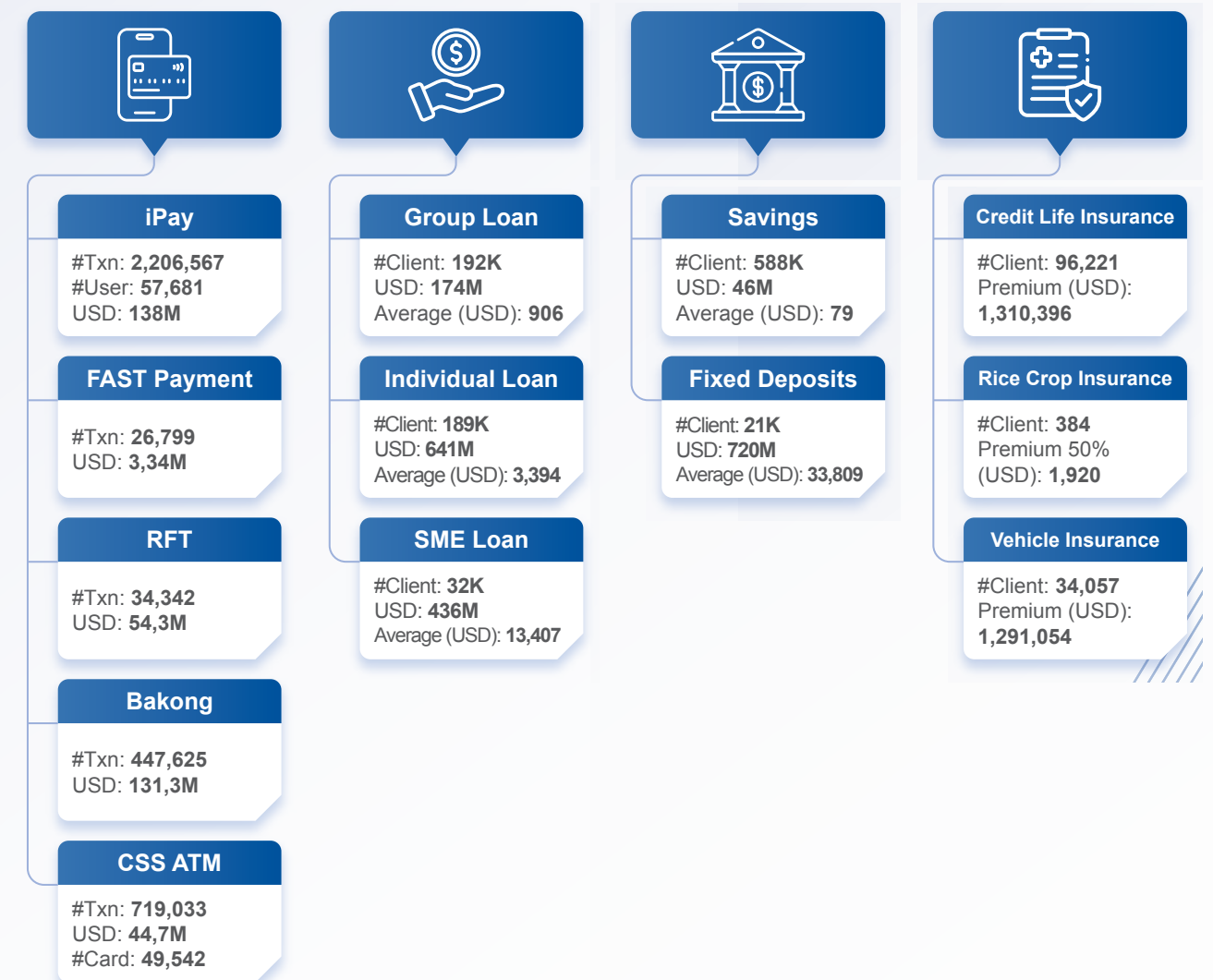


Non-Poor



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, meet our clients' needs, and our clients' 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 guidelines 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.



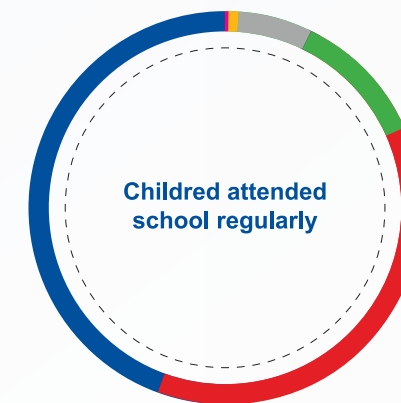
LOLC CAMBODIA IMPACT ASSESSMENT

End Client Self- Perception Survey by OikoCredit

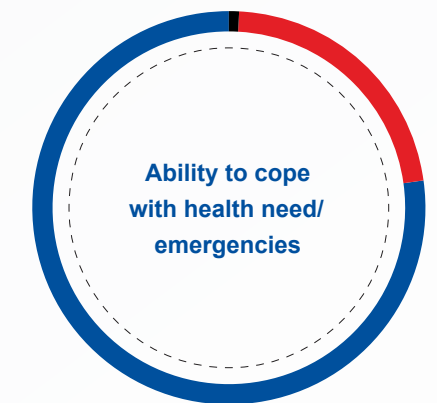
With support from OikoCredit, LOLC Cambodia conducted impact assessment for 2022 with sample of 599 respondents and LOLC Cambodia contribute running this survey with OikoCredit to cover the opinion of more clients.



- Positive Influence **91%**
- Indifferent **9%**



- Improved a lot **1%**
- Diminished a little **11%**
- Improve a little bit **37%**
- Diminished a lot **0.3%**
- Remained the same **44%**
- Don't know **6%**



Note: 76% have children age 15 or younger.

- Yes **77%**
- No **22%**
- Blank **1%**

E&S Reporting Scorecard by responsAbility

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:



Quality assessment refers to comprehensiveness, conciseness and relevance of answers and documents provided.



Quantity assessment refers to the amount of information provided, whether all questions were answered and all documents attached.



Timing and responsiveness indicates whether the deadline was met and follow up question answered promptly.

Red indicates the E&S report was late and responsiveness was poor.

Yellow indicates the reporting was slightly late and responsiveness was average.

Green indicates the reporting was relatively on time and responsiveness was

Impact Report by Impact Investment Exchange (IIX)

With support from IIX, LOLC conducted an impact survey on platform to generate the impact as shown.



FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2022

STATEMENT BY BOARD OF DIRECTORS (120)

INDEPENDENT AUDITOR'S REPORT (123)

FINANCIAL STATEMENTS (126)

05

STATEMENT BY BOARD OF DIRECTORS

The Board of Directors (the Directors) hereby submits their report together with the audited financial statements of LOLC (Cambodia) Plc. (the Company) for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

FINANCIAL PERFORMANCE

The financial performance of the Company for the year is set out in the in the statement of profit or loss and other comprehensive income on page 128.

STATUTORY CAPITAL

There were no changes in the share capital of the Company during the year.

BAD AND DOUBTFUL FINANCIAL FACILITIES

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

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

ASSETS

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

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

THE BOARD OF DIRECTORS

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

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

INDEPENDENT AUDITOR'S REPORT

THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards (CIFRS).

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

- I. adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- II. comply with the disclosure requirements of CIFRS or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- III. maintain adequate accounting records and an effective system of internal controls;
- IV. prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- V. effectively control and direct the Company in all material decisions affecting its operations and performance and ascertain that such have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and the financial performance and cash flows of the Company for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Board of Directors.

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



Sok Voeth
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

20 MAR 2023

To the shareholders of LOLC (Cambodia) Plc.

Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LOLC (Cambodia) Plc. (the Company) as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (CIFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report are the directors' report and the supplementary financial information and other disclosures required by the National Bank of Cambodia but do not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

For PricewaterhouseCoopers (Cambodia) Ltd.

By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
20 March 2023

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Assets					
Cash on hand	4	106,809,850	95,083,129	25,943,612	23,339,011
Deposits and placements with the central bank	5	194,853,393	126,233,530	47,328,976	30,985,157
Deposits and placements with banks	6	371,988,949	268,874,510	90,354,372	65,997,671
Financial assets at fair value through other comprehensive income	7	61,755	61,110	15,000	15,000
Loans and advances at amortised cost	8	5,006,724,473	4,134,913,292	1,216,109,904	1,014,951,716
Statutory deposits with the central bank	9	290,813,000	219,654,230	70,637,114	53,916,109
Property and equipment	10	6,845,124	6,408,761	1,662,649	1,573,088
Right-of-use assets	11	28,364,039	27,730,520	6,889,492	6,806,706
Intangible assets	12	8,290,335	10,602,031	2,013,683	2,602,364
Deferred tax assets	13	38,944,143	26,225,612	9,459,350	6,437,313
Other assets	14	21,611,794	19,274,179	5,249,404	4,731,021
Total Assets		6,075,306,855	4,935,060,904	1,475,663,556	1,211,355,156

Liabilities and Equity

Liabilities

Deposits from banks and other financial institutions	15	121,960,652	195,570,226	29,623,671	48,004,474
Deposits from customers	16	3,036,496,755	2,175,241,605	737,550,827	533,932,647
Borrowings	17	1,269,650,543	1,152,112,820	308,392,165	282,796,470
Debt securities	18	-	81,741,175	-	20,064,108
Lease liabilities	11	26,341,727	25,228,428	6,398,282	6,192,545
Current income tax liabilities	19	64,678,039	54,764,710	15,709,992	13,442,491
Employee benefits	20	2,310,325	2,449,007	561,167	601,131
Other liabilities	21	44,620,119	40,171,072	10,838,020	9,860,352
Subordinated debts	22	314,179,268	252,600,043	76,312,671	62,002,956
Total Liabilities		4,880,237,428	3,979,879,086	1,185,386,795	976,897,174

Equity

Share capital	23	224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings		590,276,911	350,389,302	144,936,825	86,241,545
General reserves		380,415,116	380,415,116	93,768,951	93,768,951
Regulatory reserves	24	-	-	-	-
Other reserves		-	-	(3,889,865)	(1,013,364)
Total Equity		1,195,069,427	955,181,818	290,276,761	234,457,982

Total Liabilities and Equity 6,075,306,855 4,935,060,904 1,475,663,556 1,211,355,156

The accompanying notes on pages 133 to 208 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Interest income	25	864,653,123	714,118,444	211,561,811	175,545,340
Interest expense	25	(306,307,880)	(250,381,510)	(74,946,875)	(61,549,044)
Net interest income		558,345,243	463,736,934	136,614,936	113,996,296
Fee and commission income	26	27,072,105	22,850,455	6,623,955	5,617,123
Fee and commission expense	26	(898,943)	(564,860)	(219,952)	(138,854)
Net fee and commission income		26,173,162	22,285,595	6,404,003	5,478,269
Other operating income		3,720,546	1,977,742	910,337	486,171
Other (losses)/gains – net		(1,852,013)	1,207,156	(453,147)	296,744
Total other operating income		1,868,533	3,184,898	457,190	782,915
Credit impairment losses	27	(68,813,287)	(20,863,063)	(16,837,115)	(5,128,580)
Net losses on derecognition of financial assets measured at amortised cost		(5,091,311)	(2,782,676)	(1,245,733)	(684,040)
Net other operating loss		(72,036,065)	(20,460,841)	(17,625,658)	(5,029,705)
Personnel expenses	28	(144,087,145)	(132,772,062)	(35,254,990)	(32,638,167)
Depreciation and amortisation charges	29	(12,511,187)	(12,177,882)	(3,061,215)	(2,993,580)
Other operating expenses	30	(54,918,223)	(44,076,772)	(13,437,295)	(10,834,997)
Profit before income tax		300,965,785	276,534,972	73,639,781	67,978,116
Income tax expense	31	(61,078,176)	(54,210,946)	(14,944,501)	(13,326,192)
Profit for the year		239,887,609	222,324,026	58,695,280	54,651,924
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Currency translation differences		-	-	(2,876,501)	(1,370,158)
Other comprehensive income for the year, net of tax		-	-	(2,876,501)	(1,370,158)

Total comprehensive income for the year	239,887,609	222,324,026	55,818,779	53,281,766
Profit attributable to:				
Owners of the Company	239,887,609	222,324,026	58,695,280	54,651,924
Total comprehensive income attributable to:				
Owners of the Company	239,887,609	222,324,026	55,818,779	53,281,766

The accompanying notes on pages 133 to 208 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Share capital KHR'000	Retained earnings KHR'000	General reserves KHR'000	Regulatory reserves KHR'000	Other reserves KHR'000	Total KHR'000	Share capital US\$	Retained earnings US\$	General reserves US\$	Regulatory reserves US\$	Other reserves US\$	Total US\$
Balance at 1 January 2021	224,377,400	298,065,276	210,415,116	-	-	732,857,792	55,460,850	73,379,198	51,979,374	-	356,794	181,176,216
Profit for the year	-	222,324,026	-	-	-	222,324,026	-	54,651,924	-	-	-	54,651,924
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	(1,370,158)	(1,370,158)
Total comprehensive income for the year	-	222,324,026	-	-	-	222,324,026	-	54,651,924	-	-	(1,370,158)	53,281,766
Transactions with owners in their capacity as owners:												
Transfer to other reserves	-	(170,000,000)	170,000,000	-	-	-	(41,789,577)	41,789,577	-	-	-	-
Total transactions with owners	-	(170,000,000)	170,000,000	-	-	-	(41,789,577)	41,789,577	-	-	-	-
Balance at 31 December 2021	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
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
Transactions with owners in their capacity as owners:												
Transfer to other reserves	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-	-	-	-
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

The accompanying notes on pages 133 to 208 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Cash flows from operating activities					
Cash used in operations	33	(410,717,796)	(728,945,224)	(100,493,711)	(179,190,072)
Interest received		870,515,683	716,587,809	212,996,252	176,152,362
Interest paid		(280,205,951)	(243,563,390)	(68,560,301)	(59,873,006)
Income tax paid	19	(63,883,378)	(48,122,227)	(15,630,873)	(11,829,456)
Employee benefits paid		(403,804)	220,865	(98,802)	54,293
Net cash generated from/ (used in) operating activities		115,304,754	(303,822,167)	28,212,565	(74,685,879)
Cash flows from investing activities					
Deposits and placements with the central bank		(2,167,701)	(520,707)	(530,389)	(128,001)
Purchases of property and equipment	10	(3,996,501)	(2,863,624)	(977,857)	(703,939)
Purchases of intangible assets	12	(503,329)	(6,510,991)	(123,154)	(1,600,539)
Proceeds from disposals of property and equipment		411,259	40,595	100,626	9,979
Net cash used in investing activities		(6,256,272)	(9,854,727)	(1,530,774)	(2,422,500)
Cash flows from financing activities					
Proceeds from borrowings	33(b)	565,273,318	583,419,932	138,310,085	143,416,896
Repayments of borrowings	33(b)	(463,573,984)	(498,543,837)	(113,426,470)	(122,552,566)
Proceeds from subordinated debts	33(b)	83,647,750	117,855,000	20,466,785	28,971,239
Repayments of subordinated debts	33(b)	(26,236,000)	(40,655,600)	(6,419,379)	(9,994,002)
Repayments of debt securities	33(b)	(80,504,783)	-	(19,697,769)	-
Principal element of lease payments	33(b)	(5,830,957)	(6,278,911)	(1,426,708)	(1,543,488)

Net cash generated from financing activities	72,775,344	155,796,584	17,806,544	38,298,079
Net increase/(decrease) in cash and cash equivalents	181,823,826	(157,880,310)	44,488,335	(38,810,300)
Cash and cash equivalents at beginning of the year	490,359,897	648,240,207	120,363,254	160,257,158
Currency translation differences	-	-	(1,581,314)	(1,083,604)
Cash and cash equivalents at end of the year	32 672,183,723	490,359,897	163,270,275	120,363,254

The accompanying notes on pages 133 to 208 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

LOLC (Cambodia) Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) (the Company), a licensed micro-finance institution, incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (MoC) as a public limited company under the registration number Co. 1413 E/2002, dated 23 May 2002 and changed to the new registration number 00012829 dated 28 September 2015. After a change in the shareholding structure in September 2014, the Company became a subsidiary of LOLC Micro Investments Ltd., a company incorporated in Sri Lanka. The ultimate parent is LOLC Holdings PLC (previously known as Lanka ORIX Leasing Company PLC), a company incorporated in Sri Lanka and listed on the Colombo Stock Exchange.

On 11 September 2015, the Company obtained a Microfinance Deposit-Taking Institution (MDI) license to conduct deposit taking business from the National Bank of Cambodia (NBC or the central bank).

On 16 September 2017, LOLC Micro investments Ltd. and DWM Investment Asia Ltd, transferred/sold all their shareholding of 96.97% to LOLC Private Limited which was approved by NBC on 28 November 2017. NBC approved for the change in ownership on 14 March 2018 and endorsed by the MoC on 25 June 2018.

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

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

As at 31 December 2022, 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 20 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

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

2.2 New standards and interpretation

i) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant, and Equipment: Proceeds before intended use – Amendments to CIAS 16,
- Reference to the Conceptual Framework – Amendments to CIFRS 3,
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to CIAS 37, and
- Annual Improvement to CIFRS Standards 2018 – 2020.

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

The Company has used the official rate of exchange published by the National Bank of Cambodia. As at the reporting date, the yearly average rate was US\$ 1 to KHR 4,087 (2021: US\$ 1 to KHR 4,068) and the closing rate was US\$1 to KHR 4,117 (2021: US\$ 1 to KHR 4,074).

2.4 Cash and cash equivalents

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

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

2.5 Financial assets

a) Classification

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

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

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

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

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

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

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

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

b) Recognition and derecognition

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

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

c) Measurement

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

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

Debt instruments

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

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

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss allowing the derecognition of the investment. Dividends from such investments continue to be recognised

in profit or loss as other income when the Company's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d) **Reclassification of financial assets**

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

e) **Impairment**

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

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

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

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

(i) 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.

(ii) 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.

(iii) Stage 3: Lifetime ECL – credit impaired

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

2.6 **Financial liabilities**

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

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

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

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

2.7 **Offsetting financial instruments**

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

2.8 **Property and equipment**

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

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

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

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

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

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

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

2.9 Intangible assets

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

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

2.10 Impairment of non-financial assets

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

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

2.11 Leases

The Company as a lessee

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

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

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

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

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

i) Lease liabilities

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

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

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

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

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

ii) Right-of-use assets

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

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

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

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

iii) Recognition exemptions

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

2.12 Income tax

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

2.13 Provision

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

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

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

2.14 Regulatory reserves

Banks and financial institutions are required to compute regulatory provisions according to Prakas No. B7-017-344 dated 1 December 2017, Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment, and Circular No. B7-021-2314 dated 28 December 2021 (implemented from 1 January 2022) on classification and provisioning requirements on restructured loans. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation.

2.15 General reserves

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

2.16 Employee benefits

i) Short-term employee benefits

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

ii) 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.

2.17 Interest income and expense

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

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

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

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

2.18 Fee and commission income

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

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

2.19 Rounding of amounts

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

3. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENT

The Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

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

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

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

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

The management has considered the recent economic trend driven by local and international events which may impact the future prospect of the economy. Any unexpected events and pressing issues could potentially have an impact on the disposable incomes of the Company's customers in making repayments to loans and advances. The management believes that the uncertain economic environment may result in higher credit impairment losses. Consequently, the management has adjusted the Company's probability weighted percentage in the probability weighted forward looking Probability of Default (PD) to give a heavier weight to the worse-case scenario and a lighter weight to the best-case scenario while maintaining the base percentage the same (Note 36.1 (c)(iv)).

In addition, having considered the Company's internal credit risk management strategies in response to temporary developments in its portfolios, the management has also applied management overlay to capture additional credit impairment losses where existing models may not capture in the short term. The management continues to observe such temporary developments, and takes different strategies when necessary.

ii) Other long term employee benefits - seniority payments

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

iii) Lease terms

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

iv) Functional and presentation currency

The management considers the KHR currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The critical factors which trigger the KHR being the functional currency include the currency that is regulated for loans to customers to certain extent by the central bank, staff costs, the source of equity funding in which the Company receives share subscriptions from and the distribution of dividends to its shareholders. The financial statements are therefore presented in KHR which is the Company's functional and presentation currency.

4. CASH ON HAND

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Current:</i>				
Khmer Riel	20,874,144	18,209,162	5,070,232	4,469,603
US Dollars	78,383,571	72,558,901	19,039,002	17,810,236
Thai Baht	7,552,135	4,315,066	1,834,378	1,059,172
	106,809,850	95,083,129	25,943,612	23,339,011

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

(a) By account types

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Settlement accounts	18,889,464	18,651,779	4,588,162	4,578,247
Current accounts	171,456,969	105,242,492	41,646,094	25,832,718
Negotiable certificate of deposits	4,506,960	2,339,259	1,094,720	574,192
	194,853,393	126,233,530	47,328,976	30,985,157

The Company has pledged negotiable certificate of deposits amounting to KHR 1,623,400 thousands as collateral for overdraft (31 December 2021: KHR 1,307,400 thousand) and KHR 1,223,400 thousand as collateral for real time fund transfer (RFT) (31 December 2021: KHR 1,014,800 thousand).

(b) By maturity

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current	194,853,393	126,233,530	47,328,976	30,985,157
Non-current	-	-	-	-
	194,853,393	126,233,530	47,328,976	30,985,157

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

	2022	2021
Settlement accounts	0%	0%
Current accounts	0%	0%
Negotiable certificates of deposits	1.05% - 3.69%	1.12% - 1.95%

6. DEPOSITS AND PLACEMENTS WITH BANKS

(a) By account types

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Deposits and placements with local banks:				
Savings deposits	146,908,461	81,630,520	35,683,376	20,036,946
Current accounts	175,144,437	189,751,977	42,541,763	46,576,332
Time deposits	52,974,542	-	12,867,268	-
	375,027,440	271,382,497	91,092,407	66,613,278
Less: Allowance for expected credit loss	(3,038,491)	(2,507,987)	(738,035)	(615,607)
	371,988,949	268,874,510	90,354,372	65,997,671

(b) By maturity

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current	375,027,440	271,382,497	91,092,407	66,613,279
Non-current	-	-	-	-
	375,027,440	271,382,497	91,092,407	66,613,279

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

	2022	2021
Savings deposits	0% – 2.50%	0% – 1.25%
Current accounts	0% – 1.39%	0% – 1.30%
Term deposits	3%	0%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Non-current				
Unlisted securities				
Investment in Credit Bureau Cambodia	61,755	61,110	15,000	15,000

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

The fair value of the investment at 31 December 2022 was KHR 61,755 thousands.

Dividend received during the year was KHR 47,520 thousand (2021: KHR 47,520 thousand).

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

8. LOANS AND ADVANCES AT AMORTISED COST

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
At amortised cost				
Group loans	718,540,912	626,723,724	174,530,219	153,834,984
Individual loans	4,411,542,341	3,572,565,196	1,071,542,954	876,918,310
Staff loans	28,609,371	22,519,365	6,949,082	5,527,581
Total gross loans	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875
Less: Allowance for expected credit loss	(151,968,151)	(86,894,993)	(36,912,351)	(21,329,159)
Total net loans	5,006,724,473	4,134,913,292	1,216,109,904	1,014,951,716

(a) Allowance for expected credit loss

Allowance for expected credit loss by stages are as follow:

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
12-month ECL (Stage 1)	57,944,061	25,163,215	14,074,340	6,176,538
Lifetime ECL-not credit impaired (Stage 2)	10,213,409	3,715,030	2,480,789	911,888
Lifetime ECL-credit impaired (Stage 3)	83,810,681	58,016,748	20,357,222	14,240,733
	151,968,151	86,894,993	36,912,351	21,329,159

(b) By industry

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Household/family	1,441,102,623	1,343,563,880	350,037,071	329,789,858
Agriculture	1,343,970,902	1,048,364,627	326,444,232	257,330,542
Trade and commerce	1,206,696,135	875,579,429	293,100,834	214,918,858
Services	788,991,815	669,714,969	191,642,413	164,387,572
Construction	201,794,944	173,398,312	49,015,046	42,562,178
Manufacturing	97,782,619	75,093,602	23,750,940	18,432,401
Transportation	65,517,963	35,512,349	15,914,006	8,716,826
Others	12,835,623	581,117	3,117,713	142,640
Total gross loans	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875

(c) Analysis by loan classification

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Performing				
Gross amount	4,948,939,886	3,932,943,702	1,202,074,299	965,376,461
Exposure at default	4,948,939,886	3,932,943,702	1,202,074,299	965,376,461
Allowance for expected credit loss	(57,944,061)	(25,163,215)	(14,074,340)	(6,176,538)
Under-performing				
Gross amount	73,840,698	181,173,597	17,935,559	44,470,691
Exposure at default	73,840,698	181,173,597	17,935,559	44,470,691
Allowance for expected credit loss	(10,213,409)	(3,715,030)	(2,480,789)	(911,888)
Non-performing				
Gross amount	135,912,040	107,690,986	33,012,397	26,433,723
Exposure at default	135,912,040	107,690,986	33,012,397	26,433,723
Allowance for expected credit loss	(83,810,681)	(58,016,748)	(20,357,222)	(14,240,733)
Total gross loans	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875
Exposure at default	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875
Allowance for expected credit loss	(151,968,151)	(86,894,993)	(36,912,351)	(21,329,159)

(d) By maturity

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Not later than 1 year	210,099,253	240,410,337	51,032,124	59,010,883
Later than 1 year and no later than 3 years	1,501,645,251	1,377,467,302	364,742,592	338,111,758
Later than 3 years and no later than 5 years	1,571,858,678	1,330,534,774	381,797,104	326,591,746
Later than 5 years	1,875,089,442	1,273,395,872	455,450,435	312,566,488
Total gross loans	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875

(e) By relationship

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Related parties (including staff loans)	28,609,371	22,519,367	6,949,082	5,527,581
Non-related parties	5,130,083,253	4,199,288,918	1,246,073,173	1,030,753,294
Total gross loans	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875

(f) By residency

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Residents	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875
Non-residents	-	-	-	-
Total gross loans	5,158,692,624	4,221,808,285	1,253,022,255	1,036,280,875

(g) By interest rate

	2022	2021
Short term loans	8.87% - 18.00%	7.30% - 18.00%
Long term loans	8.30% - 18.00%	8.92% - 18.00%

9. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Current</i>				
Reserve requirement	268,375,260	197,216,490	65,187,092	48,408,564
<i>Non-current</i>				
Capital guarantee deposit	22,437,740	22,437,740	5,450,022	5,507,545
	290,813,000	219,654,230	70,637,114	53,916,109

(i) Reserve requirement

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

(ii) Capital guarantee deposit

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

Annual interest rates:

	2022	2021
Capital guarantee deposit	3%	3%
Reserve requirement	Nil	Nil

10. PROPERTY AND EQUIPMENT

Non-current	Office furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Total KHR'000
For the year ended 31 December 2021					
Opening net book value	1,054,785	1,448,578	4,322,112	714,683	7,540,158
Additions	171,858	817,216	1,547,335	327,215	2,863,624
Disposal	-	-	(2,362)	-	(2,362)
Depreciation charge	(533,747)	(500,059)	(2,728,920)	(229,933)	(3,992,659)
Closing net book value	692,896	1,765,735	3,138,165	811,965	6,408,761
As at 31 December 2021					
Cost	4,293,667	14,150,343	14,561,067	1,971,061	34,976,138
Accumulated depreciation	(3,600,771)	(12,384,608)	(11,422,902)	(1,159,096)	(28,567,377)
Net book value	692,896	1,765,735	3,138,165	811,965	6,408,761
In US\$ equivalent	170,078	433,416	770,291	199,303	1,573,088
For the year ended 31 December 2022					
Opening net book value	692,896	1,765,735	3,138,165	811,965	6,408,761
Additions	478,935	883,764	2,238,553	395,249	3,996,501
Disposal	(901)	(75,145)	(3,188)	-	(79,234)
Depreciation charge	(452,061)	(590,569)	(2,176,364)	(261,910)	(3,480,904)
Closing net book value	718,869	1,983,785	3,197,166	945,304	6,845,124
As at 31 December 2022					
Cost	4,705,627	13,905,072	15,942,656	2,366,310	36,919,665
Accumulated depreciation	(3,986,758)	(11,921,287)	(12,745,490)	(1,421,006)	(30,074,541)
Net book value	718,869	1,983,785	3,197,166	945,304	6,845,124
In US\$ equivalent	174,610	481,852	776,577	229,610	1,662,649

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

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Right-of-use assets (Non-current)</i>				
Buildings	28,364,039	27,730,520	6,889,492	6,806,706
	28,364,039	27,730,520	6,889,492	6,806,706
<i>Lease liabilities</i>				
Current	5,006,649	6,464,760	1,216,092	1,586,834
Non-current	21,335,078	18,763,668	5,182,190	4,605,711
	26,341,727	25,228,428	6,398,282	6,192,545

Additions to the right-of-use assets during the year were KHR 6,671,803 thousand (2021: KHR 13,050,632 thousand).

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

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Depreciation of right-of-use assets</i>				
Buildings (Note 29)	6,333,456	6,166,564	1,549,659	1,515,871
Interest expense (Note 25)	2,140,901	1,860,443	523,831	457,336
Expense relating to short-term lease and leases of low-value assets (included in operating expenses) (Note 30)	7,950,156	6,003,953	1,945,230	1,475,898
Total expenses related to leases	16,424,513	14,030,960	4,018,720	3,449,105

Total cash outflow for lease during the year was KHR 13,781,113 thousand (2021: KHR 6,278,911 thousand).

12. INTANGIBLE ASSETS

	Software and license KHR'000	Work in progress KHR'000	Total KHR'000
Non-current			
For the year ended 31 December 2021			
Opening net book value	4,714,370	1,395,329	6,109,699
Additions	6,199,794	311,197	6,510,991
Transfer	78,701	(78,701)	-
Amortisation charge	(2,018,659)	-	(2,018,659)
Closing net book value	8,974,206	1,627,825	10,602,031
As at 31 December 2021			
Cost	12,435,484	1,627,825	14,063,309
Accumulated amortisation	(3,461,278)	-	(3,461,278)
Net book value	8,974,206	1,627,825	10,602,031
In US\$ equivalent	2,202,800	399,564	2,602,364
For the year ended 31 December 2022			
Opening net book value	8,974,206	1,627,825	10,602,031
Additions	334,262	169,067	503,329
Transfer	1,362,269	(1,362,269)	-
Write-off	-	(118,198)	(118,198)
Amortisation charge	(2,696,827)	-	(2,696,827)
Closing net book value	7,973,910	316,425	8,290,335
As at 31 December 2022			
Cost	14,132,015	316,425	14,448,440
Accumulated amortisation	(6,158,105)	-	(6,158,105)
Net book value	7,973,910	316,425	8,290,335
In US\$ equivalent	1,936,825	76,858	2,013,683

13. DEFERRED TAX ASSETS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Non-current</i>				
Deferred tax assets	44,616,949	31,771,714	10,837,248	7,798,653
Deferred tax liabilities	(5,672,806)	(5,546,102)	(1,377,898)	(1,361,340)
Net deferred tax assets	38,944,143	26,225,612	9,459,350	6,437,313

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

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
As at 1 January	26,225,612	25,449,305	6,437,313	6,291,546
Charged to profit or loss				
(Note 31(a))	12,718,531	776,307	3,111,948	190,832
Currency translation differences	-	-	(89,911)	(45,065)
As at 31 December	38,944,143	26,225,612	9,459,350	6,437,313

(a) Deferred tax assets

	Impairment loss KHR'000	Unamortised loan fee KHR'000	Lease liabilities KHR'000	Accelerated depreciation KHR'000	Accrued expense KHR'000	Others KHR'000	Total KHR'000
As at 1 January 2021	10,629,536	12,349,459	3,645,833	154,070	2,241,481	566,515	29,586,894
(Charged)/credited to profit or loss	(1,299,527)	2,617,193	1,399,853	240,625	(628,168)	(145,156)	2,184,820
As at 31 December 2021	9,330,009	14,966,652	5,045,686	394,695	1,613,313	421,359	31,771,714
In US\$ equivalent	2,290,135	3,673,700	1,238,509	96,881	396,002	103,426	7,798,653
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	17,497,407	18,962,891	5,268,345	462,239	1,340,472	1,085,595	44,616,949
In US\$ equivalent	4,250,038	4,605,998	1,279,656	112,276	325,594	263,686	10,837,248

(b) Deferred tax liabilities

	Right-of- use assets KHR'000	Total KHR'000
As at 1 January 2021	4,137,589	4,137,589
Charged/(credited) to profit or loss	1,408,513	1,408,513
As at 31 December 2021	5,546,102	5,546,102
In US\$ equivalent	1,361,340	1,361,340
As at 1 January 2022	5,546,102	5,546,102
Charged/(credited) to profit or loss	126,704	126,704
As at 31 December 2022	5,672,806	5,672,806
In US\$ equivalent	1,377,898	1,377,898

14. OTHER ASSETS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Account receivables	3,863,083	3,817,390	938,325	937,013
Prepayments	9,263,163	9,381,220	2,249,978	2,302,705
Office and house rental deposits	1,110,182	841,078	269,658	206,450
Supplies	152,065	255,100	36,936	62,617
Others	7,223,301	4,979,391	1,754,507	1,222,236
	21,611,794	19,274,179	5,249,404	4,731,021

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current	20,566,332	16,629,336	4,979,746	4,524,571
Non-current	1,045,462	2,644,843	269,658	206,450
	21,611,794	19,274,179	5,249,404	4,731,021

15. DEPOSITS FROM BANK AND OTHER FINANCIAL INSTITUTIONS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Savings deposits	6,372,888	5,653,893	1,547,945	1,387,799
Fixed deposits	113,255,124	186,507,446	27,509,139	45,779,933
	119,628,012	192,161,339	29,057,084	47,167,732
Accrued interest payables	2,332,640	3,408,887	566,587	836,742
	121,960,652	195,570,226	29,623,671	48,004,474

(a) By maturity

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current	121,960,652	195,120,551	29,623,671	47,894,097
Non-current	-	449,675	-	110,377
	121,960,652	195,570,226	29,623,671	48,004,474

(b) By interest rate

	2022	2021
Savings deposits	1.00% - 3.00%	1.00%
Fixed deposits	4.00% - 6.25%	2.50% - 6.50%

16. DEPOSITS FROM CUSTOMERS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Savings deposits	185,279,195	188,717,541	45,003,448	46,322,420
Fixed deposits	2,769,286,884	1,932,336,847	672,646,802	474,309,486
	2,954,566,079	2,121,054,388	717,650,250	520,631,906
Accrued interest payables	81,930,676	54,187,217	19,900,577	13,300,741
	3,036,496,755	2,175,241,605	737,550,827	533,932,647

(a) By maturity

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current	2,845,987,099	1,880,583,014	691,276,925	461,606,042
Non-current	190,509,656	294,658,591	46,273,902	72,326,605
	3,036,496,755	2,175,241,605	737,550,827	533,932,647

(b) By interest rate

	2022	2021
Savings deposits	1.00% - 5.25%	3.00% - 5.00%
Fixed deposits	2.90% - 10.0%	3.50% - 10.0%

17. BORROWINGS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current borrowings	457,438,448	411,272,313	111,109,655	100,950,494
Non-current borrowings	812,212,095	740,840,507	197,282,510	181,845,976
	1,269,650,543	1,152,112,820	308,392,165	282,796,470

During the year, the Company obtained additional borrowings of KHR 565,273,318 thousand (US\$138,310,085). The annual interest rates are ranging from 4.75% to 8.30% (2021: 4.00% to 8.49%).

All of the borrowings are unsecured.

18. DEBT SECURITIES

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current	-	81,741,175	-	20,064,108
Non-current	-	-	-	-
	-	81,741,175	-	20,064,108

The Company issued corporate bond on 26 April 2019 with par value in amount of KHR 80,000,000 thousand with three-year maturity period. These bonds are divided into two types as plain bond and foreign exchange-indexed bond with coupon rate of 9% and 8% per annum, respectively.

On the maturity date, 22 April 2022, the Company redeemed all corporate bonds including both principal and interest.

19. CURRENT INCOME TAX LIABILITIES

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
As at 1 January	54,764,710	47,899,684	13,442,491	11,841,702
Income tax expense (Note 31(a))	73,796,707	54,987,253	18,056,449	13,517,025
Income tax paid	(63,883,378)	(48,122,227)	(15,630,873)	(11,829,456)
Currency translation differences	-	-	(158,075)	(86,780)
As at 31 December	64,678,039	54,764,710	15,709,992	13,442,491

20. EMPLOYEE BENEFITS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Provision on seniority payment:</i>				
Current	307,376	357,085	74,660	87,650
Non-current	2,002,949	2,091,922	486,507	513,481
	2,310,325	2,449,007	561,167	601,131

21. OTHER LIABILITIES

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Staff bonuses and incentives	33,929,909	32,608,525	8,241,416	8,004,056
Accrued expenses	3,522,707	2,302,719	855,649	565,223
Tax payables	2,337,593	2,327,707	567,790	571,357
Others	4,829,910	2,932,121	1,173,165	719,716
	44,620,119	40,171,072	10,838,020	9,860,352
Current	44,620,119	40,171,072	10,838,020	9,860,352
Non-current	-	-	-	-
	44,620,119	40,171,072	10,838,020	9,860,352

22. SUBORDINATED DEBTS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current	58,600,532	30,032,038	14,233,795	7,371,634
Non-current	255,578,736	222,568,005	62,078,876	54,631,322
	314,179,268	252,600,043	76,312,671	62,002,956

During the year, the Company obtained additional subordinated debts of KHR 83,647,750 thousand (US\$20,466,785). The annual interest rates for all subordinated debts are ranging from 7.50% to 10.47% (2021: 9.01% to 10.47%).

23. SHARE CAPITAL

The total number of authorised share of the Company as at 31 December 2022 was 2,243,774 shares (2021: 2,243,774 shares) with a par value of KHR 100 thousand per share (2021: KHR 100 thousand). All authorised shares are issued and fully paid up.

	2022			2021		
	Number of shares	%	KHR'000	Number of shares	%	KHR'000
Shareholders:						
LOLC Asia Private Limited	2,175,792	97%	217,579,200	2,175,792	97%	217,579,200
TPC-ESOP Co., Ltd	67,982	3%	6,798,200	67,982	3%	6,798,200
	2,243,774	100%	224,377,400	2,243,774	100%	224,377,400
In US\$ equivalent			55,460,850			55,460,850

24. REGULATORY RESERVESS

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

25. NET INTEREST INCOME

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Interest income from financial assets at amortised cost</i>				
Loans and advances	861,866,763	711,282,724	210,880,050	174,848,261
Deposits and placements with banks	2,069,838	2,142,983	506,444	526,790
Deposits and placements with the central bank	716,522	692,737	175,317	170,289
Total interest income	864,653,123	714,118,444	211,561,811	175,545,340
<i>Interest expense on financial liabilities at amortised cost</i>				
Deposits from customers	(183,315,247)	(144,353,770)	(44,853,253)	(35,485,194)
Borrowings	(89,845,644)	(76,668,911)	(21,983,275)	(18,846,832)
Subordinated debts	(28,887,454)	(20,762,259)	(7,068,132)	(5,103,800)
Debt securities	(2,118,634)	(6,736,127)	(518,384)	(1,655,882)
Lease liabilities	(2,140,901)	(1,860,443)	(523,831)	(457,336)
Total interest expense	(306,307,880)	(250,381,510)	(74,946,875)	(61,549,044)
Net interest income	558,345,243	463,736,934	136,614,936	113,996,296

26. NET FEE AND COMMISSION INCOME

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Fee and commission income</i>				
Fees and commission income on loans	2,232,219	2,001,230	546,175	491,944
Penalty income	24,831,234	20,831,141	6,075,663	5,120,733
Other fees	8,652	18,084	2,117	4,446
	27,072,105	22,850,455	6,623,955	5,617,123
Fee and commission expense	(898,943)	(564,860)	(219,952)	(138,854)
Net fee and commission income	26,173,162	22,285,595	6,404,003	5,478,269

27. CREDIT IMPAIRMENT LOSSES

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>Expected Credit Loss:</i>				
Loans and advances	68,314,016	20,264,682	16,714,954	4,981,485
Deposits and placements with banks	499,271	598,381	122,161	147,095
	68,813,287	20,863,063	16,837,115	5,128,580

28. PERSONNEL EXPENSES

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Salaries and wages	132,943,083	122,994,223	32,528,281	30,234,568
Other benefits	11,144,062	9,777,839	2,726,709	2,403,599
	144,087,145	132,772,062	35,254,990	32,638,167

29. DEPRECIATION AND AMORTISATION CHARGES

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Depreciation of property and equipment	3,480,904	3,992,659	851,701	981,480
Depreciation of right-of-use assets	6,333,456	6,166,564	1,549,659	1,515,871
Amortisation of intangible assets	2,696,827	2,018,659	659,855	496,229
	12,511,187	12,177,882	3,061,215	2,993,580

30. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Professional fees	10,139,229	6,409,300	2,480,849	1,575,541
Rental expense related to short-term lease and lease of low-value assets	7,950,156	6,003,953	1,945,230	1,475,898
Travelling expenses	6,285,519	4,365,310	1,537,930	1,073,085
Insurance	5,576,663	6,107,646	1,364,488	1,501,388
Office supplies and stationery	4,290,387	3,341,023	1,049,764	821,294
Advertising	2,688,637	1,434,727	657,851	352,686
Communication	2,337,708	1,812,187	571,986	445,474
Utilities	1,857,522	1,635,548	454,495	402,052
Security guard	1,357,140	1,307,311	332,063	321,365
Board of directors' expenses (Note 35(g))	735,515	637,945	179,965	156,820
Repairs and maintenance	438,031	232,553	107,177	57,166
Charitable contributions	111,947	75,803	27,391	18,634
Others	11,149,769	10,713,466	2,728,106	2,633,594
	54,918,223	44,076,772	13,437,295	10,834,997

31. INCOME TAX EXPENSE

(a) Income tax expense

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Current income tax	73,796,707	54,987,253	18,056,449	13,517,024
Deferred income tax	(12,718,531)	(776,307)	(3,111,948)	(190,832)
	61,078,176	54,210,946	14,944,501	13,326,192

(b) Reconciliation of income tax expense and accounting profit

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Profit before income tax	300,965,785	276,534,972	73,639,781	67,978,116
Tax at rate of 20% (2021: 19.18%)	60,193,157	53,051,202	14,727,956	13,041,102
<i>Tax effect of reconciling items:</i>				
Expenses not deductible for tax purposes	885,019	1,159,744	216,545	285,090
Income tax expense	61,078,176	54,210,946	14,944,501	13,326,192

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

In accordance with the Sub-decree No. 01 of the Royal Government of Cambodia (RGC) dated on 4 January 2019, an entity who listed corporate bond on Cambodia Securities Exchange (CSX) is entitled up to 50% reduction on tax on profit (20%) for the period of three years.

The Company successfully listed its corporate bond on CSX on 26 April 2019. On 25 March 2020, the Company received an approval from the General Department of Taxation (GDT) on the tax on profit reduction of 50% for the year ended 2019. In the GDT's letter also stated that the Company entitles to reduction of tax on profit with the following conditions as per Prakas No. 183 MoEF Br.K dated 25 February 2020.

- Issue bond size is more than 20% of total assets, the reduction on tax on profit at 50%.
- Issue bond size is 20% or less than total assets, the reduction on tax on profit is based on a pro-rata basis but the tax incentive amount should not exceed KHR 8,000 million.

As at 31 December 2022, the Company's corporate bonds were fully settled (2021: 1.63% of total assets). For the year ended 31 December 2021, the Company calculated the tax incentives based on pro-rata basis resulting in 4.08% incentive of tax on profit (20%) and the income tax rate was 19.18%. For the year ended 31 December 2022, the Company is not entitled to the incentive of tax on profit and the income tax is calculated at 20%.

(c) Other matter

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

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

32. CASH AND CASH EQUIVALENTS

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Cash on hand	106,809,850	95,083,129	25,943,612	23,339,011
Deposits and placements with the central bank				
Current accounts	171,456,969	105,242,492	41,646,094	25,832,718
Settlement accounts	18,889,464	18,651,779	4,588,162	4,578,247
Deposits and placements with banks				
Current accounts	175,144,437	189,751,977	42,541,763	46,576,332
Savings accounts	146,908,461	81,630,520	35,683,376	20,036,946
Fixed deposits with maturity three months or less	52,974,542	-	12,867,268	-
	672,183,723	490,359,897	163,270,275	120,363,254

33. CASH FLOW INFORMATION

(a) Cash flow from operations

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Profit before income tax	300,965,785	276,534,972	73,639,781	67,978,116
Adjustments for:				
Depreciation and amortisation charges (Note 29)	12,511,187	12,177,882	3,061,215	2,993,580
Credit impairment losses (Note 27)	68,813,287	20,863,063	16,837,115	5,128,580
Net losses on derecognition of financial assets measured at amortised cost	5,091,311	2,782,676	1,245,733	684,040
Gain on disposals of property and equipment	(332,025)	(38,233)	(81,239)	(9,398)
Written off on intangible assets	118,198	-	28,920	-
Remeasurement gain of employee benefit	265,122	(422,183)	64,870	(103,781)
Unrealised exchange loss/(gain)	7,857,336	(10,586,591)	1,922,519	(2,602,407)
Net interest income (Note 25)	(558,345,243)	(463,736,934)	(136,614,936)	(113,996,296)
Changes in working capital:				
Reserve requirement deposits	(71,158,770)	(1,834,925)	(17,411,003)	(451,063)
Loans and advances	(939,593,780)	(758,931,141)	(229,898,160)	(186,561,244)
Other assets	(2,337,615)	(5,650,194)	(571,964)	(1,388,937)
Deposits from banks and other financial institutions	(72,533,327)	60,726,934	(17,747,327)	14,927,958
Deposits from customers	833,511,691	133,297,566	203,942,180	32,767,347
Other liabilities	4,449,047	5,871,884	1,088,585	1,443,433
Cash used in operations	(410,717,796)	(728,945,224)	(100,493,711)	(179,190,072)

(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	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Cash and cash equivalents	672,183,723	490,359,897	163,270,275	120,363,254
Borrowings (including overdraft)	(1,269,650,543)	(1,152,112,820)	(308,392,165)	(282,796,470)
Subordinated debts	(314,179,268)	(252,600,043)	(76,312,671)	(62,002,956)
Debt securities	-	(81,741,175)	-	(20,064,108)
Lease liabilities	(26,341,727)	(25,228,428)	(6,398,282)	(6,192,545)
Net debt	(937,987,815)	(1,021,322,569)	(227,832,843)	(250,692,825)
Cash and liquid investments	672,183,723	490,359,897	163,270,275	120,363,254
Gross debt – fixed interest rates	(1,605,417,229)	(1,475,294,568)	(389,948,319)	(362,124,342)
Gross debt – variable interest rates	(4,754,309)	(36,387,898)	(1,154,799)	(8,931,737)
Net debt	(937,987,815)	(1,021,322,569)	(227,832,843)	(250,692,825)

	Borrowing		Subordinated		Debt		Cash/bank		Total
	KHR'000	Leases KHR'000	Debts KHR'000	Securities KHR'000	Sub-total KHR'000	overdraft KHR'000	KHR'000	KHR'000	
Net debt as at 1									
January 2021	(1,083,286,330)	(18,229,165)	(165,561,432)	(81,350,297)	(1,348,427,224)	648,240,207	(700,187,017)		
Cash flows	(84,876,095)	6,278,911	(77,199,400)	-	(155,796,584)	(157,880,310)	(313,676,894)		
New leases	-	(11,849,693)	-	-	(11,849,693)	-	(11,849,693)		
Foreign exchange adjustments	14,363,216	232,047	(9,927,116)	(385,229)	4,282,918	-	4,282,918		
Other changes (i)	1,686,389	(1,660,528)	87,905	(5,649)	108,117	-	108,117		
Net debt as at 31									
December 2021	(1,152,112,820)	(25,228,428)	(252,600,043)	(81,741,175)	(1,511,682,466)	490,359,897	(1,021,322,569)		
In US\$ equivalent	(282,796,470)	(6,192,545)	(62,002,956)	(20,064,108)	(371,056,079)	120,363,254	(250,692,825)		
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	(101,699,334)	5,830,957	(57,411,750)	80,504,783	(72,775,344)	181,823,826	109,048,482		
New leases	-	(6,161,144)	-	-	(6,161,144)	-	(6,161,144)		
Foreign exchange adjustments	(16,050,938)	(272,453)	(3,301,373)	13,284	(19,611,480)	-	(19,611,480)		
Other changes (i)	212,549	(510,659)	(866,102)	1,223,108	58,896	-	58,896		
Net debt as at 31									
December 2022	(1,269,650,543)	(26,341,727)	(314,179,268)	-	(1,610,171,538)	672,183,723	(937,987,815)		
In US\$ equivalent	(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.

34. COMMITMENTS AND CONTINGENCIES

(a) Loan commitment and guarantee

For the year ended 31 December 2022, the Company did not have any commitments on financial instruments that it commits to extend credit to customers, guarantees and other facilities.

(b) Lease commitments

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

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Within one year	167,356	266,514	40,650	65,418

(c) Capital commitments

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Intangible assets:				
Within one year	5,811,504	186,078	1,411,587	45,675
From one to five years	3,916,914	-	951,400	-
	9,728,418	186,078	2,362,987	45,675

35. RELATED PARTY TRANSACTION

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

(a) Related parties and relationships

The related parties of the Company are as follows:

Relationship	Related party
Ultimate parent	LOLC Holdings Plc.
Shareholders	LOLC Asia Private Limited
Related company	TPC-ESOP Co., Ltd.
Key management personnel	Entity under the same parent company 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

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Loans to key management personnel	2,725,576	2,368,233	662,030	581,304
Interest income	253,459	265,032	62,016	65,150

Loans and advances to key management personnel are secured and having interest rate of 8.30% to 12.00% per annum (2021: 8.92% to 9.48% per annum). Allowances for expected credit losses for loans to related parties was recognised during the year of KHR 4,184 thousand (2021: KHR 2,321 thousand).

(c) Receivables from related parties

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Receivables from related companies	134,663	-	32,709	-

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

(d) Payables to related parties

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Payables to related companies	480,017	-	116,594	-

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

(e) Deposits from related parties

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Shareholders	215,211	16,822	52,274	4,129
Board of directors	1,706,698	1,150,377	414,549	282,370
Key management personnel	9,030,492	6,271,331	2,193,464	1,539,355
Related companies	1,710,763	2,497,248	415,536	612,972
	12,663,164	9,935,778	3,075,823	2,438,826
Interest payable	187,187	110,117	45,467	27,029
Interest expense	493,662	395,045	120,788	97,110

Annual interest rates during the year are as follows:

	2022	2021
Shareholders	3.00%	3.00%
Board of directors	3.00% – 7.90%	3.00% – 7.50%
Key management personnel	1.00% – 9.00%	3.00% – 7.70%
Related companies	3.00%	1.00% – 4.50%

(f) Transactions with related parties

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
<i>i) Incomes from related companies:</i>				
Rental income	65,719	54,348	16,080	13,360
Management fee income	202,458	76,820	49,537	18,884
	268,177	131,168	65,617	32,244

ii) Expenses/payment to related companies:

	2022	2021	2022	2021
	KHR'000	KHR'000	US\$	US\$
Purchases of assets for financial leasing products	-	63,786	-	15,680
License fees	551,271	6,871,076	134,884	1,689,055
IT consultancy and support fees	755,698	3,830,062	184,903	941,510
Rental expense	26,974	13,424	6,600	3,300
Commission income	1,693,818	-	414,440	-
	3,027,761	10,778,348	740,827	2,649,545

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

(g) Key management compensation

	2022	2021	2022	2021
	KHR'000	KHR'000	US\$	US\$
Directors' fees	735,515	637,945	179,965	156,820
Salaries and other benefits to key management	11,310,625	9,376,378	2,767,464	2,304,911
	12,046,140	10,014,323	2,947,429	2,461,731

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.

	2022	2021	2022	2021
	KHR'000	KHR'000	US\$	US\$

FINANCIAL ASSETS

Financial assets at amortised costs				
Cash on hand	106,809,850	95,083,129	25,943,612	23,339,011
Deposits and placements with the central bank	194,853,393	126,233,530	47,328,976	30,985,157
Deposits and placements with banks	371,988,949	268,874,510	90,354,372	65,997,671
Loans and advances at amortised cost	5,006,724,473	4,134,913,292	1,216,109,904	1,014,951,716
Other financial assets	4,691,564	4,625,504	1,139,559	1,135,372
	5,685,068,229	4,629,729,965	1,380,876,423	1,136,408,927

Financial assets at fair value through other comprehensive income	61,755	61,110	15,000	15,000
Total financial assets	5,685,129,984	4,629,791,075	1,380,891,423	1,136,423,927

FINANCIAL LIABILITIES

Financial liabilities at amortised cost				
Deposits from banks and other financial institutions	121,960,652	195,570,226	29,623,671	48,004,474
Deposits from customers	3,036,496,755	2,175,241,605	737,550,827	533,932,647
Borrowings	1,269,650,543	1,152,112,820	308,392,165	282,796,470
Subordinated debts	314,179,268	252,600,043	76,312,671	62,002,956
Debt securities	-	81,741,175	-	20,064,108
Lease liabilities	26,341,727	25,228,428	6,398,282	6,192,545
Other financial liabilities	3,401,503	2,660,094	826,209	652,944
Total financial liabilities	4,772,030,448	3,885,154,391	1,159,103,825	953,646,144

Net financial assets	913,099,536	744,636,684	221,787,598	182,777,783
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36.1 Credit risk

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

(a) Credit risk measurement

Credit risk is managed on a group basis.

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

Deposits and placements with the central bank have no historical loss, and with strong capacity to meet obligations in near term, expected credit loss for deposits and placements with central bank is nil. Deposits and placements with banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows a three-stage approach in note 36.1 (c).

(b) Risk limit control and mitigation policies

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

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

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

(c) Impairment (expected credit loss) policies

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

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

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

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

(i) Significant increase in credit risk (SICR)

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

(ii) Definition of default and credit impaired

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

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

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

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

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

Probability of default

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

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

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

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

Exposure at Default

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

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

Loss Given Default

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

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

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

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

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

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

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

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

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

In addition to the based economic scenario, the Company considers other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2021 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 COVID-19 pandemic on the Company's loans and advances, the management continuously refreshes the macroeconomic variables quarterly to reflect the current economic condition in its forward-looking model. For the year ended 31 December 2022, the management has refreshed the latest macroeconomics variables available which were up to 31 December 2022.

Having reflected the most recent economic conditions within the existing ECL model, the management determines that the percentages for probability-weighted scenarios of 60% for base case, 10% for best case, and 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.

Macroeconomic variable assumptions

The weightings assigned to each economic scenario as at 31 December 2022 and 31 December 2021 are as follows:

	Base %	Best %	Worst %
As at 31 December 2022			
Scenario probability weighting	60%	10%	30%
As at 31 December 2021			
Scenario probability weighting	60%	20%	20%

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 2022 and 31 December 2021 are as follows:

Model	Portfolio	2022	2021
PD	Group loan	GDP constant 2000	US 1 year treasury yield curve rates
		Foreign direct investment (% of GDP)	Interest rate loans 12 months
	Individual loan	GDP constant 2000	Cambodia CPI All Items, 2010=100
		Foreign direct investment (% of GDP)	
	Life improvement loan asset backed	GDP constant 2000	Total export
		Cambodia CPI All Items, 2010=100	Cambodia commodity imports
	Home improvement loan	Foreign direct investment (% of GDP)	US 1 year treasury yield curve rates
			Interest rate loans 12 months
	Seasonal loan	Total export	Foreign direct investment (% of GDP)
		Interest rate loans 12 months	
SME loan	Cambodia composite index (containing all issues in the market)	US 1 year treasury yield curve rates	
	Foreign direct investment (% of GDP)	Interest rate loans 12 months	
Staff loan	GDP constant 2000	Cambodia CPI All Items, 2010=100	
	Foreign direct investment (% of GDP)		
LGD	Group loan	Total export	Cambodia CPI All Items, 2010=100
		Cambodia CPI All Items, 2010=100	

Set out below are the estimated changes to the ECL for the year ended 31 December 2022 and 31 December 2021 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	
	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Group loan				
Variation added to MEVs	7,686,872	(7,878,626)	1,867,105	(1,933,880)
Variation deducted from MEVs	(15,113,025)	3,846,820	(3,670,883)	944,237
Individual loan				
Variation added to MEVs	4,406,753	(2,795,486)	1,070,380	(686,177)
Variation deducted from MEVs	(5,497,742)	14,942,161	(1,335,376)	3,667,688
Life improvement loan asset backed				
Variation added to MEVs	451,062	(138,185)	109,561	(33,919)
Variation deducted from MEVs	(526,843)	128,177	(127,968)	31,462
Home improvement loan				
Variation added to MEVs	375,929	(1,738,881)	91,311	(426,824)
Variation deducted from MEVs	(494,960)	1,548,117	(120,223)	379,999
Seasonal loan				
Variation added to MEVs	(1,321)	533,032	(321)	130,838
Variation deducted from MEVs	247	(2,304,610)	60	(565,687)
SME loan				
Variation added to MEVs	4,017,238	(17,893,703)	975,768	(4,392,171)
Variation deducted from MEVs	(8,075,116)	6,142,606	(1,961,408)	1,507,758
Staff loan				
Variation added to MEVs	13,830	(15,497)	3,359	(3,804)
Variation deducted from MEVs	(26,397)	10,180	(6,412)	2,499

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

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

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

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

(vi) Write off policy

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

(vii) Modification of loans

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

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

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

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

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

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with banks	371,988,949	268,874,510	90,354,372	65,997,671
Loans and advances at amortised cost	5,006,724,473	4,134,913,292	1,216,109,904	1,014,951,716
Other financial assets	4,691,564	4,625,504	1,139,559	1,135,372
Total maximum credit risk exposure that are subject to impairment	5,383,404,986	4,408,413,306	1,307,603,835	1,082,084,759

The above table represents a worst-case scenario of credit risk exposure to the Company, since collateral held and/or other credit enhancement attached were not taken into account. The exposures set out above are based on net carrying amounts. As shown above, 94% (2021: 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:

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

(e) Credit quality of financial assets

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

Credit quality description is summarised as follows:

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

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

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

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

	2022			2021				
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Deposits and placements with banks								
Investment grade	128,014,766	-	-	128,014,766	75,898,100	-	-	75,898,100
Un-graded	247,012,674	-	-	247,012,674	195,484,397	-	-	195,484,397
Gross carrying amount	375,027,440	-	-	375,027,440	271,382,497	-	-	271,382,497
Less: Expected credit loss	(3,038,491)	-	-	(3,038,491)	(2,507,987)	-	-	(2,507,987)
Net carrying amount	371,988,949	-	-	371,988,949	268,874,510	-	-	268,874,510
In US\$ equivalent	90,354,372	-	-	90,354,372	65,997,671	-	-	65,997,671

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

	2022			2021				
	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	4,948,939,886	-	-	4,948,939,886	3,932,943,702	-	-	3,932,943,702
Special monitoring	-	73,840,698	-	73,840,698	-	181,173,597	-	181,173,597
Default	-	-	135,912,040	135,912,040	-	-	107,690,986	107,690,986
Gross carrying amount	4,948,939,886	73,840,698	135,912,040	5,158,692,624	3,932,943,702	181,173,597	107,690,986	4,221,808,285
Less: Expected credit loss	(57,944,061)	(10,213,409)	(83,810,681)	(151,968,151)	(25,163,215)	(3,715,030)	(58,016,748)	(86,894,993)
Net carrying amount	4,890,995,825	63,627,289	52,101,359	5,006,724,473	3,907,780,487	177,458,567	49,674,238	4,134,913,292
In US\$ equivalent	1,187,999,959	15,454,770	12,655,175	1,216,109,904	959,199,923	43,558,803	12,192,990	1,014,951,716

(f) Loss allowance

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

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2022	25,163,215	3,715,030	58,016,748	86,894,993
Changes due to exposure:				
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 off	(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 2022	57,944,061	10,213,409	83,810,681	151,968,151
In US\$ equivalent	14,074,340	2,480,789	20,357,222	36,912,351

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

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

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2022	3,932,943,702	181,173,597	107,690,986	4,221,808,285
Changes due to exposure:				
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 2022	4,948,939,886	73,840,698	135,912,040	5,158,692,624
In US\$ equivalent	1,202,074,299	17,935,559	33,012,397	1,253,022,255

	Stage 1	Stage 2	Stage 3	
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2021	30,823,708	5,132,755	31,371,536	67,327,999
Changes due to exposure:				
Transfer to stage 1	585,586	(464,983)	(120,603)	-
Transfer to stage 2	(1,441,309)	1,849,465	(408,156)	-
Transfer to stage 3	(890,742)	(1,828,586)	2,719,328	-
Net remeasurement of loss allowance (*)	(10,848,741)	25,488	29,052,877	18,229,624
New financial assets originated	20,256,501	1,422,406	4,441,543	26,120,450
Financial assets derecognised during the year other than write off	(13,637,561)	(2,364,111)	(8,083,720)	(24,085,392)
Write-offs	(38,383)	(109,691)	(4,620,793)	(4,768,867)
Unwinding of discount (**)	-	-	2,850,455	2,850,455
Foreign exchange difference	354,156	52,287	814,281	1,220,724
Loss allowance as at 31 December 2021	25,163,215	3,715,030	58,016,748	86,894,993
In US\$ equivalent	6,176,538	911,888	14,240,733	21,329,159

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

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit-Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2021	3,295,828,183	101,152,077	65,222,656	3,462,202,916
Changes due to exposure:				
Transfer to stage 1	16,377,782	(16,014,180)	(363,602)	-
Transfer to stage 2	(153,426,213)	154,518,795	(1,092,582)	-
Transfer to stage 3	(44,578,655)	(22,567,818)	67,146,473	-
New financial assets originated or purchased	2,320,128,479	17,048,097	6,268,595	2,343,445,171
Financial assets derecognised during the year other than write off	(1,501,385,874)	(52,961,425)	(19,319,997)	(1,573,667,296)
Write-offs	-	(1,949)	(10,170,557)	(10,172,506)
Gross carrying amount as at 31 December 2021	3,932,943,702	181,173,597	107,690,986	4,221,808,285
In US\$ equivalent	965,376,461	44,470,691	26,433,723	1,036,280,875

(g) Concentration of financial assets with credit risk exposure**(i) Industry sector**

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

	2022				2021			
	Deposits and placements with banks		Loans and advances at amortised cost		Deposits and placements with banks		Loans and advances at amortised cost	
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Financial institutions	375,027,440	-	-	375,027,440	271,382,497	-	-	271,382,497
Trade and commerce	-	1,206,696,135	-	1,206,696,135	-	875,579,429	-	875,579,429
Services	-	788,991,815	-	788,991,815	-	669,714,969	-	669,714,969
Manufacturing	-	97,782,619	-	97,782,619	-	75,093,602	-	75,093,602
Transportation	-	65,517,963	-	65,517,963	-	35,512,349	-	35,512,349
Agriculture	-	1,343,970,902	-	1,343,970,902	-	1,048,364,627	-	1,048,364,627
Construction	-	201,794,944	-	201,794,944	-	173,398,312	-	173,398,312
Household/family	-	1,441,102,623	-	1,441,102,623	-	1,343,563,880	-	1,343,563,880
Others	-	12,835,623	4,691,564	17,527,187	-	581,117	4,625,504	5,206,621
Gross carrying amount	375,027,440	5,158,692,624	4,691,564	5,538,411,628	271,382,497	4,221,808,285	4,625,504	4,497,816,286
Less: Expected credit loss	(3,038,491)	(151,968,151)	-	(155,006,642)	(2,507,987)	(86,894,993)	-	(89,402,980)
Net carrying amount	371,988,949	5,006,724,473	4,691,564	5,383,404,986	268,874,510	4,134,913,292	4,625,504	4,408,413,306
In US\$ equivalent	90,354,372	1,216,109,904	1,139,559	1,307,603,835	65,997,671	1,014,951,716	1,135,372	1,082,084,758

(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

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

The Company did not obtain assets by taking possession of collateral held as security as at 31 December 2022 and 31 December 2021.

36.2 Market risk

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

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

(i) Foreign exchange risk

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

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

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

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

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

In KHR'000 equivalent

	KHR	US\$	THB	Total
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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 central bank	123,208,209	71,645,184	-	194,853,393
Deposits and placements with banks	192,841,456	179,147,493	-	371,988,949
Loans and advances at amortised cost	1,259,283,472	3,494,397,146	253,043,855	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	1,597,639,467	3,826,731,435	260,759,082	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	196,994,907	913,223,293	159,432,343	1,269,650,543
Subordinated debts	-	314,179,268	-	314,179,268
Debt securities	-	-	-	-
Lease liabilities	-	26,341,727	-	26,341,727
Other liabilities	1,779,188	1,598,418	23,897	3,401,503
Total financial liabilities	536,791,201	4,048,826,162	186,413,085	4,772,030,448

Net on-balance sheet position	1,060,848,266	(222,094,727)	74,345,997	913,099,536
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In US\$ equivalent	257,675,071	(53,945,768)	18,058,295	221,787,598
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In KHR'000 equivalent

	KHR	US\$	THB	Total
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As at 31 December 2021**Financial assets**

Cash on hand	18,209,162	72,558,901	4,315,066	95,083,129
Deposits and placements with the central bank	26,789,080	99,444,450	-	126,233,530
Deposits and placements with banks	26,965,067	241,909,443	-	268,874,510
Loans and advances at amortised cost	1,071,836,704	2,824,556,998	238,519,590	4,134,913,292
Financial assets at fair value through other comprehensive income	-	61,110	-	61,110
Other financial assets	1,344,165	3,205,148	76,191	4,625,504
Total financial assets	1,145,144,178	3,241,736,050	242,910,847	4,629,791,075

Financial liabilities

Deposits from banks and other financial institutions	69,177	189,919,287	5,581,762	195,570,226
Deposits from customers	143,966,032	2,016,042,114	15,233,459	2,175,241,605
Borrowings	95,151,080	862,456,133	194,505,607	1,152,112,820
Subordinated debts	-	252,600,043	-	252,600,043
Debt securities	27,623,108	54,118,067	-	81,741,175
Lease liabilities	-	25,228,428	-	25,228,428
Other liabilities	1,095,043	1,544,752	20,299	2,660,094
Total financial liabilities	267,904,440	3,401,908,824	215,341,127	3,885,154,391

Net on-balance sheet position	877,239,738	(160,172,774)	27,569,720	744,636,684
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In US\$ equivalent	215,326,396	(39,315,850)	6,767,237	182,777,783
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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\$
2022				
KHR/US\$ exchange rate-increase by 2%	3,483,839	-	846,208	-
KHR/US\$ exchange rate-decrease by 2%	(3,626,037)	-	(880,747)	-
KHR/THB exchange rate-increase by 6%	(3,366,611)	-	(817,734)	-
KHR/THB exchange rate-decrease by 6%	3,796,390	-	922,125	-
2021				
KHR/US\$ exchange rate-increase by 2%	2,538,135	-	623,008	-
KHR/US\$ exchange rate-decrease by 2%	(2,641,733)	-	(648,437)	-
KHR/THB exchange rate-increase by 5%	(1,060,984)	-	(260,428)	-
KHR/THB exchange rate-decrease by 5%	1,172,668	-	287,842	-

(ii) Price risk

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

(iii) Interest rate risk

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

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

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

Sensitivity analysis

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

	Impact on post tax profit KHR'000	Impact on other component of equity KHR'000	Impact on post tax profit US\$	Impact on other component of equity US\$
2022				
Interest rate increase by 200 basis point	76,069	-	18,477	-
Interest rate decrease by 200 basis point	(76,069)	-	(18,477)	-
2021				
Interest rate increase by 100 basis point	294,071	-	72,182	-
Interest rate decrease by 100 basis point	(294,071)	-	(72,182)	-

36.3 Liquidity risk

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

(a) Liquidity risk management process

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

(b) Funding approach

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

(c) Non-derivative cash flows

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

	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000
As at 31 December 2022					
Financial assets					
Cash on hand	106,809,850	-	-	-	106,809,850
Deposits and placements with the central bank	190,346,432	1,647,610	2,927,510	-	194,921,552
Deposits and placements with banks	372,009,290	-	-	-	372,009,290
Financial assets at fair value through other comprehensive income	61,755	-	-	-	61,755
Loans and advances at amortised cost	256,456,245	378,483,256	1,537,672,952	4,392,813,752	605,400,867
Other financial assets	4,004,156	19,762	137,508	233,714	296,424
Total financial assets by remaining contractual maturities	929,687,728	380,150,628	1,540,737,970	4,393,047,466	605,697,291
Financial liabilities					
Deposits from banks and other financial institutions	28,437,742	38,708,003	56,442,553	-	123,588,298
Deposits from customers	434,933,372	615,796,564	1,901,663,337	207,620,069	3,160,013,342
Borrowings	22,837,420	67,686,356	439,143,413	874,619,657	1,404,286,846
Subordinated debts	-	8,514,480	78,754,285	291,836,895	14,360,281
Debt securities	-	-	-	-	-
Lease liabilities	626,083	1,203,576	4,946,087	19,447,669	6,099,753
Other financial liabilities	3,401,503	-	-	-	3,401,503
Total financial liabilities by remaining contractual maturities	490,236,120	731,908,979	2,480,949,675	1,393,524,290	20,460,034
Net liquidity surplus/(gap)	439,451,608	(351,758,351)	(940,211,705)	2,999,523,176	585,237,257
In US\$ equivalent	106,740,736	(85,440,454)	(228,373,016)	728,570,118	142,151,386

As at 31 December 2022, the Company has undrawn overdraft facilities amounting to KHR 42,793,400 thousands (US\$10,394,316) from local financial institutions.

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

As at 31 December 2021, the Company has undrawn overdraft facilities amounting to KHR 13,129,400 thousands (US\$3,222,730) from local financial institutions.

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 2022 and 31 December 2021 on a recurring basis:

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

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

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

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

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

ii) Valuation techniques

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

(b) Financial instruments not measured at fair value

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

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

i) Deposits and placements with the central bank and banks

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

ii) Loans and advances to customers

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loan and advances to customers are approximate to their carrying value as reporting date

iii) Deposits from banks, other financial institutions and customers

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

iv) Other financial assets and other financial liabilities

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

v) Borrowings and subordinated debts

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

vi) Debt securities

The estimated fair value of debt securities is generally based on quoted and observable market prices at the date of statement of financial position. They are not presently traded. The estimated fair values of debt securities are approximate their carrying values based on estimated future cash flows using prevailing market rates.

36.5 Capital management

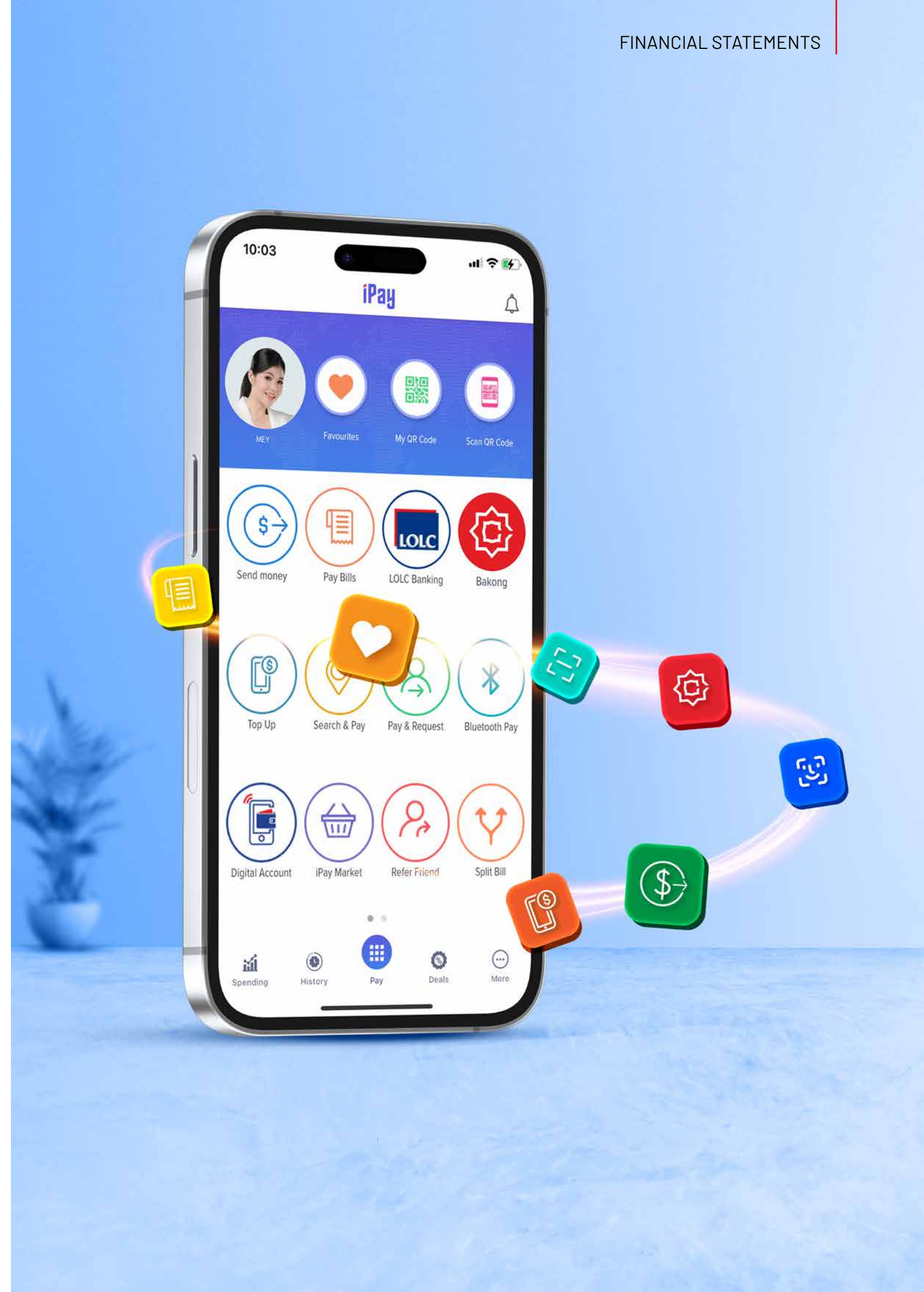
The Company's objectives when managing capital, which is a broader concept than the 'equity' shown on the balance sheet, are:

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

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

The table below summarises the composition of regulatory capital:

	2022 KHR'000	2021 KHR'000	2022 US\$	2021 US\$
Tier I capital				
Share capital	224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings	590,276,911	350,389,302	144,936,825	86,241,545
Other reserves	380,415,116	380,415,116	93,768,951	93,768,951
Less: Loans to related parties	(2,725,576)	(2,370,554)	(662,030)	(581,874)
	1,192,343,851	952,811,264	293,504,596	234,889,472
Tier II complementary capital				
Subordinated debts	311,656,900	250,958,400	75,700,000	61,600,000
	311,656,900	250,958,400	75,700,000	61,600,000
Total Capital Tier I + Tier II	1,504,000,751	1,203,769,664	369,204,596	296,489,472



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