

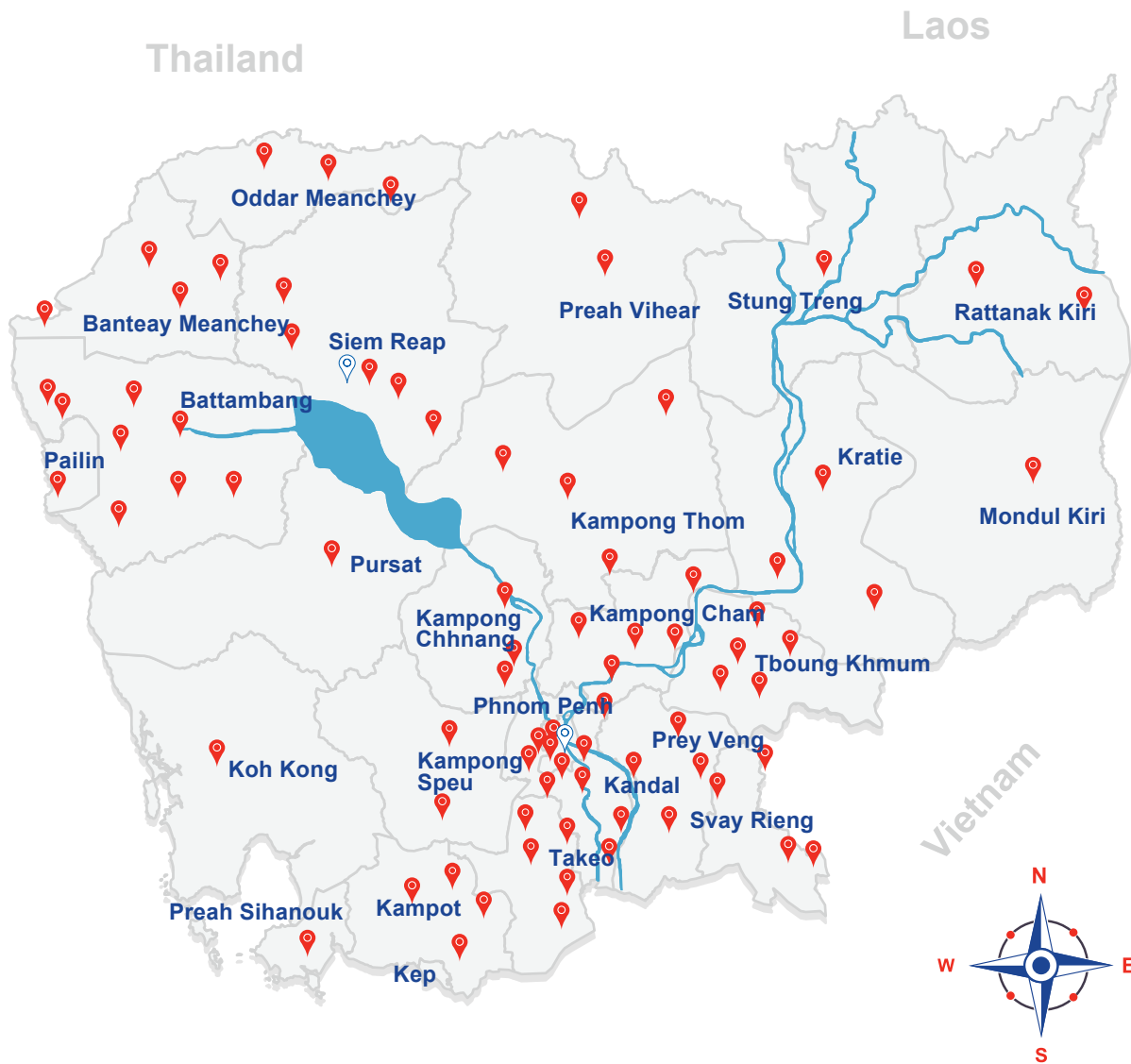


អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី
LOLC (Cambodia) Plc.




ANNUAL REPORT 2020



Map of Business Operating Areas



Note

-  LOLC Operating Offices
-  Office Opening Plan in 2020
-  LOLC Operating Areas

Number of Branches

79

Number of Operating Provinces

25

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



Vision Statement

Families at the base of the socio-economic pyramid are empowered to live their lives with dignity, social and economic security and justice.



Mission Statement

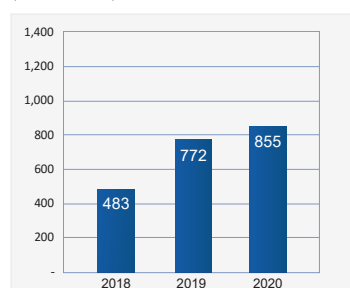
LOLC (Cambodia) Plc. (“LOLC”) is a microfinance institution with a social vision and a business orientation that provides entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives and their communities through the provision of effective and sustainable client empowering financial services.

Core Values

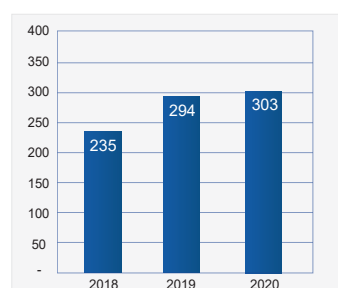


	Actual Performance		
	2018	2019	2020
Gross Loan Portfolio	483,845,307	772,214,265	855,921,611
Total Assets	610,328,369	1,009,351,504	1,071,528,994
Equity	81,170,614	135,805,441	181,176,216
Net Income	15,637,813	34,020,118	45,392,810
Number of Active Borrowers	235,613	294,152	303,555
Deposit Balance	236,910,385	457,661,470	536,019,918
Deposit Account	198,879	381,613	461,775
Depositors	180,305	336,002	401,660
Number of Offices (Including Head Office)	78	79	79
Number of Personnel	2,327	2,757	3,140
Operating Expense / Loan Portfolio	7.33%	6.07%	4.86%
PAR \geq 30 Days	0.96%	0.61%	1.27%
Gross Write-offs	0.44%	0.27%	0.23%
Capital Adequacy Ratio (CAR)	17.93%	20.05%	23.99%
Debt-to-Equity Ratio	6.4x	6.4x	4.9x
Cost-to-Income Ratio (Including Provisions)	61.28%	52.53%	48.34%
Return On Assets	3.19%	4.38%	4.25%
Return On Equity	22.94%	32.68%	27.90%

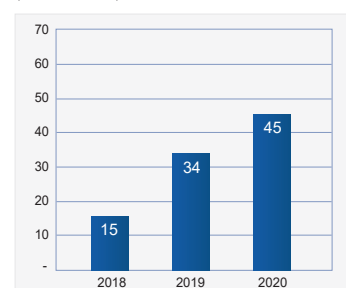
Gross Loan Portfolio
(US\$ in million)



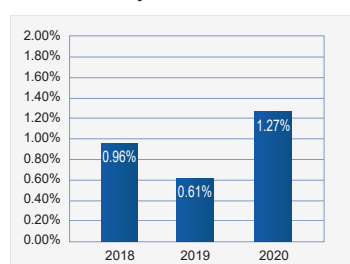
Active Borrowers
(in thousand)



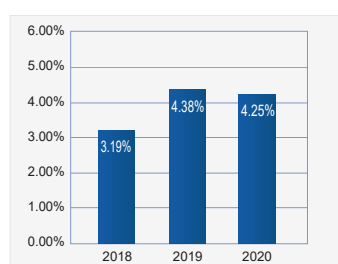
Net Income
(US\$ in million)



PAR \geq 30 Days



Return on Assets



Return on Equity

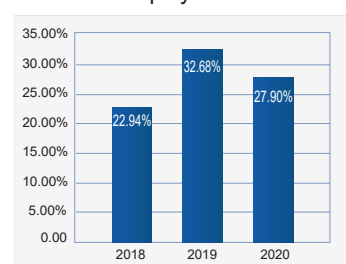


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It gives me great pleasure to place before you the Annual Report and Audited Financial Statements for the year ending 31st December 2020, *a year in which we saw the COVID-19 pandemic devastating world economics. LOLC Cambodia has shown a great resilience and its capacity to adapt to the changing conditions to ensure continued growth.*

”

BRINDLEY DE ZYLVA
Chairman of LOLC (Cambodia) Plc.

THE COMPANY adopted a cautious approach after the outbreak of the COVID-19 pandemic globally, and braced itself for the adverse impact on economic activity. As an initial step, we provided concessions to our customers in the tourism, construction and apparel industries whose incomes reduced to a trickle. The concessions include restructuring repayment schedules, providing borrowers the space required to face the downturn in business activities.

The COVID-19 pandemic has heightened the need to expand digital financial services (DFS). In 2020, LOLC Cambodia launched six digital banking services: (i) the Bakong project with the National Bank of Cambodia; (ii)

FAST service with the National Bank of Cambodia; (iii) Internet Banking Service; (iv) 'iPay,' our Mobile Banking Application; (v) ATM cards via CSS; and (vi) Real Time Fund Transfer. The company is also in the process of launching the use of tablets to conduct its business and partnering with financial service providers to expand its DFS outreach.

It is very reassuring to note that the management and staff of the company have shown resilience and the ability to adjust to macroeconomic changes and COVID-19 challenges while ensuring compliance with all laws and regulations.

LOLC Cambodia is in compliance with regulations and prudential ratios issued by the National Bank of Cambodia, such as capital buffer, FAST payment and Cambodia Shared Switch (CSS), liquidity coverage ratio, and credit risk grading and impairment. In 2019, the company implemented the IFRS accounting standard, to meet requirement of the National Accounting Council, and particularly IFRS 9 to be fully compliant with the Prakas on credit risk grading and impairment. Aside from these, the company has adopted an integrated governance framework after taking into consideration the corporate governance regulations issued by the National Bank of Cambodia and other corporate governance best practices to ensure high quality governance and the long-term sustainability of the company.

In 2021, LOLC Cambodia plans to expand its DFS footprint and develop products designed to cater to businesses adjusting to the new realities of a shrinking economy. This requires adjusting as businesses shift from medium- to small-sized and small- to micro-sized, and developing products to cater to these new conditions.

Finally, we would like to extend a big thank you to all of our stakeholders including our customers, investors, regulators, banking and funding partners – both local and foreign – for placing their trust and confidence in us

by supporting our growth over the years. Once again, I extend my appreciation to my colleagues on the board for their advice and guidance and to the entire team at LOLC Cambodia, led by a very capable and committed management team, for their commendable performance.

We reaffirm our commitment to all of our customers and shareholders that in 2021 we will continue to focus on areas that represent the best opportunities and to support businesses that have shown resilience in light of the pandemic.



Brindley de Zylva
Chairman

“

Despite the global challenges due to the COVID-19 pandemic, the banking and financial sectors in Cambodia have been well managed and have actively contributed to supporting Cambodia's economic activities.

”

SOK VOEUN
CEO of LOLC (Cambodia) Plc.



The total assets of the microfinance sector increased 12.6 percent (to US\$ 8.4 billion), while the gross loan portfolio increased 12.5 percent (to US\$ 6.8 billion) across 1.9 million accounts, according to the 2020 Annual Report by the National Bank of Cambodia. These loans have been provided to economic sectors including households (31.2 percent of total loan portfolio), trade and commerce (20.9 percent), agriculture (18.9 percent), services (16.2 percent), transportation (6 percent), construction (3.8 percent) and others (3 percent). Meanwhile, microfinance institutions have collected US\$ 3.7 billion in cash deposits across 2.7 million deposit accounts. Microfinance institutions have provided concessions to their customers by offering restructuring loans across 241,783 accounts equivalent to US\$ 1,139.2 million, according to the NBC report.

In responding to the impacts of the COVID-19 pandemic, LOLC has also given concessions to its customers whose income was seriously impacted, mainly on

tourism, construction, garment and other sectors. In spite of the challenging operating environment, LOLC has conducted its operations with caution and was able to maintain stability and quality growth.

LOLC'S MAIN ACHIEVEMENTS IN 2020

Let me now briefly highlight the most significant achievements we experienced in 2020.

Loan Performance

LOLC maintained quality growth in 2020, increasing its loan portfolio by 10 percent to reach US\$ 856 million, while the portion of the portfolio at risk for more than 30 days was only 1.27 percent. The number of borrowers increased by 3.2 percent to around 304,000. The borrowers are both groups and individuals, representing 44 percent and 56 percent respectively. The vast majority of loans outstanding are individual and group loans going to low-income clients, reflecting LOLC's mission to serve rural entrepreneurs and families at the base of the socio-economic pyramid.

Loan Portfolio Quality

With the outbreak of the pandemic, which impacted economic activities in 2020, LOLC Cambodia has made itself ready for adverse impacts and was able to maintain its loan portfolio growth with quality and strong internal controls. LOLC's Board of Directors and management team have worked together closely to strengthen credit risk management and internal controls including:

- Continuing to strengthen credit processes and internal controls;
- Continuing to strengthen credit monitoring after disbursement through various method;;
- Embedding risk management culture throughout LOLC;
- Continuing to strengthen the credit quality assurance team to ensure the implementation of internal controls;
- Ensuring strong internal control implementation through the work of the Independent Internal Audit Department.
- Structuring incentives for credit officers and other field staff to be based on credit quality;
- Requiring that the Credit Bureau of Cambodia checks 100% of borrowers and co-borrowers before disbursement to supplement rigorous in-person loan evaluations;
- Continuing to conduct training and retaining sessions to strengthen staff productivity;
- Integrating Client Protection Principles as a core part of risk management.

Deposit Collection

The deposit base reached an impressive amount of over US\$ 536 million, a growth of 17% compared to the end of 2019. The number of depositors increased to almost 402,000, a growth of 20%. The growth of the deposit balance and depositors indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products. LOLC has the objective to almost double its deposit balance to catch up with peers by the end of 2021.

Digital Banking Project

In order to support businesses and new product development, LOLC Cambodia has been investing in digital banking projects which will improve customer services and increase efficiency. As a result, in 2020 LOLC launched the following digital banking projects:

- ▶ Bakong project with the National Bank of Cambodia to enable customers to transfer their money between banks and MDIs who are Bakong members.
- ▶ Internet banking service to all branches, which allows customers to do banking transactions by themselves at any time without having to go to LOLC branch offices.
- ▶ iPay Mobile Application, upgrading with new interface and enhancement, which allows our customers to view their banking accounts and do transactions conveniently from their mobile phone.
- ▶ LOLC ATM cards, which allow LOLC customers to perform transactions at thousands of ATM machines of CSS members across the country.
- ▶ The Real Time Fund Transfer (RFT), which allows customers to do interbank fund transfers across banks and MDIs (to accounts or phone numbers) who are members of RFT in both KHR and US\$ currency.
- ▶ FAST service, which enables customers to do account based interbank fund transfers in KHR currency across banks and MDIs who are members of the FAST system.

In addition, LOLC has been piloting the use of a tablet banking system which enables our officers to operate their tasks (loan origination, loan collection, opening savings accounts) from a tablet device, improving productivity, efficiency and effectiveness. Aside from these, LOLC has been integrating with third party connectivity in order to contribute more distribution channels and provide superior customer experiences.

Social Performance

LOLC continued to deliver its inclusive, responsible and environmentally friendly financial services to rural Cambodians. As of December 2020, about 93 percent of its loan clients live in rural areas, over 70 percent of borrowers are females, 34 percent of borrowers are involved in agriculture – which has no significant environmental risk exposure – 11,000 clients have access to clean energy, 10,700 clients are using a housing loan, 8,900 clients are using WASH loans for better sanitation and clean water, 402,000 clients have access to savings, and approximately 30 percent of clients who are likely living below 150 percent of the National Poverty Line (using PPI tools for measuring poverty).

As part of the company's strategy, a social performance management standard is integrated into institutional policies, procedures, trainings, delivery of products and services, and monitoring tools. This is because management and the Board of Directors believe in the philosophy that "a company succeeds only if its clients succeed."

During the year 2020, due to COVID-19, financial literacy awareness in-class trainings were postponed. In their place, 12 short financial literacy videos were produced in order to deliver financial literacy, consumer protection, self-motivation and small business management education to rural people and audiences by way of posts to the LOLC Facebook page and one of the most popular mass-media Facebook pages in the country. As a result, the videos reached to more than 8 million audience members.

LOLC also allocated some of its budget to contributing to other social activities. For example, the company donated to customers who were affected by flood, donated to the National Committee for COVID-19 Disease Control and COVID-19 vaccination, and contributed washing basins and pumping wells to schools for better sanitation and clean water. Moreover, LOLC has been supporting drug awareness campaign activities by sponsoring leaflets and will keep providing support to promote awareness to all people, especially youth, to avoid drugs.

STRATEGIC PRIORITIES FOR 2021

We see 2021 as a year of new opportunities and challenges for LOLC.

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

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

On the digital side, LOLC will keep enhancing its digital footprint, designing new products to embed into existing digital channels to improve customer services and increase efficiency.

On the funding side, LOLC will diversify sources of funding to ensure sufficient funding to support LOLC's growth. Besides sources of funds from shareholders' paid-up capital, borrowings and deposits, LOLC has issued corporate bonds to support LOLC's long-term growth.

On the social performance side, LOLC will continue focusing on social activities to meet LOLC's core values: "LOLC values the vision of a balanced social and profit organizational agenda."

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

Finally, I would like to express my sincere thanks to our shareholders, Board of Directors and committee members for their leadership, support and guidance throughout the year. I would also like to express my sincere gratitude to all LOLC staff who have been working very hard and smart and who are highly committed to performing their work with integrity, ethics, professionalism and accountability. Additionally, I would like to express my sincere thanks to all of LOLC's clients, investors and business partners for supporting LOLC and 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 2020 and in anticipation of happy and prosperous coming years.



Sok Voeun
Chief Executive Officer

ABOUT LOLC



- Cambodia at a Glance
- Brief Overview of LOLC
- Brief History of LOLC
- Lenders and Partners
- Principle Activities of LOLC

Geography & Demographic

A tropical country, the Kingdom of Cambodia—the descendant of the Khmer Empire—is a member of the Greater Mekong Sub-region, a member state of ASEAN since 1999, a member of WTO since 2004, a beneficiary of the USA Generalized System of Preferences (GSP) since 1997, and a beneficiary of the EU's Everything But Arms agreement (EBA) since 2001. Cambodia geographically is a favorable country in terms of water, natural resources, eco-tourism (mountains, beaches, forests and wildlife) and cultural tourism (temples). From the Census in 2019, it has an estimated 16.5 million person population (15.3 million living in the country and more than 1.2 million migrant workers) and keeps growing at a rate of about 1.2 percent. More importantly, it is one of the youngest populations in the world, with about half of its inhabitants under 25 years of age.

Macroeconomic

The National Bank of Cambodia has concluded in its report that GDP growth was estimated to decline at the rate of -1.9 percent in 2020, while inflation rate was reported to increase at about 2.9 percent. The outbreak of COVID-19 has heavily affected Cambodia, as its economy largely depends on external sectors like tourism, garment and footwear exports, and real estate. These sectors have declined as a result of restrictions and interruption on travel, global production and capital flow.

Agriculture and financial services have seen steady growth, and this performance has lessened the negative impact to the economy and employment overall. Moreover, the government has formed a national committee and remedies to implement to help restore or assist economic activity and social welfare.

The recovery of the economy has been uncertain as it depends on many factors like the effectiveness of COVID-19 vaccines and the recovery of export countries.

Microfinance Sector

According to Cambodia Microfinance Association data, the Cambodian microfinance industry, including leasing companies, continues to see about 17 percent portfolio growth, reaching almost US\$ 6.9 billion in 2020 (this figure excludes several microfinance organizations that have converted into banks) and 1.48 percent portfolio at risk. There are almost 2 million borrowers in which a borrower has about US\$ 3,500 on average. Currently, there are six big microfinance deposit-taking institutions (MDI) that are licensed to collect deposits, and they make up 87 percent of the portfolio market size.

In response to the COVID-19 pandemic outbreak in 2020, the National Bank of Cambodia has issued an important circular on loan restructuring to assist the banking and financial sector, as well as borrowers, during this health emergency.

As of December 2020, there are almost 2.7 million depositors and a collective deposit balance of almost US\$3.6 billion, with an average deposit balance of US\$ 1,300 per depositor.

Brief Overview of LOLC

LOLC (Cambodia) Plc. (LOLC) is a microfinance deposit-taking institution regulated by the National Bank of Cambodia that focuses on serving entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives.

LOLC 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. With two strong shareholders, DWM and LOMI, in 2015 Thaneakea Phum (Cambodia) Ltd. changed its name to a more international name, LOLC (Cambodia) Plc. (LOLC), and obtained a microfinance deposit-taking license from the National Bank of Cambodia at the same time. In 2018, LOLC Private Limited bought 36.97 percent of LOLC's shares from the Developing World Market (DWM) and 60 percent shares from LOLC Micro Investment Ltd. (LOMI), making up 96.97 percent of LOLC's total shares.

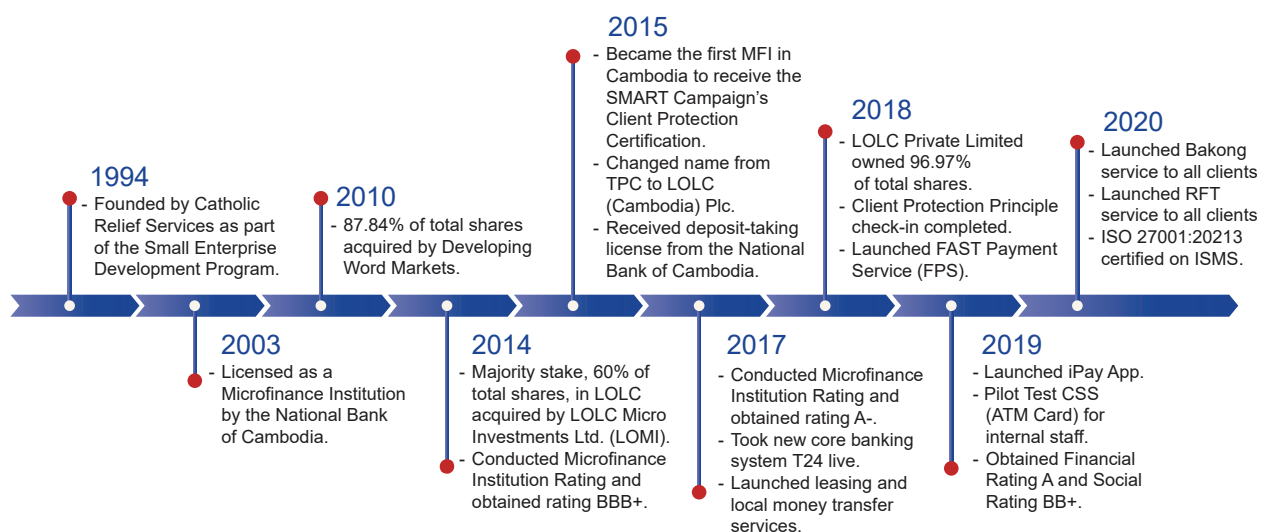
In its more than 27 years of development and growth, LOLC has significantly strengthened its position in the

market and become the top three microfinance deposit-taking institution in the country in terms of deposit balance, gross loan portfolio (GLP) and number of borrowers. Through its network of 79 offices nationwide and more than 3,000 experienced staff, LOLC serves about 304,000 clients with a loan portfolio US\$ 856 million. The deposit base reached an impressive amount of over US\$ 536 million with 402,000 depositors. The growth of its deposit balance and number of depositors indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.













Today, LOLC offers a wide range of financial services to its customers including credit, deposit, finance lease, money transfer, mobile banking and payment services. With the evolution of modern technology, LOLC has been providing innovative digital financial services to contribute more distribution channels and provide superior customer experiences. Examples of these platforms are the iPay Cambodia Mobile Application, Internet Banking, Bakong, FAST, ATM cards via CSS and Real Time Fund Transfers (RFT).






Brief History of LOLC

27-year track record in providing socially responsible microfinance services in Cambodia.



Lenders and Partners

	Industrial and Commercial Bank of China Limited
	Sathapana Bank
	Advanced Bank of Asia Limited
	Phnom Penh Commercial Bank
	Vattanac Bank
	responsAbility
	Oikocredit
	Enabling Qapital
	Overseas Private Investment Corporation
	Symbiotics SA
	Incofin Investment Management
	Instituto de Crédito Oficial
	BlueOrchard
	Impact Investment Exchange (Asia) Pte. Ltd
	KB Daehan Special Bank Plc.
	BANK OF CHINA (HONG KONG)
	The Shangha Commercial & Savings Bank. LTD.

	Cambodia Microfinance Association
	Credit Bureau Cambodia
	The Smart Campaign
	Agence Française de Développement
	Water.org

	MicroVest Purposeful Investing
	Fonds Desjardins
	KCD-Mikrofinanzfonds
	Developing World Markets
	Triple Jump BV
	Alterfin c.v.b.a.
	PG Impact
	Union Commercial Bank Plc.
	Foreign Trade Bank of Cambodia
	Nordic Microfinance Initiative
	J Trust Royal Bank
	TAISHIN INTERNATIONAL BANK
	Mega Commercial Bank
	Norfund
	Proparco
	Chailease International Finance Corp.

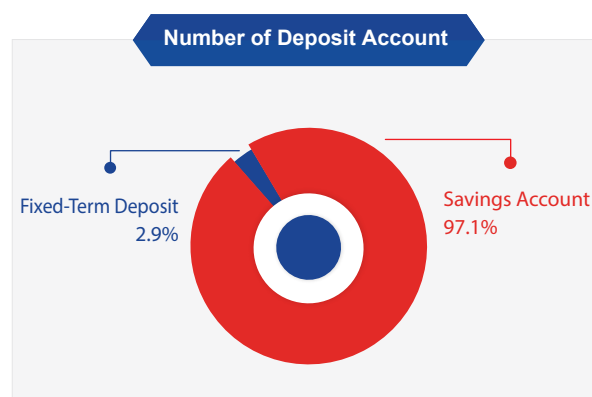
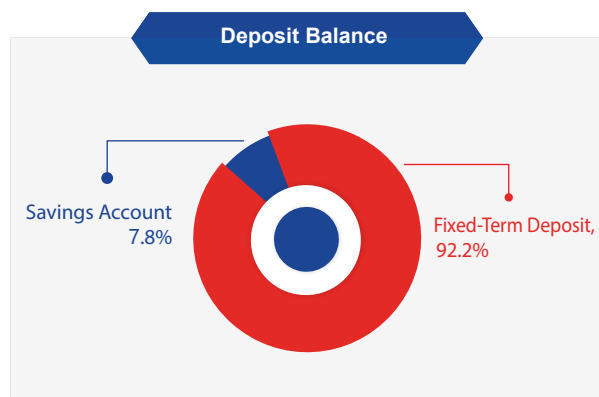
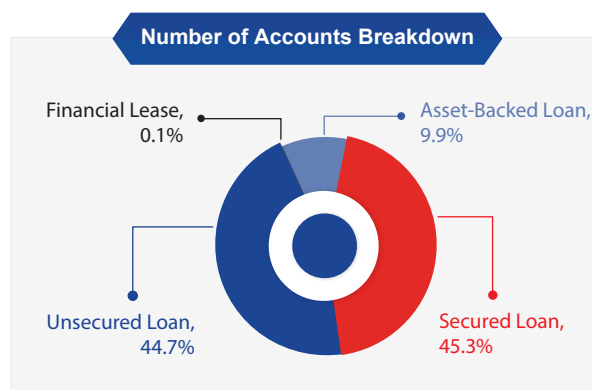
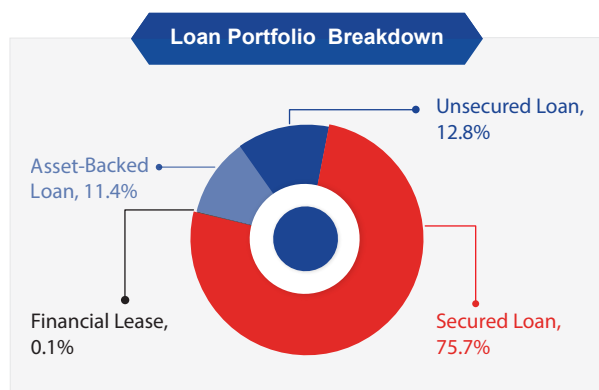
	Microcredit Summit Campaign
	USAID
	Wing (Cambodia) Limited Specialised Bank
	MIX Market

Principle Activities of LOLC

LOLC is licensed to offer credit and deposit products regulated by National Bank of Cambodia (NBC). A wide range of services include unsecured loans, secured loans, leasing, asset-backed loans, saving accounts, fixed-term deposits, money transfers and mobile banking through apps. The majority of our clients are in rural areas.

As of Dec-20	Loan Portfolio (US\$)	Number of Accounts
Unsecured Loan	109,942,009.95	160,856
Secured Loan	647,941,546.12	163,400
Financial Lease	652,427.01	248
Asset-backed Loan	97,385,628.46	35,648

As of Dec-20	Deposit Balance (US\$)	Number of Deposit Account
Savings Account	41,672,195.87	448,262
Fixed-Term Deposit	494,347,721.67	13,513





Small and Medium Enterprise Loan

The Small and Medium Enterprise Loan (SME) aims to support individuals, companies or enterprises in running or expanding their businesses in all legal sectors, including trade, services, agri-businesses and manufacturing.

A photograph of four business professionals in a modern office setting. Two men in suits are shaking hands in the center, while a woman in a grey blazer and a man in a dark suit stand to the right, clapping. They are gathered around a conference table with papers and a laptop. Large windows in the background offer a view of a city skyline.

BUSINESS REVIEW

- Responsible Growth
- Trend in Product Mix
- Business Performance
- Financial Highlights
- Customer Perspective
- Human Resource Development

Responsible Growth

LOLC (Cambodia) Plc. (LOLC) is a rapidly growing, regulated microfinance institution with a focus on serving entrepreneurs and families at the base of the socioeconomic pyramid with economic opportunities to transform the quality of their lives. With LOLC, families at the base of the socio-economic pyramid are empowered to live their lives with dignity, social and economic security and justice. LOLC is currently the third largest MDI/MFI in Cambodia by number of clients, gross loan portfolio and deposit balance. Due to its commitment to serving clients responsibly, focusing on customer service, innovating products and maintaining fair and transparent pricing, LOLC has become a trusted provider of financial services for Cambodians. Our long-term commitment to empowering entrepreneurs and families at the base of the socio-economic pyramid in Cambodia was realized through the development of new products tailored to meet our clients' needs, sound internal control policies and financial literacy training programs aimed at enhancing clients' financial management and experience.

LOLC's gross loan portfolio grew by 11 percent from US\$ 778 million at the end of 2019 to US\$ 862 million at the end of 2020. LOLC maintained its loan portfolio growth with quality and risk control, and it achieved a better performance than the industry average. LOLC's deposit product performed very well, reaching an impressive amount of more than US\$ 536 million in just 5 years, almost triple its deposit balance from US\$ 237 million in 2018. The fast growth of both the deposit balance and loan portfolio indicate that LOLC is a trusted microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

LOLC's return on asset (ROA) slightly decreased from 4.2 percent in 2019 to 3.87 percent in 2020, while return on equity (ROE) slightly decreased from 32.13 percent to 25.74 percent. However, LOLC's ROA is leading among the top seven MDIs, while the ROE of LOLC stands in second. LOLC has consolidated its position as the country's third MDI in terms of number of borrowers, gross loan portfolio (GLP) and deposit balance.

LOLC's long-term commitment to preventing over-indebtedness among its clients and to generating fair customer outcomes – illustrated by its strict credit policy – is pushed forward by its implementation of Client Protection Principles in day-to-day operations. LOLC Cambodia also took steps towards effective social performance management, such as the implementation of an environmental footprint, environment and social assessments for SME loans, Universal Standard of Social Performance Management (USSPM), serving clients with Green Lending & WASH Loans, and its self-assessment SPI4 to determine the next steps of social performance best practices for the company. In the last several years, LOLC has achieved many milestones. These include its Progress out of Poverty Index certificates; renewing its SMART Client Protection Principle Certification, which was assessed by M-CRIL; its GIIRS ratings; its Social Rating grade BB+; and its Financial Rating grade A from Microfinanza, which assessed the company through various criteria including external context, governance and strategy, financial profile, loan portfolio quality, systems and control, and client protection. Additionally, we have provided financial literacy to clients, partners and the community through in-class trainings and the radio program named "Idea for Growth," which aims to deliver financial literacy messages, consumer protection, self-motivation and a small business management mentality to rural people. These initiatives and their derived processes contribute to the reduction of all client-related risks and ensure that LOLC treats its clients fairly.

Finally, our operations and projects have been supported by growing our staff from 2,757 people in 2019 to 3,140 in 2020. LOLC had a network of 79 branches as of 2020, operating in 25 provinces throughout the country. Our staff members all receive extensive training on LOLC's credit process, internal controls and credit policies, as LOLC is dedicated to aligning our growth path with the quality of our loan portfolio.

Trend in Product Mix

LOLC has been improving and diversifying its product offerings over the years to meet its clients' evolving demands and needs. Our mission to empower people at the base of the socio-economic pyramid is shaping our product design. Furthermore, we intend to be as flexible as possible in product application and delivery, removing any barriers of access to our services. We have also expanded the size of our individual lending and designed new products aimed at meeting clients' needs. LOLC's group loan is still LOLC's most well-established loan product among Cambodians in the countryside. Group loans account for 13 percent of the company's total gross loan portfolio and represent 44 percent of LOLC borrowers. Although this product is well functioning and satisfies clients, we are always looking for new ways to improve the quality. LOLC increased the loan size of its group loans in 2020 to further fit the growth of the local economy.

LOLC also has many individual loans which have terms and conditions different from group loans. The individual loans account for 87 percent of the GLP and 56 percent of clients. With a larger loan size, the Individual Loan (IL) is intended for entrepreneurs whose growing businesses need working capital, such as farmers, workers, organizations and entrepreneurs looking to expand their businesses. LOLC's Seasonal Loan (SNL) is intended for clients with agricultural activities who need to finance their inputs and will repay the loan once the harvest is sold. The SNL allows for balloon and semi-balloon repayments of the loan principal. Small and Medium Enterprise (SME) loans have a maximum loan size of US\$ 70,000 and provide small- and medium-sized business owners ample capital to grow their businesses. LOLC offers loans for household improvement up to US\$ 20,000 and housing loans (HIL) up to US\$ 100,000. The Home Improvement Loan is a term loan that allows homeowners to improve their homes without extracting capital from their businesses.

Likewise, the Life Improvement Loan (LIL) provides clients who have stable sources of income with the opportunity to finance further consumption and personal purchases against an affordable interest rate and loan term. Asset-backed lending/financial lease offers

long-term financing period to clients who wish to purchase brand new or second-hand motor-bikes, tricycles, cars and agricultural machinery for their daily business or personal activities, without investing their own capital or using working capital. Currently, LOLC also offers inventory loans up to US\$ 100,000 without home/land collateral needed, which is very popular for business clients.

Furthermore, the Loan for Agricultural Machinery (LAM) can be accessed for an amount of up to US\$ 35,000 with a good repayment term. This is due to the loan's purpose, which is primarily for purchasing agricultural machinery for farmers and service providers (machine rental businesses) to raise productivity, yield, and ultimately generate more profits. The LAM is available at all branches in either US\$ or THB.

LOLC also offers additional products attached to our core products. This is the case for the Water, Sanitation and Hygiene Loan (WASH Loan) and Home Appliance Loan (HAL). These two products are offered to clients who wish to borrow additional funds from LOLC to improve their lives as well as to improve sanitation and hygiene in the family. As part of LOLC's due diligence and to mitigate risks of over-indebtedness, these loan products can only be granted to clients who have demonstrated strong repayment discipline and a steady repayment capacity.

LOLC was granted a deposit-taking license from the National Bank of Cambodia and started pilot testing deposit product at some branches in October 2015. In 2016, LOLC rolled out deposit products at all branches nationwide, achieving a deposit balance of US\$ 536 million in 2020, increased from US\$ 458 million at the end of 2019. LOLC provides two types of deposit products: savings accounts and fixed-deposit accounts. Aside from high cash security, deposit clients will get high interest rates and good customer service from LOLC. LOLC also provides other services to clients such as cash transfers, ATM and iPay, which are all very convenient for clients and have noticeably increased in 2020.

Loan Performance by Sectors

Number of Accounts

No.	Sectors	2018	2019	2020
1	Agriculture	115,903	150,367	123,283
2	Manufacturing	8,650	1,417	3,178
3	Trade	28,326	34,295	42,869
4	Service	23,900	61,622	57,344
5	Salary and Wage	72,610	89,842	133,430
6	Others	362	1,102	48
Total		249,751	338,645	360,152

Loan Portfolio (US\$)

No.	Sectors	2018	2019	2020
1	Agriculture	183,815,866	218,261,569	219,880,320
2	Manufacturing	4,037,055	11,033,603	11,115,434
3	Trade	71,492,112	149,030,198	150,135,490
4	Service	109,925,691	182,309,704	183,661,816
5	Salary and Wage	111,987,043	288,883,457	291,025,979
6	Others	2,587,540	101,817	102,572
Total		483,845,307	849,620,348	855,921,611

LOLC has grown its loan portfolio by 11 percent compared to the previous year, reaching more than US\$ 856 million by the end of 2020.

In terms of sectors, salary and wage represents the biggest portion with roughly around 34 percent of the total loan portfolio, followed by agriculture 26 percent, service 21 percent, trade 18 percent, and manufacturing 1 percent respectively.

Loan Performance by Products

Number of Accounts

No.	Products	2018	2019	2020
1	Group Loan (GL)	98,940	142,353	160,184
2	Individual Loan (IL)	78,329	94,835	101,548
3	Small and Medium Enterprise (SME)	4,554	12,278	15,490
4	Seasonal Loan (SNL)	18,963	20,404	20,939
5	Home Improvement Loan (HIL)	10,060	10,912	10,719
6	Life Improvement Loan (LIL)	29,742	47,866	42,683
7	WASH Loan (WIL)	8,558	9,594	8,324
8	Inventory Loan (IVL)	-	44	17
9	Financial Lease (FL)	605	359	248
Total		249,751	338,645	360,152

The client base of LOLC Cambodia remained large in 2020, with more than 360,100 clients. Product diversification has responded to all segments of the Cambodian population. Most clients use group loan products, followed by individual loan products and life improvement loan products.

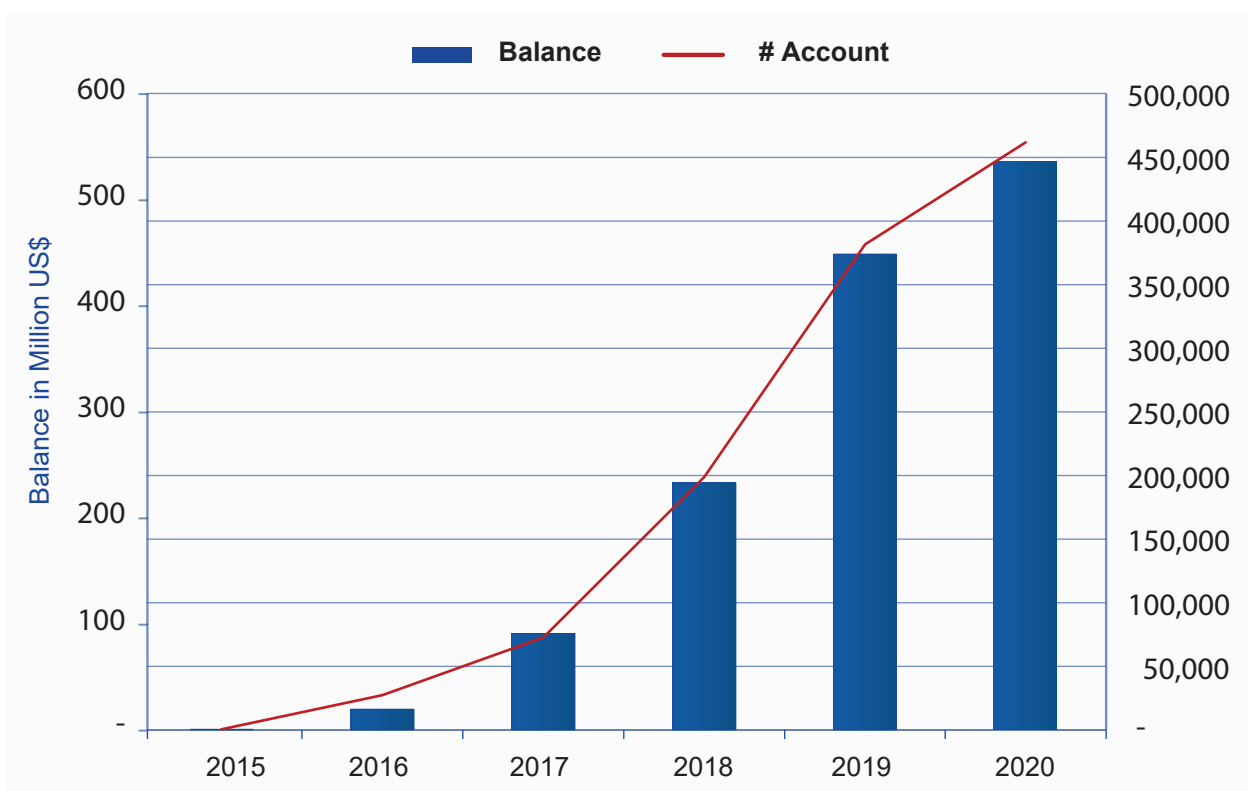
Loan Portfolio (US\$)

No.	Products	2018	2019	2020
1	Group Loan (GL)	46,239,261	85,267,427	109,029,872
2	Individual Loan (IL)	213,462,135	281,024,607	304,548,550
3	Small and Medium Enterprise (SME)	67,109,402	164,637,619	194,550,089
4	Seasonal Loan (SNL)	52,470,281	70,316,183	76,855,373
5	Home Improvement Loan (HIL)	37,527,477	48,544,505	51,236,159
6	Life Improvement Loan (LIL)	61,729,790	114,330,274	108,665,420
7	WASH Loan (WIL)	3,807,624	4,274,185	3,125,176
8	Housing Loan (HL)	361,647	1,844,759	6,628,723
9	Inventory Loan (IVL)	-	1,561,119	629,822
10	Financial Lease (FL)	1,137,690	413,587	652,427
	Total	483,845,307	772,214,265	855,921,611

LOLC has grown its loan portfolio by 11 percent compared to the previous year, reaching almost US\$ 856 million by the end of 2020 with most clients using individual loan, small and medium enterprise loan, group loan and life improvement loan products.

Summary of Achievement of Deposit Product, LOLC ATM Card and iPay Cambodia as of 31 December 2020:

Deposit Product: Total deposit balance: US\$ 536 million. Total number of accounts: 461,775. Deposit balance and the number of accounts has been increased 20 percent and 21 percent respectively compared to 2019.



- **iPay Cambodia:** Total user registration: 10,183. Total transactions: 383,562. Total transaction amount: US\$ 10,589,212.

Month	#Users Registered	#Transactions	Transaction amt. in US\$
As of October 2020	6,362	288,973	8,420,535
As of November 2020	7,744	332,528	9,404,383
As of December 2020	10,183	383,562	10,589,212

- **LOLC ATM Card:** LOLC ATM Card offers customers high convenience and security in managing their cash better. With the card, customers can perform self-banking transactions with CSS members such as: cash withdrawal, purchase, balance inquiry, PIN change, review mini statement and fund transfer within LOLC/inter bank.

As of December 2020, LOLC has issued ATM Cards 9,967, total transactions 144,421 within the transaction amount of US\$ 7,728,225.

Month	#Card Issued	#Transactions	Transaction amt. in US\$
As of October 2020	6,006	106,142	5,672,451
As of November 2020	7,742	126,026	6,715,939
As of December 2020	9,967	144,421	7,728,225

Savings Account

A savings account is a type of account that offers clients an easy way to withdraw or deposit money at any time and place without limit. It is the best choice for both those who want to keep their money safe and those who need to use money daily.

Summary of Savings Account:

Condition	Description
Currency	KHR/US\$/THB
Minimum Balance	0
Term	Unlimited
Yearly Interest Rate	3%
Savings Account Passbook	Free

Fixed-Deposit

A fixed-deposit account offers an enhanced rate of return for committing to keep the savings on deposit with LOLC (Cambodia) Plc. for a specific period.

Summary of Fixed Deposit:

Condition	Description
Currency	KHR/US\$/THB
Minimum Balance	KHR200,000, US\$50, THB2,000
Term	1, 3, 6, 9, 12, 24, 36 months
Highest Yearly Interest Rate	7.50%

Local Money Transfer

Customers can transfer their money to relatives, friends or business partners within LOLC and Inter Bank transfer (FAST, Retail Pay "RFT" Service, and Bakong) who have savings accounts with LOLC with fast and convenient service.

Summary of Local Money Transfer:

Description	Fee		Remark
	KHR	US\$	
Transfer within branches	Free		Account to account, deposit, withdraw across branches
Loan payment across branches			
Transfer across branches			

Inter-Bank Transfer (FAST)

Customers can transfer money conveniently between financial institutions (Banks and MDIs). This service can be made only in KHR currency.

Summary of Inter-Bank Transfer (FAST):

Condition	Description
Currency	KHR
Max. amount per transaction	KHR 40 million

Inter-Bank Transfer (RFT)

Real Time Fund Transfer Service (RFT) is an initiation by the National Bank of Cambodia (NBC). To use this service, sender is required to have savings account, and the receiver could receive money either via savings account or phone number. The service can be made in KHR and US\$ currency.

Condition	Description
Currency	KHR, US\$
Transaction Type	- Account to Account - Account to Phone Number
Max. amount per transaction	1. LOLC Branch: - Account to Account KHR 200 million or US\$ 50,000 - Account to Phone Number Less than KHR 4 million or Less than US\$ 1,000 2. iPay Cambodia: - Account to Account KHR 4 million or US\$ 1,000 - Account to Phone Number Less than KHR 4 million or Less than US\$ 1,000
Withdrawal Condition	- Account to Account: Receiver is required to have savings account with LOLC - Account to Phone Number: Receiver is required to have phone number and legal document.

iPay Cambodia

iPay is a Platform beyond Payments that brings to its users the true convenience of digital transactions providing a cashless and a seamless payment experience.

LOLC (Cambodia) Plc. has launched a mobile banking service called iPay Cambodia for its customers. It aims to benefit them by creating cash and non-cash movement management through smart phones at any time and place where there is an internet connection. Through iPay Cambodia, customers are able to perform transactions such as view balance inquiry, bill payment, money transfer, account opening, mobile top-up and other functions. Customers are able to download the iPay App to smart phones (iOS & Android) easily, quickly and conveniently. iPay also has merchant function that allows shop owners easy to control their clients settlement digitally (QR Code).

Transaction Limitation of iPay Cambodia:

Transaction	Maximum Amount
Per transaction	KHR 4 million / US\$ 1,000 / THB 40,000
Transactions per day	KHR 10 million / US\$ 2,500 / THB 100,000

LOLC ATM Card

Through the Cambodian Shared Switch (CSS) project developed by the National Bank of Cambodia, LOLC shall launch the debit ATM Card to its public customers after pilot testing is done by LOLC employees successfully. With the LOLC ATM Card, customers will be able to do financial transactions via ATM and POS machines at all institutions that are CSS members. These transactions include withdrawal, transfer and other transactions with in 25 provinces (nationwide).

ATM Card Transactions via ATM Machine

- Cash Withdrawal/ Fast Cash Withdrawal
- Balance Inquiry
- Mini Statement
- Interbank Funds Transfer (FAST)
- PIN Change

ATM Card Transactions via POS Machine

- Purchase
- Cash Withdrawal
- Refund
- Purchase Reversal
- Balance Inquiry

Transaction Limitation via ATM Machine

Transaction types	Amount per transaction	Transaction per day
Cash withdrawal	KHR 4 million or US\$ 1,000	10 times.
Inter-bank transfer		
Fund transfer within LOLC		

Transaction Limitation via POS Machine

Transaction types	Amount per transaction	Transaction per day
ATM Card Transaction through POS Machine	KHR 4 million or US\$ 1,000	Acquired Banks

Financial Highlights

Profit & Loss Summary

Profit & Loss Summary (US\$ '000)	FY2018 Audited	FY2019 Audited	FY2020 Audited	YOY %
Net Interest Income	43,583	63,180	97,113	53.7%
Other Income	10,045	17,457	5,887	-66.3%
Net Operating Income	53,628	80,638	103,000	27.7%
Operating Expenses	(29,546)	(38,103)	(39,592)	3.9%
Allowance for Bad and Doubtful				
Financial Instruments	(3,314)	(4,254)	(10,194)	139.6%
Profit Before Tax	20,767	38,281	53,214	39.0%
Income Tax Expense	(5,129)	(4,261)	(7,821)	83.6%
Net profit for the year	15,638	34,020	45,393	33.4%

LOLC (Cambodia) Plc. managed to achieve 33.4 percent YoY growth in Net Profit to reach US\$ 45.39 million (2019: US\$ 34.02 million) in spite of the challenging operating environment. This generated the Return on Average Equity of 32.13 percent and Return on Average Asset of 4.20 percent.

Balance Sheet Summary

Balance Sheet Summary (US\$ '000)	FY2018 Audited	FY2019 Audited	FY2020 Audited	YOY %
Asset	610,328	1,009,352	1,071,529	6.2%
Gross Loan Portfolio	483,845	772,214	855,922	10.8%
Liabilities	529,158	873,546	890,353	1.9%
Deposit Balance	236,910	457,661	536,020	17.1%
Borrowing Balance	272,997	379,643	308,739	-18.7%
Equity	81,171	135,805	181,176	33.4%

LOLC (Cambodia) Plc.'s total assets grew by 6.2 percent to US\$ 1.07 billion as of 31st December 2020, mainly due to a gross loan portfolio which registered a growth rate of 10.8 percent YoY to US\$ 855.92 million.

Deposit products grew slightly by 17.1 percent to US\$ 536.02 million as LOLC (Cambodia) Plc. continued to benefit from improving trust from depositors. The proportion of deposit balance among the two products was Saving accounts 2.3 percent and Fixed Deposit accounts 18.6 percent. The Borrowing decreased by 18.7 percent to US\$ 308.74 million, in which Local borrowings decreased by 27.3 percent to US\$ 72.72 million (2019: US\$ 99.33 million) and Overseas borrowings decreased by 14.9 percent to US\$ 236.02 million (2019: US\$ 280.31 million).

Key Ratio Indicators	FY2018	FY2019	FY2020
Return on Equity	22.94%	32.68%	27.90%
Return on Asset	3.19%	4.38%	4.25%
Operating Expense to Average Gross Loan Portfolio	7.33%	6.07%	4.86%
Cost to Income Ratio (Including Provision)	61.28%	52.53%	48.34%
Deposit to Loan Ratio	48.96%	59.27%	62.62%
Liquidity Coverage Ratio	234.00%	281.90%	235.30%
Solvency Ratio	17.93%	20.05%	23.99%
Non-Performing Loan to Gross Loan Portfolio	0.83%	0.61%	1.27%

LOLC (Cambodia) Plc. maintained its high performance in improving its Operating Expense to Average Gross Loan Portfolio ratio to 4.86 percent (2019: 6.07 percent). The Cost to Income Ratio (including provision) also improved, reaching 48.34 percent (2019: 52.53%)

LOLC (Cambodia) Plc. also maintained a high Liquidity Coverage Ratio at 235.3 percent compared to the Central Bank's requirement of 90% starting from 1st Jun 2019 [from 1st January 2020 at 100 percent]. In addition, the Solvency Ratio was also well maintained at 23.99 percent, which was above the minimum requirement by Central bank of 'not less than 15 percent'.

Asset quality was also the key focus for management and board of directors. The improvement of the asset quality slightly decreased to 1.27 percent (2019: 0.61 percent).

2021 OUTLOOK

In 2021, LOLC (Cambodia) Plc. will look to expand its Income from growing its interest bearing assets such as asset-backed lending/leasing, microbusiness loans, Small and Medium Enterprise, including green lending products.

To support such growth in its assets, management needs to continue expanding its deposit mobilization and expanding partnerships with existing and potential new lenders.

Management will need to improve its staff productivity and efficiency by looking toward technology-oriented features, like tablet banking applications that will allow credit officers to perform banking transactions from a distance and connect directly to core banking. In addition, management will continue to maintain prudence in monitoring asset quality to further reduce non-performing loans.

LOLC (Cambodia) Plc. will also continue to focus on preserving healthy liquidity levels as measured by its Liquidity Coverage Ratio and adequate Capital Adequacy Ratio to maintain compliance with regulator requirements as well as to support growth in a healthy way.

Customer Perspective

LOLC (Cambodia) Plc. is one of the largest microfinance institutions in Cambodia. We always focus on the quality of our services and making it convenient for consumers to access products and services. LOLC has received tremendous support from loan products, financial leases and deposit products, helping us rapidly grow. LOLC always accepts complaints, feedback and suggestions from its valued customers to further improve products and services based on customers' needs. LOLC always maintains a good relationship with customers, partners, authorities and other relevant parties to keep them

informed and try our best to fulfill their needs. LOLC does not give up on customers who drop out. We encourage our staff to meet with them regularly to get feedback and keep informing them of the latest products and services available to them.

Despite the strong support of customers, LOLC has been exploring other ways to improve existing products and services, as well as to develop new products and services to meet the needs of customers and to maintain existing customers.

Summary of Customer Complaints in 2020

Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Number of Complaints	6	3	9	3	4	3	2	2	1	5	3	3

Human Resource Development

In 2020, Human Resources Department is proud to succeed the huge achievements under good cooperation by Management in each Department with active participation from all levels of employees. On the other hand, staff number in 2020 has been increased to 3,140.

Staff were equipped with various kinds of trainings that enable them to improve skills and capacity to carry out their tasks. New Financial Sales Advisors receive orientation at the Head Office where they are trained about the company's vision, mission, core values and various policies and practices. They also receive on the job training at branch offices where they shadow with existing Financial Sales Advisors, receive guidance from supervisors and get practical learning from the job. Aside from that, branch staff also receive regular refresher trainings at their branch offices about policies, procedures, technical skills, and soft skills.

In addition, due to the impact of COVID-19 in 2020 and resulted in some restriction of gathering, LOLC has initiated digital learning platform such as: online and video training so that staff can obtain knowledge without having to travel to training location.

Another mean of staff development that LOLC (Cambodia) Plc. has done is a job rotation program. This program has been designed for staff to rotate to work in other position for a specific period of time. This program aims to prepare potential staff for succession planning.

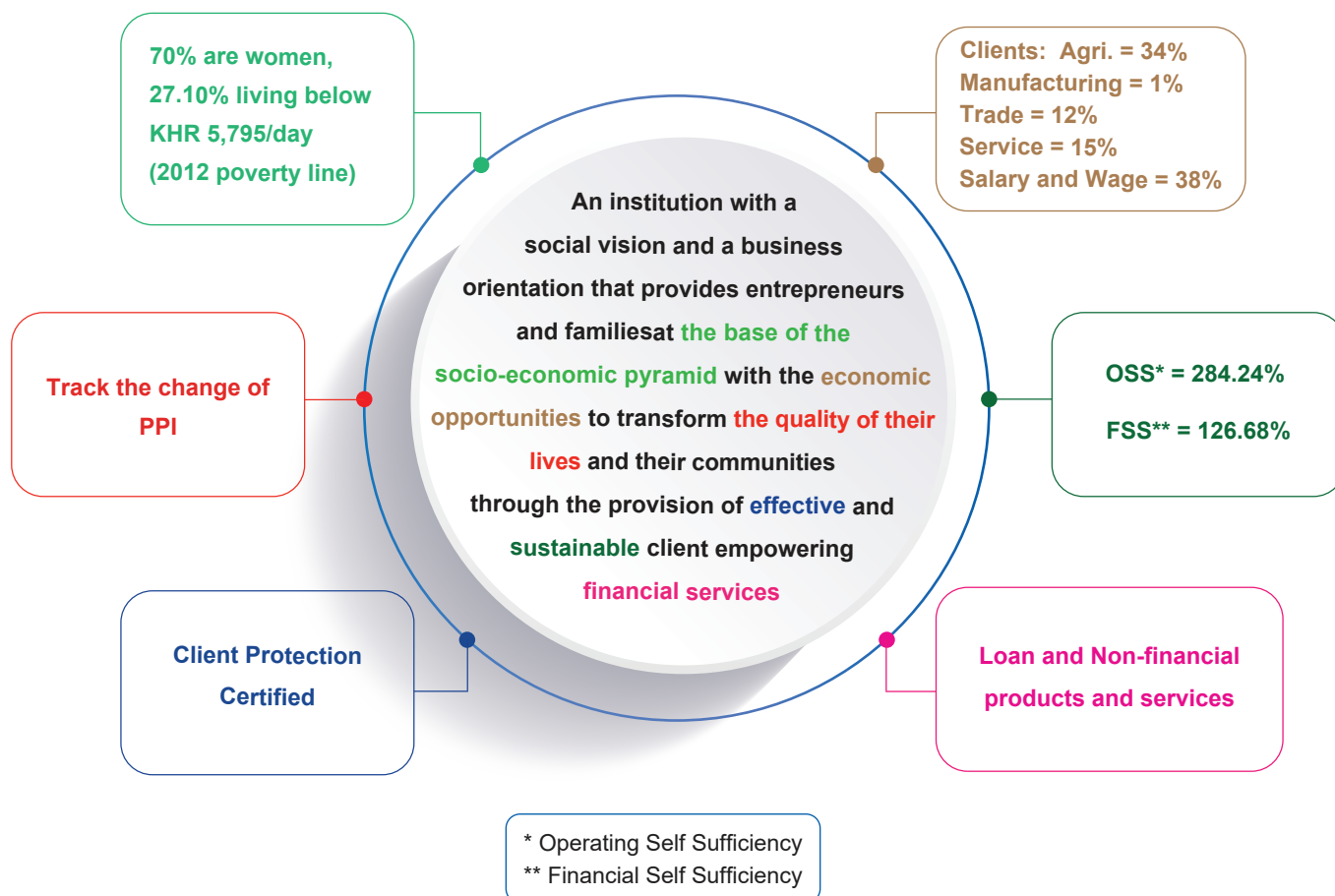
Last but not least, LOLC (Cambodia) Plc. also provides internship opportunities for students in order to help them get knowledge and job experience by learning other skills for a professional career and get job opportunities with LOLC (Cambodia) Plc. if they prove to have the capacity.



SOCIAL AND ENVIRONMENTAL PERFORMANCE REVIEW

- How Do We Translate Our Mission as of December 2020?
- Measuring LOLC's Social Goals
- Environmental and Social Assessment
- Measuring Social Outreach through PPI
- Green Lending
- WASH Loan
- Financial Literacy
- Other Social Activities

◆ How Do We Translate Our Mission as of December 2020?



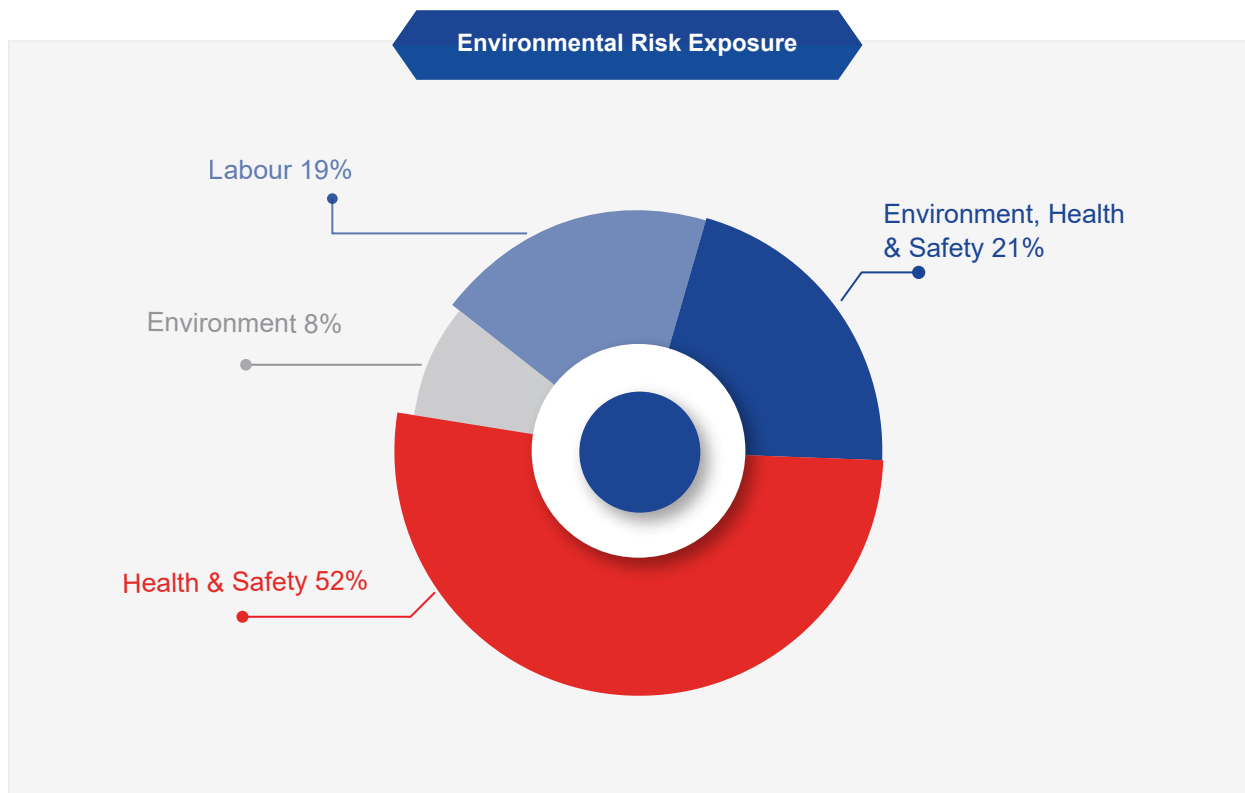
◆ Measuring LOLC's Social Goal

Relevant Social Goals	Annual Measurable KPIs	Annual Target	2018	2019	2020
Increased access to financial services	Number of borrowers in rural areas	>= 85%	93%	92%	93%
	Number of borrowers involved in agriculture	>= 30%	46%	39%	34%
	Percent of female borrowers	>= 67%	72%	70%	70%
Poverty outreach	Percent of new group loan borrowers below 150% of the National Poverty Line	>= 20%	29.62%	29.40%	27.10%
Environmental sustainability	Result of environmental assessment in Monitoring	'Monitoring'	'Medium' Monitoring	'Medium' Monitoring	'Medium' Monitoring

Environmental and Social Assessment

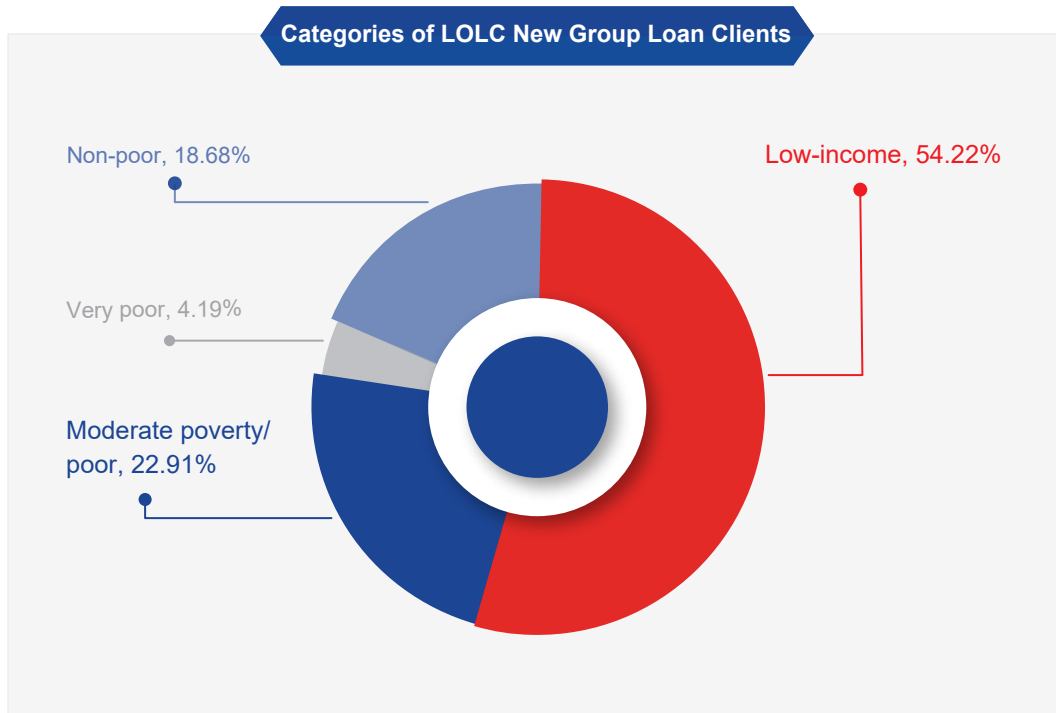
Social and Environmental Assessment was fully integrated into the SME loan lending process. As a result, from January to December 2020, 170 SME loans in the amount of US\$ 30,000 were assessed.

Environment and Social Assessment	# of Loans	Remarks
Low	87	<ul style="list-style-type: none"> - Client's risk management quality is high - Client risk level is low Therefore, no action taken is required.
Medium	83	<ul style="list-style-type: none"> - Client's risk management quality ranges from medium to high - Client risk level ranges from low to medium – Therefore, monitoring should be tracked to see the progress of the risks.
Total	170	



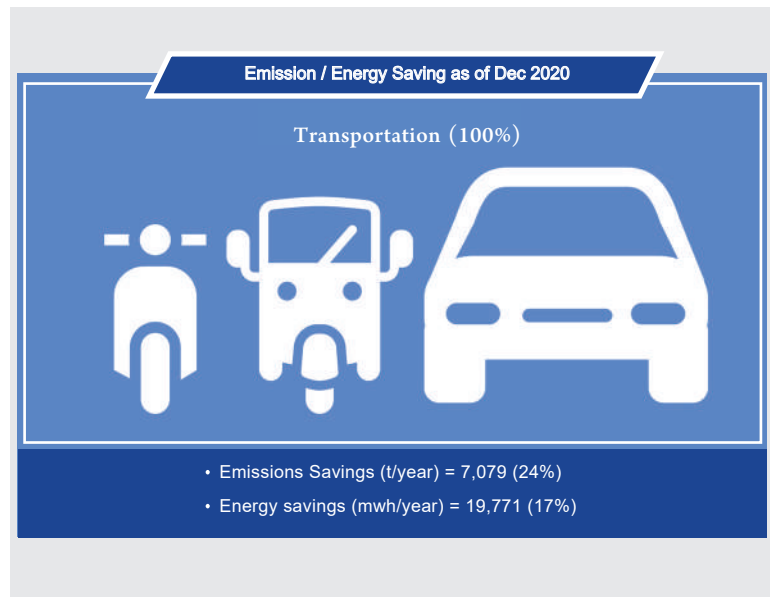
◆ Measuring Poverty Outreach through PPI

Poverty Probability Index (PPI) is used to measure LOLC Cambodia outreach to the new group loan clients, determine transformation of quality of client's lives, and ensure that appropriate products are extended to the right clients. Moreover, Moreover, using PPI, LOLC can determine its categories of the new group loan clients as below:



◆ Green Lending

Currently, LOLC is offering Green Lending both leasing and loans through its existing products such as Financial Leasing (FL), and Life Improvement Loan Asset-Backed (LILAB). In July 2018, LOLC worked with GCPF through ResponsAbility to further assist LOLC on both financial and technical support including the tools to measure the impact of Green Lending on CO2 emissions and energy saved. As of December 2020, 8,600 clients are using Green Lending Product, for a gross loan portfolio, Of US\$ 20 million. The dashboard below highlights the emissions through its green lending.



◆ WASH Loan

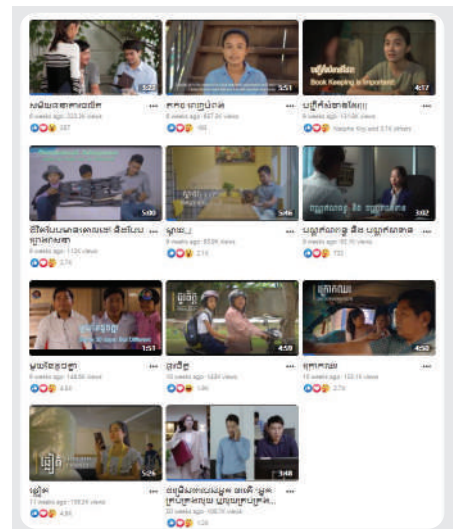
LOLC has served clients with WASH Loan products since 2016. The WASH Loan helps clients to improve water access, sanitation and hygiene in their communities. Target clients are those in good standing with LOLC who want to build or renovate a latrine, well, pond digging, water storage or buy a water filter, etc. As of December 2020, 8,300 clients are using a Wash Loan product, with gross loan portfolio of US\$ 3.2 million.



◆ Financial Literacy

● Financial Literacy Video

Due to COVID-19, financial literacy awareness in-class training was postponed and 12 short financial literacy videos were produced to deliver financial literacy messages, consumer protection, self-motivation and small business management to clients/the public by posting in popular mass-media Facebook pages and the LOLC Facebook page. As a result, the videos reached 8 million people.



◆ Other Social Activities

● The COVID-19 Crisis Supporting

To help the Cambodia Government in fighting COVID-19 in 2020, LOLC donated KHR 40 million to the National Committee for COVID-19 disease control. LOLC also provided some foodstuffs such as rice, canned fish, instant noodles and soap to 790 families whose income had been seriously affected by COVID-19. In addition, LOLC also contributed US\$ 100,000 to the government for the COVID-19 vaccine.



• **Anti-Drug Leaflet :**

LOLC (Cambodia) Plc. sponsored 100,000 anti-drug leaflets this year. LOLC continued to sponsor and deliver them to Mr. Lim Tong Hout, the director of the Department of Legislation, Education and Rehabilitation of the general secretariat of the National Authority for Combating Drugs. LOLC hopes this leaflet will contribute to preventing trafficking and drug use.



• **Donations to Customers and People Affected by Floods:**

LOLC has a vision of helping people live with dignity, safety, social connection, economic stability and justice. This year, LOLC branches donated necessary food to three provinces including Batambang, Banteay Meanchey and Pursat to support people who were negatively impacted by flooding.



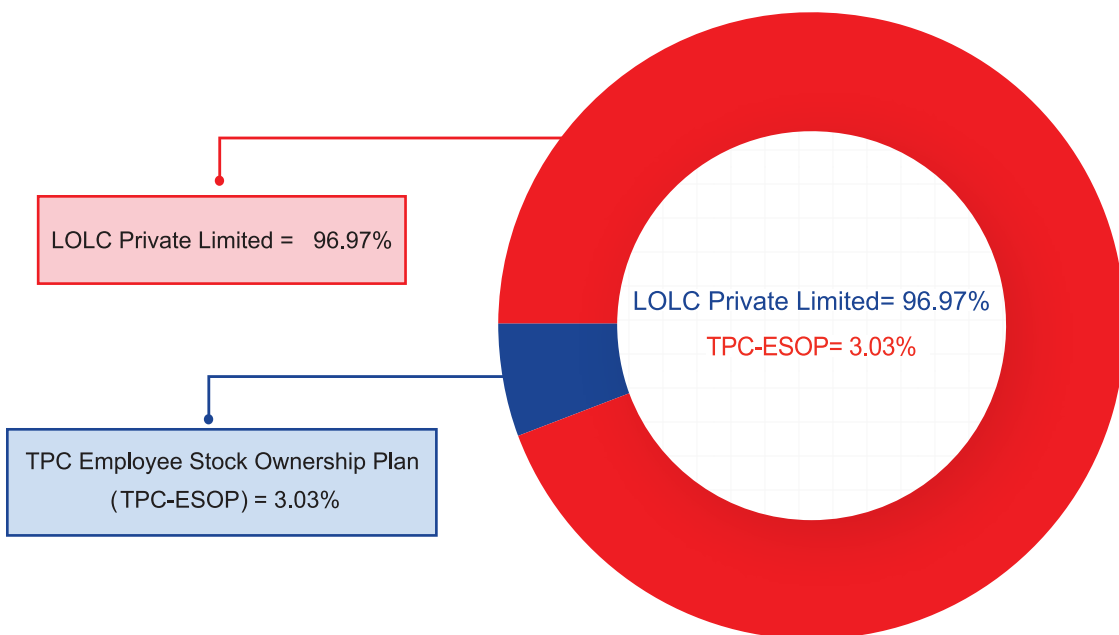
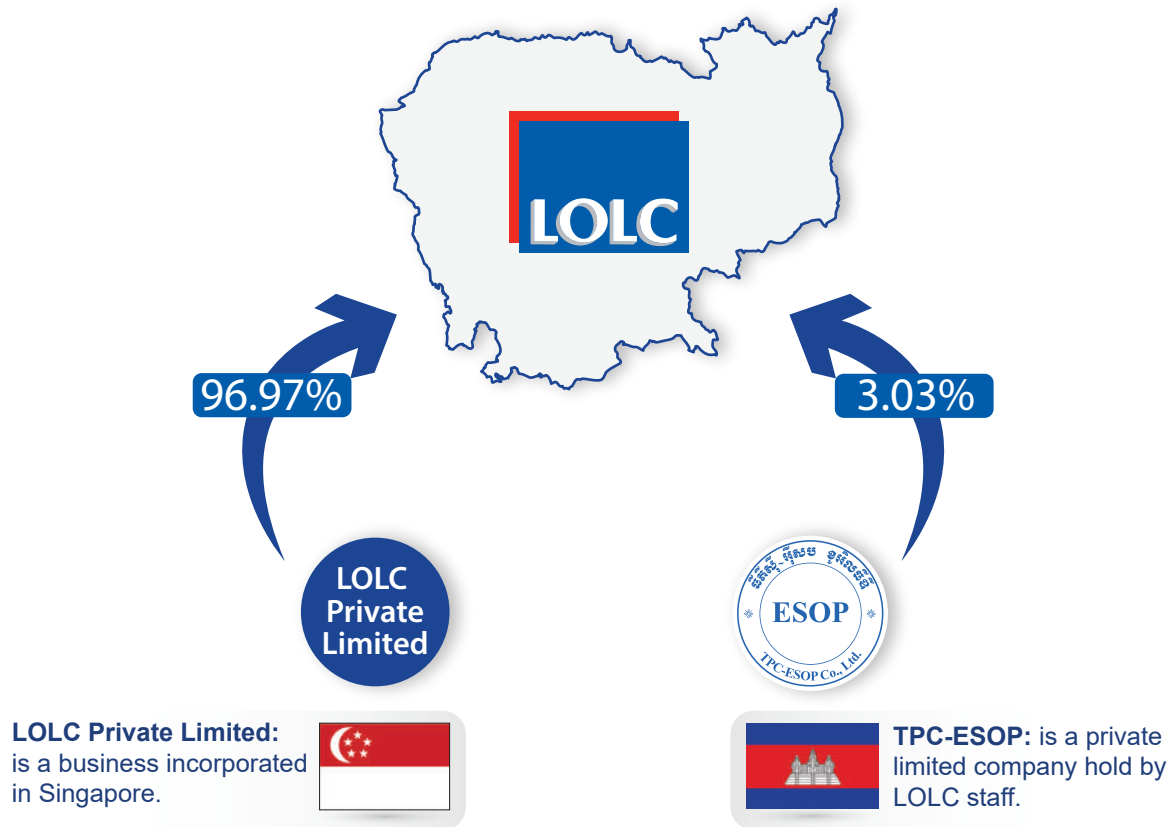


CORPORATE GOVERNANCE

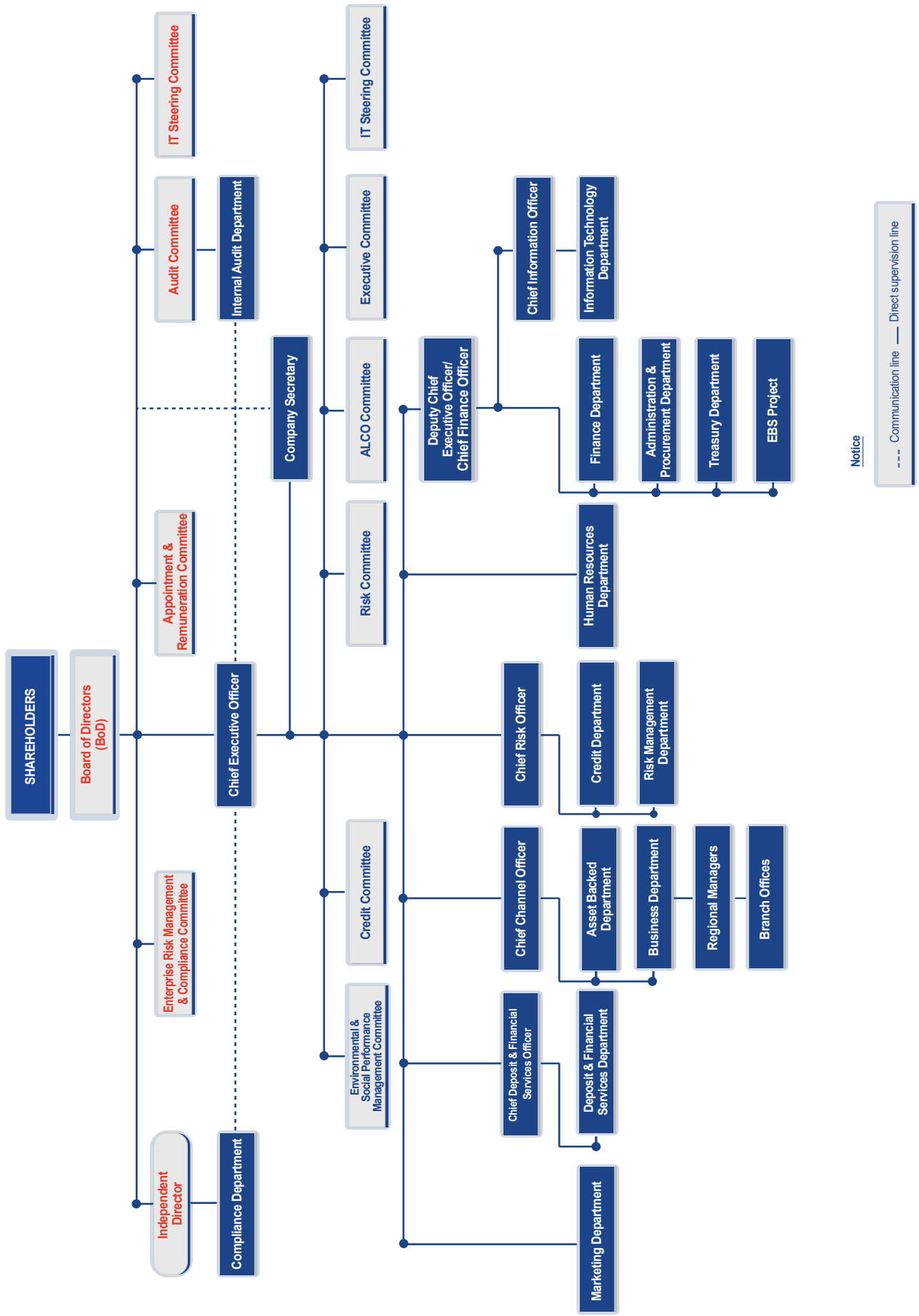
- Ownership Structure
- Organizational Chart
- Policy and Practice Guidelines for Corporate Governance
- Duties and Responsibilities of Board Committees
- Report of the Board of Directors
- Management Team
- Risk Management and Internal Control

Ownership Structure

LOLC (Cambodia) Plc. currently has two shareholders, including LOLC Private Limited and TPC Employee Stock Ownership Plan (TPC-ESOP). The shareholding structure of LOLC (Cambodia) Plc. is organized as follows:



Organizational Chart



Notice

--- Communication line — Direct supervision line

Policy and Practice Guidelines for Corporate Governance

Selection of Directors

Any qualified natural person who is 18 years of age may serve in a position as director. A director shall not necessarily be a shareholder. A director shall be elected by resolution approved by a majority of the votes cast by all shareholders in the general meeting. A director may receive remuneration for his/her service as determined in the general meeting of the shareholders. Any member of the board of directors shall obtain a prior approval from the National Bank of Cambodia before being appointed.

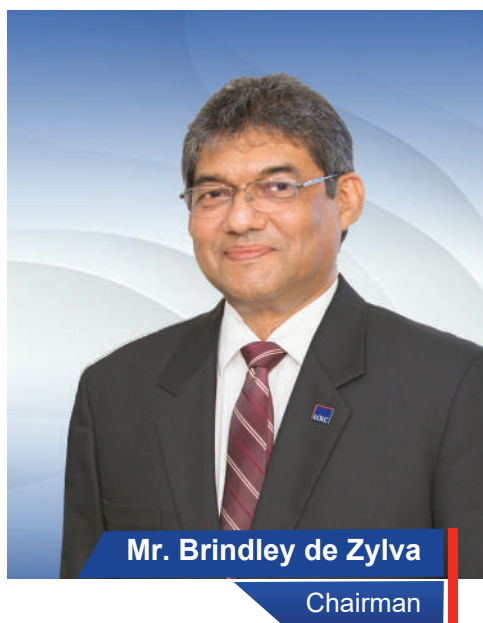
Board of Directors

Board Composition

No	Name	Position
1	Mr. Brindley Chrisantha Gajanayake De Zylva	Chairman
2	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Director
3	Mr. Dulip Rasika Samaraweera	Director
4	Mr. Hans Michael Theodor Moormann	Independent Director
5	Mr. Indrajith Wijesiriwardana	Independent Director

Board of Directors' Profile

LOLC has an active, competent and experienced board of directors (BOD) that have rich experience in finance, management and development.



Mr. Brindley de Zylva

Chairman

Brindley 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. He has served in the Non-Bank Financial Services Industry (NBFI) over the past 37 years in licensed finance companies, specialized leasing companies and microfinance institutions, holding board and general management positions prior to taking over as the chairman of LOLC (Cambodia) Plc. He has a wide range of expertise and experience in the NBFI sector; covering marketing and sales, credit and recovery management and finance. Mr. Brindley is a fellow of the Sri Lanka Institute of Credit Management and was elected as its honorary secretary in 2010. He also served as a Member of the Council of Management of the Finance Houses Association of Sri Lanka for nine years – four of which he was one of its vice chairmen – and as a director of the Financial Ombudsman Sri Lanka (Guarantee) Limited, in Sri Lanka. These positions were relinquished in 2015 to take over a regional assignment for the LOLC Group in Myanmar and Cambodia.



Mr. Conrad Dias

Director

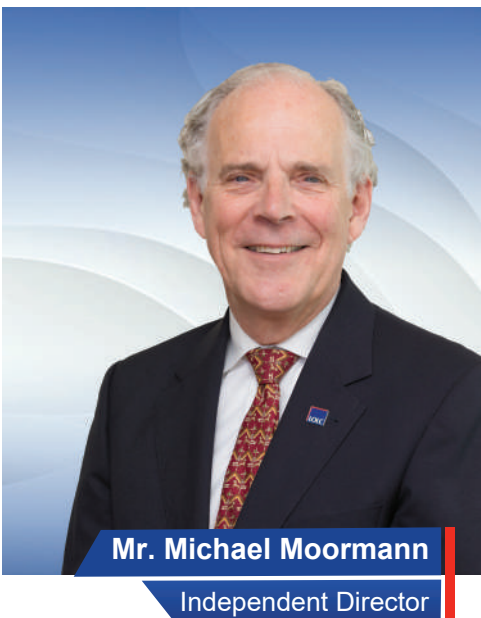
Conrad Dias the former Group CIO of the LOLC Group and Director of LOLC Holdings PLC, Director/CEO of LOLC Finance PLC and the co-founder of iPay. He holds a Master of Business Administration from the University of Leicester and is a fellow of the Chartered Institute of Management Accountants, a Chartered Global Management Accountant and a fellow of the British Computer Society and fellow member of the Certified Management Accountants of Sri Lanka. Mr. Dias counts over 30 years of experience and processes domain expertise in sectors such as trading, banking and finance, assets management and manufacturing. In recognition of his contributions to the LOLC Group, and the local IT Industry as a whole, Conrad was awarded the CSSL CIO of the year in 2016. He was also awarded the Professional Excellence Award in 2017 at the event organized by Institute of Certified Management of Accountants of Sri Lanka. He is also inducted to the Global CIO Hall of Fame 2020 and a winner of the Global CIO100 for the year 2020 from IDG USA.



Mr. Dulip Rasika Samaraweera

Director

Dulip Rasika Samaraweera is a director of LOLC (Cambodia) Plc. Mr. Samaraweera is a graduate of the University of Sri Jayawardanapura, carrying a degree in physical sciences and specializing in statistics. He was also a past finalist of the Chartered Institute of Management Accountants (UK). He started his career in investment research in 2004 and joined the LOLC Group in 2007. He serves as a director of LOLC Myanmar Microfinance Ltd. He is an experienced professional in financial management, process improvement, strategic planning, investments and acquisitions. Mr. Samaraweera joined LOLC (Cambodia) Plc. in July 2018.



Mr. Michael Moormann

Independent Director

Michael Moormann is an independent director of LOLC (Cambodia) Plc. He started his career in the Netherlands within the foreign division of ABN AMRO Bank in 1971 and was transferred to Indonesia in 1973. He gained much experience serving in a variety of positions and working in many different countries before taking up senior management positions. In 1992, he became the regional manager of private banking in Latin America for AB AMRO, and in 1994, started serving as country manager for the same bank in several countries including the Philippines, Sri Lanka and Vietnam. Since 2005, Mr. Moormann has completed several consulting assignments in microfinance and currently serves as a director on the board of two microfinance institutions. His professional strengths include internal auditing, human resource management and change management. Mr. Moormann joined LOLC (Cambodia) Plc. in February 2013.



Indrajith Wijesiriwardana is currently an independent director of LOLC (Cambodia) Plc. Mr. Wijesiriwardana is a highly skilled consultant in international development finance with over 20 years' international experience from nearly 30 countries. His key areas of experience include microfinance and SME finance (MSME) and capacity building in the financial sector. He is skilled and experienced 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. Prior to his work in consulting, he prepared and evaluated project proposals and monitored projects. His responsibilities included loan financing for small, medium and large enterprises, trade financing, equity financing, restructuring, loan syndication and leasing. He developed and managed financial support services such as planning, budgeting and monitoring, accounting, financial administration and MIS. Mr. Wijesiriwardana joined LOLC (Cambodia) Plc. in January 2015.

Board Meeting

Board meetings are held quarterly. At each meeting, the directors review the performance of the company. The board is also kept informed of developments in the financial sector, including changes in statute or regulations, and how they could impact the company. Regular board papers reporting on performance and compliance are reviewed and discussed alongside special board papers that cover non-routine matters.

Code of Ethics

An employee's conduct both within and outside the workplace will affect LOLC's professionalism and reputation. Therefore, all employees must strictly abide by LOLC's code of conduct.

Professional Conduct

1. Employees shall be honest, use appropriate words with other employees and clients, be punctual, dress in LOLC's uniform while working, perform duties competently and save LOLC's resources.
2. Employees shall abide by clients' rights, such as 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, 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's employees and the right to expect LOLC to keep personal and financial information confidential.
3. Employees shall respect clients fairly and equally, with no discrimination based on political opinions, ethnicity or social standing.
4. Employees shall maintain good relationships with clients. Therefore, credit officers' phone contact shall be available and they should be responsive.
5. Employees shall read out loud to the clients the privacy clause in the contract and privacy agreement before collecting clients' data and disbursement.
6. Employees shall read, understand and implement LOLC's code of conduct. Violation on the code of conduct will result in disciplinary action or termination.
7. Employees have an obligation to report to their direct supervisors, branch managers or heads of department if they find a case of violation of the code of conduct or other policies.

Prohibited Actions

1. Employees must not use inappropriate words with clients who pay late. Instead, they must listen to clients' reasons and build a culture of mutual help and discussion. When collecting payments from clients, especially clients who pay late, credit officers must have discussions with clients to find solution and give advice to them. Employees must not force clients to pay without favoring the delays of clients who are facing hardship and financial crisis.
2. Employees must not misuse their position to get commission or personal benefits. Employees and their relatives who are involved in the auction process are prohibited from the bidding process.
3. Employees must not play TONTINES at the workplace; drink liquor during working hours; use prohibited drugs; gamble or use weapons or any item that is considered illegal under the law; illegally alter documents; or be involved in any act of violence, cursing, threatening or sexual harassment of others.
4. Employees must not discriminate against others based on ethnicity, color, gender, age, etc. Employees must not persecute others or commit adultery and must not view or distribute pornographic content.
5. During employment with LOLC or upon and after termination of employment, employees are not allowed to disclose or use any confidential information of clients and LOLC's business to a third party without written consent, unless required by law.

Independency and Transparency

Board of Directors of LOLC (Cambodia) Plc. are non-executive, and two out of the five directors are independent directors. The company is compliant with the law on commercial enterprise including the rules relating to corporate governance, the Prakas on Governance in Bank and Financial Institutions, and the Prakas on the internal control in Bank and Financial Institutions.

QUALIFIED, ACTIVE AND INDEPENDENT BOARD		COMPLIANCE
	Undergo the fit and proper testing process at the NBC	✓
	A board members shall attend meetings at least two times in one year	✓
	Board members should exercise sound judgment	✓
	The Audit Committee of Institutions shall be chaired by an independent board member whose background is an expertise in finance and accounting	✓
TRANSPARENCY		
	Disclosure to the public: <ul style="list-style-type: none"> - Board structure and management structure of the institution - Basic ownership structure - Where applicable, corporate group structure and corresponding ownership shares held - Organization - Incentives - Code of conduct or ethical code - Policies about conflicts of interest - Lending policies and limits applying to related parties and affiliates 	✓
	<ul style="list-style-type: none"> - Annual Report - Audited Report 	✓
LAW ON COMMERCIAL ENTERPRISE		
	- 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 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.	✓

Duties and Responsibilities of Board Committees

Appointment and Remuneration Committee

1. Policy and Procedure

- a. Ensure that the remuneration policy is consistent with the long-term objectives and corporate values of the institution;
- b. Review any external evaluations of the institution's human resources strategy and policies, and report to the board on its findings and recommendations;
- c. Review and recommend to the board of directors on the human resources strategy and policies covering but not limit to recruitment, staffing, development, retention, compensation, and benefits;

2. Appointment and Review Process

- a. Recommend procedures to select and replace board members;
- b. Recommend independent persons who will become committee members;
- c. Approve the nomination of senior management;

3. Remuneration

- a. Review and recommend remuneration arrangements for the executive directors including but not limited to contract terms, annual remuneration and participation in the company's short and long term incentive plans.
- b. Review major changes and developments in the company's remuneration, recruitment, retention and termination policies and procedures for senior management;
- c. Review and approve short term incentive strategy, performance targets and bonus payments.

4. Other Matters

- a. Annually reviews of its own performance and its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Enterprise Risk Management and Compliance Committee

1. Risk Management Framework

- a. Make recommendations to the board concerning the current and future risk appetite, risk management strategy and particular risks or risk management practices;
- b. Manage the identification, assessment and prioritization of risks to the institution;
- c. Discuss any risk of fraud brought to the committee's attention by the independent auditors and the auditors' recommendation for timely action;
- d. Review the risk philosophy, strategy and policies as recommended by management, and ensure compliance with such policies and with the overall risk profile of the company. Risk in the widest sense includes market risk, credit portfolio risk, liquidity risk, operational risk and commercial risk which together cover detailed, combined risks such as:
 - Interest rate risk
 - Currency and foreign exchange risk
 - Technology risk
 - Disaster recovery risk
 - Operation risk
 - Reputation risk
 - Competitive risk
 - Legal risk
 - Compliance and control risks
 - Safety, health and environment risk
 - Investment risk
 - Asset valuation risk
 - Other risks appropriate to the business, which may be identified from time to time.

2. Policy and Report

- a. Monitor the implementation of risk management policies, as defined by the board.
- b. Review the asset/liability management report of the company annually or more frequently if circumstances require and monitor that the company's funds are manageable.
- c. Review guidelines on the company's tolerance for financial related risk and review performance against limits.
- d. Review management reports detailing the adequacy and overall effectiveness of the company's risk management functions and its implementation by management, reports on internal control and, any recommendations, and confirm that appropriate action has been taken.
- e. Review and monitor the impact on the balance sheet, the profit and loss account and on liquidity including a stress test, contingency funding, business continuity plan, which caused by changes in volumes and pricing of products, costs, growth of loans and borrowed funds/deposits, also including effects caused by changes in investment strategy, economics and customer behavior.
- f. Review credit risk management, grading and impairment policies and procedures at least annually.

3. Insurance and Compliance

- a. Oversee and review the scope, cover and cost of the insurance program for the institution.
- b. Monitor that company is meeting public regulators' requirement and covenants set by lenders in the loan agreements.
- c. Ensure the effectiveness and compliance with AML/CFT requirements of the relevant laws and regulation. Inadequacies of any AML/CFT measures and control systems within the company shall be assessed and necessary steps taken to rectify the situation.

Audit Committee

1. Financial reporting

The committee shall review and challenge where necessary:

- a. The consistency of, and any changes to, accounting policies on a year by year basis;
- b. That the information provided to the public, to NBC, regulators and stakeholders is clear, accurate and reliable;
- c. Ensure that the financial and risk-related information is clear and assess the relevance of the accounting and valuation methods used for the establishment of the individual and, where applicable, consolidated accounts, and financial statements;
- d. Whether the company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account;
- e. The views of the external auditor;
- f. The clarity of disclosure in the company's financial reports and the context in which statements are made; and
- g. All material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (as it relates to the audit and risk management).

2. Internal controls and risk management systems

The committee shall

- a. Review and approve the statements to be included in the directors' annual report about internal controls and risk management;
- b. Assess the quality of internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommend further action when appropriate;

4. Other Matters

- a. Review the detail items that should be published in the company's Annual Report relating to the activities of the committee.
- b. Annually reviews the committee's performance and terms of reference to ensure it is operating at maximum effectiveness, and recommend any changes it considers necessary to the board for approval.

3. Compliance, whistleblowing and fraud

The committee shall

- a. Review the adequacy and security of the company's arrangements for its employees and its contractors to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- b. Review the company's procedures for detecting fraud and conflict of interest such as management, related parties and affiliate;
- c. Review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

4. Internal audit

The committee shall

- a. Monitor and review the effectiveness of the company's internal audit function in the context of its overall risk management system;
- b. Approve the appointment and removal of head of internal audit department;
- c. Review and assess the annual internal audit, training plan, and staffing plan;
- d. Review reports from the internal auditor to the committee;
- e. Follow up on effective corrective actions' implementation, notably by tracking pending and outstanding recommendations issued in the internal audit and further supporting the work of the internal audit;
- f. The chairman shall meet Head of Internal Audit Department at least at once a year without the executive being present to discuss the remit and any issues arising from the internal audits carried out;
- g. The internal auditor shall report to the committee and shall have direct access to the chairman of the committee and to the chairman of the board;

5. External audit

The committee shall

- a. Consider and make recommendations to the board in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for a new auditor and, if an auditor resigns the committee shall investigate the issues leading up to this and decide whether any action is required;
- b. Review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- c. Oversee the relationship with the external auditor including (but not limited to):
 - i. Recommendations on their remuneration whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - iii. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
 - iv. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
 - v. Seeking to ensure co-ordination with activities of the internal auditor.
- d. Meet the external auditor at least once a year, without the executive being present, to discuss the auditor's remit and any issues arising from the audit;
- e. Review and approve the annual audit and ensure that it is consistent with the scope of the audit engagement;
- f. Review the findings of the audit with the external auditor. This shall include:
 - i. A discussion of any major issues which arose during the audit;
 - ii. Any accounting and audit judgments;
 - iii. Levels of errors identified during the audit;
 - iv. The effectiveness of the audit;
- g. Review the management letter and management's response to the auditor's findings and recommendations;

- h. Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

6. Other matters

The committee shall

- a. Have access to sufficient resources to carry out its duties;
- b. Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;
- c. Be responsible for co-ordination of the internal and external auditors;
- d. Oversee any investigation of activities which are within its terms of reference;
- e. Annually reviews of its own performance and its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

IT Steering Committee

1. Provide advice and guidance on IT governance policy and procedure to the board of directors for approval;
2. Ensure that management has put an effective IT Governance process in place;
3. Ascertain that management has implemented processes and practices that ensure that the IT function delivers value to the business;
4. Ensure IT investments represent a balance of risks and benefits and that budgets are adequate;
5. Continuously improve programmes and monitor effectiveness of IT Risk;
6. Recommend priorities for new technology initiatives that benefit LOLC's business operations;
7. Ensure that the IT Strategic Plan is aligned with the Business Plan;
8. Submit quarterly ITSC updates to the board of directors on issues, priorities, recommendations, activities and actions;
9. Provide information to the board/board risk committee/board audit committee and executive committee to support the overall management of IT Governance;
10. Oversee and monitor the execution of the IT strategy;
11. Assist in setting high-level priorities and directions for LOLC;
12. Place focus on key projects or initiatives that will derive benefit for LOLC.

Report of the Board of Directors

The Board of Directors takes pleasure in presenting this Annual Report for the financial year 2020.

Principal Activities

LOLC's principal activities are providing financial services to serve entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives.

The Board of Directors

The Board of Directors for the year under review comprise of the following:

No.	Name	Position
1	Mr. Brindley Chrisantha Gajanayake De Zylva	Chairman
2	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Director
3	Mr. Dulip Rasika Samaraweera	Director
4	Mr. Hans Michael Theodor Moormann	Independent Director
5	Mr. Indrajith Wijesiriwardana	Independent Director

Board Committees

The Board has appointed four committees including the **Audit Committee, Enterprise Risk Management and Compliance Committee, Appointment and Remuneration Committee, and IT Steering Committee.**

These committees function within their respective regulatory guidelines or board approved terms of reference, and are further aided by pre-approved agendas which ensure all essential items are covered, while being flexible enough to encourage committee members to raise any other issues they feel merit attention.

The Board has empowered the committees to call for additional information and also to invite key management personnel to provide further details, or to discuss recommended courses of action. This assures the board that operational risk, governance or regulatory related matters are given the in-depth discussion they require and the optimal solutions found. As committee meeting minutes are tabled at board meetings, the entire board is kept aware of the discussions at each committees and can contribute when and where necessary.

1. Audit Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Hans Michael Theodor Moormann	Chair	Independent Director
2	Mr. Brindley Chrisantha Gajanayake de Zylva	Member	Chairman
3	Mr. Indrajith Wijesiriwardana	Member	Independent Director

Results of Audit Committee

In 2020, the Audit Committee convened four meetings (the meeting is convened quarterly), during which it discussed and approved the following:

- Followed-up on management's action taken over the findings raised by HIAD;
- Discussed and fixed the issues of internal audit findings;
- Reviewed and discussed fraud case reports in 2020;
- Approved the annual report of "Organization and Effectiveness of the Internal Control for the year ended 2019";
- Reviewed and approved the annual report 2019;
- Reviewed the training report for internal auditors;
- Evaluated the annual performance of the head of internal audit department;
- Reviewed and approved the new audit rating guideline;
- Reviewed the external audit management letter;
- Approved the training budget and plan for 2021 for internal auditors;
- Reviewed and approved the audit work plan for 2021;
- Conducted a performance evaluation of the audit committee;
- Reviewed the internal audit performance and function during the COVID-19 outbreak.

2. Enterprise Risk Management and Compliance Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Hans Michael Theodor Moormann	Chair	Independent Director
2	Mr. Brindley Chrisantha Gajanayake de Zylva	Member	Chairman
3	Mr. Francisco Kankanamalage Conrad Prasad Nirosh	Member	Director

Results of Enterprise Risk Management and Compliance Committee

In 2020, the Enterprise Risk Management and Compliance Committee convened four meetings (the meeting is convened quarterly), during which it discussed and approved the following:

- Reviewed risk reports quarterly;
- Reviewed compliance to CMA Lending Guidelines;
- Reviewed CBC reports on customer loyalty and industry performance;
- Reviewed compliance reports quarterly;
- Reviewed progress report responding to NBC's onsite visit report;
- Reviewed the status of DR and Fire Drill testing;
- Reviewed IT risk assessment and treatment plan
- Reviewed the cyber risk and control;
- Reviewed restructuring report quarterly;
- Reviewed management's action plan during the COVID-19 Crisis;
- Reviewed and approved the updated risk management policy;
- Reviewed the liquidity stress test during the COVID-19 crisis;
- Reviewed and approved the Liquidity Risk Management Report for 2020;
- Reviewed the whistle blowing policy;
- Reviewed the progress of the vendor selection and procurement of AML/CFT system;
- Reviewed the AML/CFT dashboard report;
- Reviewed the updated ECL tools used in the Audited Financial Statement 2020;
- Reviewed the technology risk management guidelines issued by NBC to fulfill the gap between the institution's current implementation and the NBC's guidelines;
- Discussed with management the fraud risk prevention and detection strategy;
- Discussed the reputation risk from media;
- Evaluated the annual performance of the head of compliance department;
- Conducted a performance evaluation of ERM.

3. Appointment and Remuneration Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Indrajith Wijesiriwardana	Chair	Independent Director
2	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Member	Director
3	Mr. Dulip Rasika Samaraweera	Member	Director

Results of Appointment and Remuneration Committee

In 2020, the Appointment and Remuneration Committee convened four meetings (the meeting is convened quarterly), during which it discussed and approved the following:

- Reviewed HR and training report quarterly;
- Reviewed the annual staff satisfaction survey;
- Approved annual bonuses for 2019 and salary increases in 2020;
- Reviewed and approved the new organizational structure;
- Reviewed the progress of HRIS system;
- Reviewed and approved the performance evaluation form and procedure for board committees, individual directors and the board of directors;
- Conducted a performance evaluation of ARC;
- Declared and informed all directors to complete and sign the conflict of interest form;
- Reviewed and approved the updated HR Policy;
- Reviewed and discussed HR Management during COVID-19;

- Reviewed and approved the updated Whistle Blowing Policy
- Reviewed and approved the updated Grievance Policy
- Reviewed the succession plan for senior management;
- Reviewed and discussed the staff work environment during COVID-19;
- Reviewed and approved the training plan and budget for 2021;
- Reviewed the mid-year performance evaluation of LOLC's staff;
- Discussed and developed core competencies for C-Level staff;
- Reviewed the status of scholarship interns;

4. IT Steering Committee is composed of the following:

No.	Name	Role in Committee	Position
1	Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Chair	Director
2	Mr. Brindley Chrishantha Gajanayake de Zylva	Member	Chairman
3	Mr. Indrajith Wijesiriwardana	Member	Independent Director

Results of IT Steering Committee

The IT Steering Committee was formed as a board committee on 6 February, 2020, and conducted its first meeting in May 2020. In 2020, the IT Steering Committee convened three meetings (the meeting is convened quarterly), during which it discussed and approved the following:

- Reviewed critical issues of Core Banking System quarterly;
- Reviewed the IT downtime report quarterly;
- Reviewed the IT projects status quarterly;
- Reviewed the progress of ISMS audit findings and the status of ISO 27001:2013 Certification;
- Discussed the Robotic Process Automation;
- Reviewed the Information Security Posture Report quarterly;
- Discussed the DR site movement plan and budget;
- Discussed and approved to move iPay into Google Cloud;
- Reviewed NBC's Prakas on KHRQR Code Requirements;
- Discussed and approved AML solution.
- Discussed the procurement of a MS Office 365 license;
- Reviewed and finalized the pricing structure of the iPay Mobile App agreement;
- Reviewed and approved branch network upgrading.

Directors Meetings

Board meetings are held quarterly. At each meeting, the directors review performance of the company. The board is also kept informed of developments in the financial sectors, including changes in statute or regulations and how they could impact the company.

Directors Interests in Contracts

The directors have made the declarations on conflict of interest 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.

Directors Shareholdings

Currently, no directors hold shares in LOLC Cambodia.

Terms of Directors

Directors have an unlimited term and may resign or be dismissed by the shareholders. A director may be dismissed by a simple majority of the votes cast by all shareholders in a general meeting. A director may resign from his/her position by giving all shareholders at least one-month prior notice through a registered letter with acknowledgment of receipt. A vacancy in the board of directors may be filled by the resolution approved by an absolute majority of 2/3 (two-thirds) of the votes cast by all shareholders in a general meeting.

Compliance with Laws and Regulations

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 Report of the Corporate Governance can be found on page 33 to 55.

Internal Controls

The Risk Management Department and Compliance Department regularly review procedures, practices and policies and submit reports to the Risk Management and Compliance Committee and Audit Committee as appropriate. Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent committee or board meetings.

Going Concern

During the year 2020, the directors reviewed the interim financials and the year-end financials. They have also regularly reviewed operations, and the environment within which the company is operating, including the macro environment, potential risks and resource allocation. Based on the information received, the directors believe the company is able to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on the basis that the company is a going concern.

Financial Statements

The Financial statements together with the notes thereon, found on pages 57 to 126, are in compliance with the Cambodian International Financial Reporting Standards (CIFRS).

Auditors

LOLC's auditor is PWC, which has been appointed by the board of directors for three fiscal years from 2020 to 2022. As far as the directors are aware, the auditors do not have any other relationship with the company nor do they have any interest in contracts with the company.

In accordance with good governance initiatives, the audit partner rotation has been practiced.

Management Team



Mr. Sok Voeun
Chief Executive Officer

Sok Voeun, Chief Executive Officer, obtained his Master's Degree of Business Administration, majoring in Finance and Banking at Build Bright University in Cambodia in 2005. He received a Bachelor's Degree of Economic Science in Management of Enterprise at the former Faculty of Law and Economics in 2000. He has attended microfinance training programs at the Boulder Institute of Microfinance in Italy, and other pertinent trainings in the United States, South Africa, India, Bangladesh and Thailand. He has also participated in trainings in Cambodia on credit management, financial management, human resource management, risk management, good governance and leadership, among others. He served in ACLEDA Bank Plc. as Credit Officer from 2000-2001 and he was promoted to Head of Credit Control Unit in Head Office from 2001 to 2005. From 2005 to 2010, he was the Operations Manager in SATHAPANA Ltd. (MFI) in charge of day-to-day operations which included managing loans, savings, money transfer transactions and market expansion. He started working for LOLC as Chief Operations Officer in April 2010 and he was promoted to be Deputy Chief Executive Officer in December 2012. Currently, he is Chief Executive Officer as appointed by Board of Directors effective from June 1st, 2014.



Mr. Sok Sophal
Deputy Chief Executive Officer /
Chief Finance Officer

Sok Sophal, obtained his Master's Degree of 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 training courses such as Leadership and Diversity for Innovation Program by Women World Banking with the support from Wharton University of Pennsylvania (USA), Advance Management Program by Cornell University at Colombo (Sri Lanka), Syndication Loan Pricing & Structuring by Universal Network Intelligence (Malaysia), and several other workshops and training courses in the areas of Financing Alternative through Capital Market and Dissemination of Provision on Debt/Bond Securities, Impact Investing, Microfinance Forum, Financial Analysis, Accounting and Marketing. In 2018, he attended the Certified Management Accountant Program Australia, the 6th intake training course on the ultimate business professional focus on strategic cost management and strategic business analysis, Board Leadership Program Class 1/2018 (Cambodia) with Thai Institute of Director, and Microfinance Training Program in Turin, Italy in 2019. He worked with ACLEDA Bank Plc. for almost 10 years from 2001 to 2010 with several positions as an Accountant from the start, Assistant Manager of the Management Accounting Unit (2003 – 2007), and Manager of the Management Accounting Unit (2007 – 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. Hereafter, in January 2009, he was promoted to be Deputy Head of Capital Market Division of ACLEDA Bank Plc. Mr. SOK Sophal starts working with LOLC Cambodia in August 2010 as a Chief Finance Officer and he has been promoted to be Deputy Chief Executive Officer since 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 received her Bachelor's Degree in Business Administration, majoring in Accounting from the National University of Management in 2006. In addition to her academic qualification, she obtained Advance Diploma in Accounting from CamEd Business School in early 2013. She attended numerous professional courses including risk management, financial management, strategic planning and other microfinance-related courses. She worked with one of the "big four" international accounting firm as Audit Senior for nearly four years in which the responsibility included leading the audit teams and completing the statutory and compliances audit for various industries included Banks and MFIs. She started working with LOLC in May 2011 and was promoted to be Chief Risk Officer in March 2018.



Mr. Romesh Perera

Chief Channel Officer

Romesh Perera, Chief Channel Officer prior to joining the company, he served in LOLC Finance Plc. (LOFC) Sri Lanka for 13 years. He holds an Assistant General Manager position there. He has served the Non-Bank Financial Service (NBFI) during the past 21 years in both license finance companies and specialized bank in Sri Lanka, holding senior managerial positions before taking over as Chief Channel Officer in LOLC (Cambodia) Plc. He has a wide range of expertise and experience in both specialized banking and the NBFI sector covering Sales & Marketing, Credit risk, Recovery Management and Finance. His responsibilities included; Conventional and Islamic financing, trade financing, leasing, asset financing, savings and deposits growth, pawning operations and cross operational functions. He has successfully completed numerous professional courses related to "Hire purchase and leasing financing", "Leasing & credit management", "Strategic planning and business plan development" and other banking & microfinance-related courses. The expertise and the performance in the managerial positions he held in Sri Lanka opened him a new opportunity to take over a new assignment for the LOLC group in Cambodia. Mr Romesh joined LOLC (Cambodia) Plc in June 2017 as Specialist - Leasing and Asset Finance. Currently, he is the Chief Channel Officer in charge of the branch network effective from August 2018.



Mrs. Chheang Kagna

Chief Deposit and Financial Services Officer

Chheang Kagna, obtained a Master's Degree in Business Administration at Pannasastra University of Cambodia (PUC) in 2012. She graduated Bachelors Degree of English Literature from PUC in 2010 and Management of Enterprise from Royal University of Law and Economics (RULE) in 2000. She has attended various local and international training and workshops on relevant courses related to microfinance managing growth and impact, emerging digital banking, sale and relationship, customer services, product development, retail banking operation and leadership. Ms Chheang Kagna has lots of experiences in banking and microfinance sector since early 2000. She started her career with ACLEDA Bank in the skill of Treasury and Finance in early 2000. From 2007 to 2016, being Head of Deposit Department at SATHAPANA Bank Plc., she conceptualized, introduced and mobilized the success to SATHAPANA's deposit products and financial services. Moreover, in 2015-2016, she also involved in merging of MAHUHAN Japan Bank with SATHAPANA Limited and transforming to become a commercial bank. Ms Chheang Kagna has been working with LOLC (Cambodia) Plc. Since January 2016 as Head of Deposit and Financial Services Department and she has been promoted to be Chief Digital Financial Services and Deposit Officer since March 2019.



Mr. Duleep Liyanage
Chief Information Officer

Duleep Liyanage, Chief Information Officer, received his Master's Degree of Business Administration, majoring in Finance from Postgraduate Institute of Management - University of Sri Jayewardenepura (Sri Lanka). Duleep holds his Bachelor's Degree (2nd Upper Class) of Business Computing awarded by the University of Wolverhampton (UK). In addition to his academic qualifications, he possesses numerous information security and IT professional governance qualifications, namely, Certified Payment Card Industry Security Implementer (CPISI), a Certified Android Security Specialist and completed requirements for ISO 27001:2013 Lead Auditor. Prior to joining LOLC (Cambodia) Plc, he has over fourteen (14 +) years of extensive experience in Sri Lanka in various levels of Information Technology and Management. He severed more than ten (10+) years for LankaPay (LankaClear (Pvt) Ld.), the National Payment Infrastructure Provider in Sri Lanka under the guidance of Central Bank of Sri Lanka. Duleep has a wide range of experience and expertise in Information Technology, Project Management, Mobile Technologies, Payment Card Platforms and Specializing in Information Security. During his tenure at LankaPay, he rendered his service as a security solution provider for national level payment systems in Sri Lanka such as Online Cheque Image and truncation System (CITS), Just Pay – the retail mobile payment system, LankaSign – the PKI based Digital Certification Authority, etc. His diversified exposure and experience also expand not only into Information Technology but also into Information Security, IT Governance, Risk and Compliance, Planning, management of finance, sales and recoveries. Duleep also rendered his service as 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 his Master's Degree of Business Administration, majoring in Accounting and Finance at Western University in 2008. He obtained his Bachelor's Degree of Business Administration in Accounting from National Institute of Business in 2004. He has attended numerous training courses in the areas of internal professional practice framework in Malaysia, business planning and managing growth in Philippines, effective internal control in Mongolia, bank experience sharing in Sri Lanka, and other training courses in Cambodia on risk management, advance internal auditing, report writing and leadership skill. Pheap has more than 15 years of experience working with Microfinance institutions and Non-Government Organizations in Cambodia, including Catholic Relief Services in 1999-2003 as an internal auditor and as branch manager in 2004 after CRS incorporated as LOLC, Angkor Microfinance Kampuchea (2004-2008) as an audit team leader and regional manager. He starts working at LOLC as Head of Internal Audit Department in December 2008.



Ms. Leng Thavy

Head of Human Resources
Department

Leng Thavy, was awarded her Master's degree (fully sponsored by Australian Development Scholarship) in the field of Human Resource Management from Monash University, Australia in late 2013. She obtained a Bachelor of Business Administration from National Institute of Management in 2002. She has attended numerous human-resource management and leadership trainings and workshops in various countries such as Thailand, Singapore, Sri Lanka, the Philippines, Malaysia, the United Kingdom, France, Italy and Australia. Mrs. Thavy possess more than 15 years experiences as Head of Human Resources Department with international NGOs, and top Microfinance institutions in Cambodia. In addition, she also had experience working overseas in cross cultural context including 3 months secondment in Sri Lanka and 1 year part-time experience in Australia. She joined LOLC as Head of 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 attended numerous professional courses including financial management, Anti-money laundering and other microfinance-related courses. She worked with one of the "big four" international accounting firm as Audit Senior for nearly four years in which the responsibility included leading the audit teams and completing the statutory and compliances audit for various industries included Banks and MFIs, company, NGO and other sectors. She joined LOLC in June 2015 as Head of Treasury Department.



Ms. Keo Taraty

Head of Finance Department

Keo Taraty, Head of Finance Department, is pursuing ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree of Business Administration, majoring in Accounting from National University of Management (NUM) in 2010 and received her Bachelor's Degree of Education, majoring in English Literature from Institute of Foreign Languages (IFL) in 2009. She worked with one of the "big four" international accounting firms as Audit Senior for three years in which the responsibility included leading the audit teams and completing the statutory and compliances audit for various industries included Banks and MFIs, companies, NGOs and other sectors. Before joining LOLC, she worked as Accounting Manager at Maybank (Cambodia) Plc. for four years. She joined LOLC in June 2018 as Head of Finance Department.



Ms. Siv Bopha

Head of Administrative and Procurement Department

Siv Bopha, Head of Administration and Procurement Department, obtained Bachelor's Degree in Accounting at Vanda Institute of Accounting in 2008. She got the Diploma of English from Pannasastra University of Cambodia, PUC in 2003. She has attended various trainings and workshops in relevant courses on financial and managerial accounting, tax accounting, internal control and audit, administrative affair and leadership. She had been working for textile sector from 2002 to 2020 as Accounting Manager and Financial Manager. She has been working for LOLC (Cambodia) Plc. since April 2020 as Head of Administration and Procurement Department.



Mr. Bun Bella

Acting Head of Information Technology Department

Bun Bella, Acting Head of Information Technology Department, obtained his Bachelor's Degree of Computer Science in 2009 and Master Degree of Science in Information Technology (MsIT) in 2015 from NORTON UNIVERSITY. He has more than 20 years working experience with LOLC Cambodia and other institutions. He has attended IT related projects within LOLC Cambodia such as migration legacy core banking system to T24 system, implementation of ATM/POS switching system (CSS), and NBC's Projects (FAST, RFT, and Bakong Payment Systems). He attended IT trainings such as ITIL® Foundation, Database Administration, ISO-IEC_27002-2013 and workshops in Cambodia, Sri Lanka, and Singapore. He started his career with LOLC Cambodia in 2001 as MIS Encoder and he was promoted to MIS Supervisor in 2005. In 2008, with his great working performance with LOLC Cambodia, he was promoted to MIS Unit Manager and later was promoted again to Deputy Head of IT Department in 2015. Since 21 May 2021, he is the acting Head of Information Technology Department of LOLC Cambodia.



Mr. Muth Pisey

Head of Credit Department

Muth Pisey, Head of Credit Department, obtained his Master's Degree in Finance at the National University of Management in Cambodia in 2013. He received a Bachelor's degree in Business Management, with a concentration in Tourism from the National University of Management in 2006. He has also participated in training in Cambodia on Real Estate & Property Valuation, Workplace Conflict Resolution and Negation, Practical Branch Management, Capacity Building for Internal Auditors, Employment and Labor Law, Empowering Leadership, among others. He served in SATHAPANA Limited. as Credit Officer from 2006-2008 and he was promoted to Chief of Credit Officer in Ang Snoul District Branch from February 2008 to December 2008. From 2009 to 2010, he was the Provincial Branch Manager of Kampot branch in SATHAPANA Limited (MFI). He started working for LOLC as Branch Management Trainee in May 2010, and he was appointed to be Branch Manager of Suong branch in July 2010. In May 2014, he was promoted to be Head of Administrative and Procurement Department. In March 2017, he moved to Credit Department as a Deputy Head of the Credit Department and a Deputy Head of Business Department in November 2017. He was promoted to be a Head of Credit Department in August 2018.



Mr. Tun Korng

Deputy Head of Credit Department and
Advisor of Executive Committee

Tun Korng, Deputy Head of Credit Department, obtained his Master's Degree of Business Administration, majoring in Finance and Banking in 2014 and a Bachelor's Degree of Business Administration in General Management at Build Bright University in 2009. He has also participated in a variety of finance and management-related training courses within Cambodia and internationally. Mr. Tun Korng previously served as a LOLC Credit Officer and was subsequently promoted to Head Credit Officer. From 2002 to 2009 he served as a Branch Manager and in 2009 was promoted to Regional Manager and TPC-ESOP shareholder representative. Currently, he is appointed as Deputy Head of Credit Department and advisor of executive committee effective from June 1st, 2014.



Mr. Nuth Theng

Head of Business Department

Nuth Theng, obtained his Master's Degree of Business Administration from Norton University in 2011, Bachelor of English Literature from Cambodian University for Specialties in 2007 and A certificate of Pedagogy, majoring in Math & Physics, from Prey Veng Regional Pedagogy Center. He has also attended numerous training courses and workshops in Cambodia related to training and development, Capacity Building, Branch Management, Risk management, Credit management, Training of Trainer, Leadership and Management, Asset Based Finance, successful selling skills, effective team building and many other training courses conducted by national and internal experts. Before working with LOLC, he had worked as a teacher of Math, Physics and English for five years from 2000 to 2005. After that, he decided to join Microfinance Sector in 2005. He had worked for Prasac MFI for six years from 2005 to 2011 as a credit officer internship, a credit officer and a sub-branch manager. He joined LOLC since 2011 in various key positions including Branch Management Trainee, Branch Manager, Lending Specialist, Regional Manager and Asset-Backed Project Manager. He was promoted to be Head of Asset-Backed Department in August 2018 and moved to be Head of Business Department in September 2018.



Mr. Ban Phalleng

Head of Compliance Department

Ban Phalleng, Head of Compliance Department, obtained Master Degree of Risk Management in Insurance, Banking and Finance from RULE, and Master Degree of Bank and Assurance in South East Asia from Nantes. Additionally, he holds bachelor degree in Economics and English Literature, and attended numerous courses such as professional banker, leadership, Cambodia tax law, and renewable energy, client protection principles, advanced statistics, microfinance management, project management etc at locally and overseas. His experiences include business plan development for transforming NGOs/family businesses into standard businesses, analytics, research, project management, policies, and procedure development. He previously worked as project officer at VisionFund until 2010, worked as microfinance technical officer at CMI until 2012. After joining LOLC at the end of 2012 as a social performance specialist, Mr. Phalleng became Head of Social Performance Department in 2015, and starting 2018 serves as Head of Compliance to ensure LOLC in compliant with all related regulations and also supervise the social performance management.



Mr. Soeum Kiry
Head of Marketing Department

Soeum Kiry, Head of Marketing Department, obtained his Master's Degree of Business Administration from National University of Management, and obtained a Bachelor's Degree of Computer Science Specialist in Web Development from Norton University. He has also attended numerous training courses both in Cambodia and overseas related business, marketing, and social performance. In his 10 years of working experience, Kiry served for many institutions such as Amret Microfinance, Cambodia Microfinance Association, CANADIA Bank, and Chamroeun Microfinance Plc in variety of positions such as Head of Marketing and Social Performance Management, Head of Contact Center, Senior Manager, Customer Service Standard and Social Performance, Supervisor of Corporate Social Responsibility and Public Relation. He started working at LOLC Cambodia in January 2021 as Head of Marketing.



Ms. Kheng Navy
LOLC's Company Secretary

Kheng Navy, LOLC's Company Secretary, obtained a Bachelor of Economics in Enterprise Management at Royal University of Law and Economics (RULE) in 2010, a Bachelor of Arts in Professional Communication at Institute of Foreign Languages (IFL), the Royal University of Phnom Penh in 2012 and completed the research at SOK KONG IMPORT-EXPORT CO., LTD (SOKIMEX). She also obtained a Diploma of the Intensive English for Academic Purposes (IEAP) at Paññāsāstra Institute of Foreign Languages and attended some short courses and training such as Principle of Accounting, Report Writing Skill, Green Lending Workshop, Leadership, and Corporate Governance. Before joining in LOLC, she worked for WING (Cambodia) Ltd. as a Call Center Consultant in 2012. She started working at LOLC as an Assistant to Secretary in 2013 and was promoted to be Company Secretary in June 2014.

Risk Management and Internal Control

Managing risk is inherent in any financial institution's strategic business plan, and LOLC (Cambodia) Plc. is no exception. LOLC's risk philosophy is that risk management should responsibly help advance our business strategy, assist in the decision making process and enhance management's effectiveness. LOLC's risk frameworks aim to strengthen the company's ability to identify, measure and manage risks in order to maximize shareholder's value, while aligning a necessary level of risk with corporate strategy, assessing the impact of emerging risk and developing risk mitigation strategies that reflect the company's culture of strong corporate governance. LOLC applies the following risk management principles in its day-to-day business operations:

- Promote sustainable long-term growth and profitability by embracing prudent risk management and corporate governance practices;
- Assist the business in producing stable and consistently high returns for shareholders;
- Ensure that the risk management strategy is based on an understanding of the risks, disciplined assessment, objective measurement and monitoring procedures.

Risk management plays a significant role in improving the quality of LOLC's internal control and in supporting the attainment of its corporate goals by focusing on two aspects - risks and returns.

To ensure that expansion 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, LOLC has implemented an integrated risk management system throughout the entire institution called the "Risk Management Matrix."

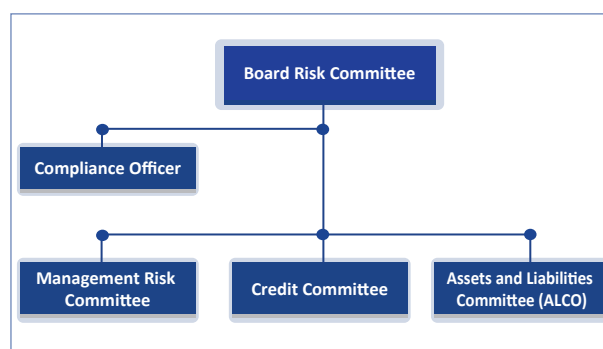
LOLC recognizes that sound risk management is crucial to the success and sustainability of its business activities. LOLC continued to improve the risk awareness and culture across all business and enablement functions.

LOLC has implemented internal control system based on the mindset of four layers of control, including:

- Operational control (1st layer): These controls are carried out and implemented directly by operators at all levels of the institution to ensure compliance with the policies and procedures developed.
- Management control (2nd layer): These controls are carried out and implemented by line management staff, who are not directly involved in daily operations, to ensure that operators carry out their tasks and duties in accordance with the policies and procedures.

- Dedicated control (3rd layer): These controls are carried out and implemented by the risk management unit, financial control unit, credit quality assurance unit (CQA) and compliance officer to monitor and ensure that operators adequately and properly apply and implement the risk management policies and procedures in place, and ensure that a strong culture of internal control and a low tolerance for risk is built and communicated to all staff.
- Internal audit (4th layer): These controls are carried out and implemented by the internal audit department to evaluate permanent control and report to the board of directors independently.

Risk Management Governance



The Board Risk Committee is chaired by an independent board member. Its mission is to oversee all types of risks that occur internally and externally in operations, credit and finance to ensure that the practices and procedures are effective in identifying risk, managing it and complying with internal guidelines and external requirements. In addition, this committee oversees the company's risk management and internal control systems to protect the company's assets and financial resources. The committee normally meets once per quarter.

Financial risks are managed and controlled by the Assets and Liabilities Committee (ALCO) with its primary goal to evaluate, monitor and approve practices relating to liquidity risk, interest rate risk, regulatory risk, currency risk and other financial risks in order to optimize returns while maintaining a safe level of liquidity. The ALCO committee is chaired by the Chief Financial Officer and normally meets once per month.

Credit Risk

Credit risk is defined as the possibility of losses due to an obligor failing to perform its contractual obligations to LOLC. Credit risk is the financial loss to LOLC if a borrower fails to meet its contractual loan obligations. LOLC's main income generating activity is lending to clients and therefore credit risk is a principal risk. Credit Risk undertaken by the well structure of Credit Risk Policy, Credit Operating Guideline and other related rules which was implemented to manage LOLC's portfolio quality.

Credit Exposures are actively monitored, reviewed and reported to the Risk Management Committee on a monthly basis. Senior Management and relevant departments have discussed, analysed and identified any issues with timely and appropriate actions.

Liquidity Risk

Liquidity Risk arises from the organization's inability to efficiently meet its present and future funding needs and obligations when they are due. All issues related to treasury risk are discussed by ALCO and chaired by the Deputy Chief Executive Officer. To enhance liquidity risk management, a liquidity risk control and framework were established.

Liquidity 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.

LOLC also performs liquidity stress tests annually to identify vulnerable areas in its portfolio, expected financial impact and enable management to take pro-active actions.

Capital risk

Capital risk is the risk that the LOLC has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options. LOLC's strategy is to

maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. LOLC's lead regulator, the NBC, sets and monitors capital requirements for the whole LOLC.

As with liquidity and market risks, ALCO committee is responsible for ensuring the effective management of capital risk throughout LOLC. Capital risk is measured and monitored using limits set, calculated in accordance with NBC's requirements.

Market Risk

Market Risk refers to the risk of losses in LOLC's trading books due to changes in equity prices, interest rates, foreign exchange rates and other indicators whose values are set in a public market.

Interest rate risk arises primarily from the different maturity dates and reprising of cash flows. Interest rate risk is currently measured by the interest sensitivity gap. ALCO is responsible for monitoring the interest rate risk profile of LOLC based on its interest sensitivity gaps.

Operational Risk

Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from potentially inadequate information systems, technology failures, breaches in internal controls, fraud or other operational problems that may result in unexpected losses or reputation problems. Operational risk exists in all of the institutional operations, processes, workflows, products and business activities.

LOLC has identified and assessed the operational risk inherent in all products, activities, processes and systems and its vulnerability to these risks. LOLC 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.



Seasonal Loan

The Seasonal Loan (SNL) is designed to support farmers and traders in agriculture activities such as animal raising, storage trading, fishing, agri-business and relevant agriculture productions.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORTS



- Report of the Board of the Directors
- Report of the Independent Auditors
- Statement of Financial Position
- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash flows
- Notes to the Financial Statements

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 2020.

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

STATUTORY CAPITAL

There were no changes in the shareholders 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 Chrishantha Gajanayake de Zylva	Chairman
2. Mr. Indrajith Wijesiriwardana	Member
3. Mr. Hans Michael Theodor Moormann	Member
4. Mr. Dulip Rasika Samaraweera	Member
5. Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias	Member

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 2020 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 2020 and the financial performance and cash flows of the Company for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Board of Directors.

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



Mr. Sok Voeun
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

26 MAR 2021



Report of the Independent Auditors

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 2020, 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 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We determine one key audit matter: Allowances for expected credit losses on loans to customers. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
<p>Allowances for expected credit losses on loans to customers</p> <p>Refer to:</p> <ul style="list-style-type: none"> • Note 2.5.e – Summary of significant accounting policies on allowances for expected credit losses on loans to customers • Note 3.i - Assumptions and judgments on allowances for expected credit losses on loans to customers • Note 8.a – Allowances for expected credit losses on loans to customers • Note 36.1 – Credit risk <p>Management applied significant assumptions and judgements using the collective assessment approach in measuring allowances for expected credit losses (ECL) on loans to customers. Key assumptions and judgements include:</p> <ul style="list-style-type: none"> • grouping financial assets sharing similar credit risk characteristics for the purposes of measuring ECL • choosing appropriate models and assumptions to measure ECL • determining criteria for identifying loans to customers that have experienced a significant increase in credit risk (SICR) • applying assumptions and analysis on expected future cash flows and forward-looking information • applying a non-mechanistic approach to ECL by considering additional qualitative criteria for SICR on restructured loans due to COVID-19 and determining percentages for probability-weighted scenarios reflecting the most recent economic conditions due to COVID-19, which the existing ECL model was not built for. <p>We focused on this area because significant management judgement was required to make an appropriate and accurate estimation.</p>	<p>These were the procedures used to examine management's estimation for ECL:</p> <ul style="list-style-type: none"> • obtaining an understanding of and evaluating the credit policies, procedures and controls put in place by management • obtaining an understanding of and evaluating CIFRS 9 accounting policies • testing loan samples to check compliance with the Company's credit policies and procedures • assessing the appropriateness of grouping financial assets that share similar credit risk characteristics • gaining an understanding of and assessing the ECL model methodology applied against the inherent nature of each loan portfolios and the requirements of CIFRS 9 • evaluating the design and testing operating effectiveness of internal controls on the approval of loan write-offs, and on the review and approval of the ECL impairment model, forward-looking macro-economic variables and the percentage for probability-weighted scenarios • assessing the reasonableness of and testing assumptions made by management on expected future cash flows, forward-looking information, percentages for probability-weighted scenario, and other assumptions against the requirement of CIFRS 9 and reasonable and supportable information • testing the reliability of data, on a sample basis, of historical loan data, loan data at 31 December 2020, and historical macro-economic • assessing the reasonableness of and testing the selection of forward-looking macro-economic variables conforming to model methodology • testing the criteria and thresholds used to determine SICR against the requirements of CIFRS 9

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • on a sample basis, tracing transfers between stages of loans conformed to criteria and thresholds used to determine SICR and that stages have been reflected in ECL calculation • on a sample basis, recomputing ECL and reconciling ECL balances to accounting records and testing ECL movement <p>These were the procedures relating to the impact of COVID-19 impact on ECL measurement:</p> <ul style="list-style-type: none"> • evaluating the design and testing operating effectiveness of internal controls on credit risk assessment and on approval for loan restructuring • on a sample basis, recomputing gain/loss from loan modifications due to restructuring • assessing qualitative criteria for SICR for restructured loans due to COVID-19 against requirements of CIFRS 9 • on a sample basis, tracing transfers between stages due to COVID-19 restructuring to check they have been reflected in the ECL calculation • assessing the reasonableness of and testing assumptions used for determining percentages for probability-weighted scenarios due to COVID-19, by benchmarking to reasonable and supportable information <p>From the results of these procedures, we determined that the key assumptions for management's estimation were reasonable. We found no material exception.</p>

Other information

Management is responsible for the other information. The other information comprises the directors' report and the supplementary financial information and other disclosures required by the National Bank of Cambodia but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and an annual report, which is expected to be made available to us after that date.

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

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

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

When we read an annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISA 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For PricewaterhouseCoopers (Cambodia) Ltd.



 By Kuy Lim
 Partner

Phnom Penh, Kingdom of Cambodia
 26 March 2021



Statement of Financial Position

AS AT 31 DECEMBER 2020

	Notes	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
ASSETS					
Cash on hand	4	89,631,890	105,185,581	22,158,687	25,812,413
Deposits and placements with the central bank	5	322,627,715	570,920,007	79,759,633	140,103,069
Deposits and placements with banks	6	235,909,185	77,291,436	58,321,183	18,967,224
Financial assets at fair value through other comprehensive income	7	60,675	61,125	15,000	15,000
Loans and advances at amortised cost	8	3,394,874,917	3,115,481,925	839,276,865	764,535,442
Statutory deposits with the central bank	9	217,819,305	187,099,453	53,849,025	45,913,976
Property and equipment	10	7,540,158	7,841,251	1,864,069	1,924,233
Right-of-use assets	11	20,687,945	19,667,508	5,114,449	4,826,382
Intangible assets	12	6,109,699	5,100,225	1,510,432	1,251,589
Deferred tax assets	13	25,449,305	9,127,261	6,291,546	2,239,819
Other assets	14	13,623,985	15,331,602	3,368,105	3,762,357
TOTAL ASSETS		4,334,334,779	4,113,107,374	1,071,528,994	1,009,351,504
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	15	134,232,604	93,135,131	33,184,822	22,855,247
Deposits from customers	16	2,033,967,962	1,771,835,361	502,835,096	434,806,223
Borrowings	17	1,083,286,330	1,426,459,591	267,808,734	350,051,433
Debt securities	18	81,350,297	81,755,899	20,111,322	20,062,797
Lease liabilities	11	18,229,165	18,602,031	4,506,592	4,564,916
Current income tax liabilities	19	47,899,684	13,621,187	11,841,702	3,342,623
Employee benefits	20	2,650,325	2,850,672	655,210	699,551
Other liabilities	21	34,299,188	30,852,745	8,479,403	7,571,227
Subordinated debts	22	165,561,432	120,587,586	40,929,897	29,592,046
TOTAL LIABILITIES		3,601,476,987	3,559,700,203	890,352,778	873,546,063
EQUITY					
Share capital	23	224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings		298,065,276	107,919,895	73,379,198	26,740,647
General reserves		210,415,116	210,415,116	51,979,374	51,979,374
Regulatory reserves	24	-	10,694,760	-	2,645,229
Other reserves		-	-	356,794	(1,020,659)
TOTAL EQUITY		732,857,792	553,407,171	181,176,216	135,805,441
TOTAL LIABILITIES AND EQUITY		4,334,334,779	4,113,107,374	1,071,528,994	1,009,351,504

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Interest income	25	665,618,450	522,750,976	163,261,822	129,010,606
Interest expense	25	(269,689,816)	(215,485,800)	(66,149,084)	(53,180,109)
Net interest income		<u>395,928,634</u>	<u>307,265,176</u>	<u>97,112,738</u>	<u>75,830,497</u>
Fee and commission income	26	19,548,817	12,614,519	4,794,902	3,113,158
Fee and commission expense	26	(698,829)	(1,118,386)	(171,408)	(276,008)
Net fee and commission income		<u>18,849,988</u>	<u>11,496,133</u>	<u>4,623,494</u>	<u>2,837,150</u>
Other operating income		4,452,855	2,377,752	1,092,189	586,809
Other (losses)/gains – net		(539,199)	1,584,730	(132,254)	391,099
Total other operating income		<u>3,913,656</u>	<u>3,962,482</u>	<u>959,935</u>	<u>977,908</u>
Credit impairment losses	27	(38,192,446)	(12,260,613)	(9,367,782)	(3,025,818)
Net gains/(losses) on derecognition of financial assets measured at amortised cost		(3,367,892)	(2,929,720)	(826,071)	(723,030)
Net other operating loss		<u>(37,646,682)</u>	<u>(11,227,851)</u>	<u>(9,233,918)</u>	<u>(2,770,940)</u>
Personnel expenses	28	(115,708,934)	(100,060,719)	(28,380,901)	(24,694,156)
Depreciation and amortisation charges	29	(10,243,616)	(10,307,083)	(2,512,538)	(2,543,703)
Other operating expenses	30	(39,841,017)	(36,166,742)	(9,772,141)	(8,925,652)
Profit before income tax		<u>211,338,373</u>	<u>160,998,914</u>	<u>51,836,734</u>	<u>39,733,196</u>
Income tax expense	31	(31,887,752)	(17,266,072)	(7,821,377)	(4,261,123)
Profit for the year		<u>179,450,621</u>	<u>143,732,842</u>	<u>44,015,357</u>	<u>35,472,073</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	-	1,377,453	(1,443,052)
Other comprehensive income for the year, net of tax		-	-	1,377,453	(1,443,052)
Total comprehensive income for the year		<u>179,450,621</u>	<u>143,732,842</u>	<u>45,392,810</u>	<u>34,029,021</u>
Profit attributable to:					
Owners of the Company		<u>179,450,621</u>	<u>143,732,842</u>	<u>44,015,357</u>	<u>35,472,073</u>
Total comprehensive income attributable to:					
Owners of the Company		<u>179,450,621</u>	<u>143,732,842</u>	<u>45,392,810</u>	<u>34,029,021</u>



Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company													
	Share capital KHR'000	Retained earnings KHR'000	General reserves KHR'000	Advance capital contribution KHR'000	Regulatory reserves KHR'000	Other reserves KHR'000	Total KHR'000	Share capital US\$	Retained earnings US\$	General reserves US\$	Advance capital contribution US\$	Regulatory reserves US\$	Other reserves US\$	Total US\$
Balance at 1 January 2019	120,000,000	66,497,044	110,415,116	20,846,600	8,384,769	-	326,143,529	29,701,373	16,517,832	27,300,203	5,153,671	2,075,142	422,393	81,170,614
Profit for the year	-	143,732,842	-	-	-	-	143,732,842	-	35,472,073	-	-	-	-	35,472,073
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	(1,443,052)	(1,443,052)
Total comprehensive income the year	-	143,732,842	-	-	-	-	143,732,842	-	35,472,073	-	-	-	(1,443,052)	34,029,021
Transactions with owners in their capacity as owners:														
Issue of share capital	83,530,800	-	-	-	-	-	83,530,800	20,614,709	-	-	-	-	-	20,614,709
Transfer to share capital	20,846,600	-	-	(20,846,600)	-	-	-	5,144,768	-	(5,144,768)	-	-	-	-
Transfer to general reserves	-	(100,000,000)	100,000,000	-	-	-	-	(24,679,171)	24,679,171	-	-	-	-	-
Transfer to regulatory reserves	-	(2,309,991)	-	-	2,309,991	-	-	(570,087)	570,087	-	(8,903)	-	-	(8,903)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners:	104,377,400	(102,309,991)	100,000,000	(20,846,600)	2,309,991	-	83,530,800	25,759,477	(25,249,258)	24,679,171	(5,153,671)	570,087	-	20,605,806
Balance at 31 December 2019	224,377,400	107,919,895	210,415,116	-	10,694,760	-	553,407,171	55,460,850	26,740,647	51,979,374	-	2,645,229	(1,020,659)	135,805,441
Balance at 1 January 2020	224,377,400	107,919,895	210,415,116	-	10,694,760	-	553,407,171	55,460,850	26,740,647	51,979,374	-	2,645,229	(1,020,659)	135,805,441
Profit for the year	-	179,450,621	-	-	-	-	179,450,621	-	44,015,357	-	-	-	-	44,015,357
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	1,377,453	1,377,453
Total comprehensive income for the year	-	179,450,621	-	-	-	-	179,450,621	-	44,015,357	-	-	-	1,377,453	45,392,810
Transactions with owners in their capacity as owners:														
Transfer from regulatory reserves	-	10,694,760	-	-	(10,694,760)	-	-	-	2,623,194	-	-	(2,623,194)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(22,035)	-	-	(22,035)	-	(22,035)
Total transactions with owners	-	10,694,760	-	-	(10,694,760)	-	-	-	2,623,194	-	-	(2,645,229)	-	(22,035)
Balance at 31 December 2020	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

Statement of Cash flows

for the year ended 31 December 2020

	Notes	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Cash flows from operating activities					
Cash used in operations	33	(191,252,146)	(524,359,855)	(46,910,020)	(129,407,664)
Interest received		665,080,424	533,933,978	163,129,856	131,770,478
Interest paid		(260,578,434)	(190,443,622)	(63,914,259)	(46,999,907)
Income tax paid	19	(13,931,299)	(25,714,185)	(3,417,047)	(6,346,048)
Cash generated from/(used in) operating activities		<u>199,318,545</u>	<u>(206,583,684)</u>	<u>48,888,530</u>	<u>(50,983,141)</u>
Cash flows from investing activities					
Capital guarantee deposits		-	(10,437,740)	-	(2,575,948)
Deposits and placements with the central bank		(1,618,372)	-	(396,952)	-
Purchases of property and equipment	10	(3,931,514)	(5,685,615)	(964,315)	(1,403,163)
Purchases of intangible assets	12	(1,643,662)	(988,478)	(403,155)	(243,948)
Proceeds from disposals of property and equipment		80,691	16,135	19,792	3,982
Cash used in investing activities		<u>(7,112,857)</u>	<u>(17,095,698)</u>	<u>(1,744,630)</u>	<u>(4,219,077)</u>
Cash flows from financing activities					
Proceeds from issuance of share capital		-	83,530,800	-	20,614,709
Proceeds from borrowings	33(b)	247,769,133	703,278,993	60,772,414	173,563,424
Repayments of borrowings	33(b)	(582,666,925)	(284,976,489)	(142,915,606)	(70,329,834)
Proceeds from subordinated debts	33(b)	61,155,000	41,133,955	15,000,000	10,151,519
Repayments of subordinated debts	33(b)	(14,602,000)	(5,264,400)	(3,581,555)	(1,299,210)
Proceeds from issuance of corporate bonds	33(b)	-	80,000,000	-	19,743,337
Payment of transaction costs of borrowings and subordinated debts		(3,070,423)	(6,851,417)	(753,108)	(1,690,873)
Principal element of lease payments	33(b)	(4,781,532)	(4,277,844)	(1,172,806)	(1,055,736)
Cash (used in)/generated from financing activities		<u>(296,196,747)</u>	<u>606,573,598</u>	<u>(72,650,661)</u>	<u>149,697,336</u>
Net (decrease)/increase in cash and cash equivalents		<u>(103,991,059)</u>	<u>382,894,216</u>	<u>(25,506,761)</u>	<u>94,495,118</u>
Cash and cash equivalents at beginning of year		752,231,266	369,337,050	184,596,630	91,149,321
Currency translation differences		-	-	1,167,289	(1,047,809)
Cash and cash equivalents at end of year	32	<u>648,240,207</u>	<u>752,231,266</u>	<u>160,257,158</u>	<u>184,596,630</u>

Non-cash investing and financing activities are:

- Acquisition of right-of-use assets – Note 11(a)
- For the year ended 31 December 2019, the Company transferred from advance capital contribution of KHR 20,846,600 thousand to share capital, which is excluded from the statement of cash flows.

Notes to the Financial Statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

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

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

The Company has 79 office locations (78 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 26 March 2021.

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 2020:

- Definition of Material – amendments to CIAS 1 and CIAS 8
- Revised Conceptual Framework for Financial Reporting

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 2020 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 4,077 (2019: US\$ 1 to KHR 4,052) and the closing rate was US\$1 to KHR 4,045 (2019: US\$ 1 to KHR 4,075).

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:

(a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

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

2.6 Financial liabilities

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

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

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 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation.

2.15 General reserves

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

2.16 Employee benefits

i) Short-term employee benefits

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

ii) Long term employment benefits - seniority payments

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued providing guidelines on the implementation of the law. In accordance with the law/Prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

- Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six month on 30 June and 31 December (7.5 days each payment).
- Past years of seniority service - employees are entitled to 15 days of their salary per year of service since the commencement of employment up to 31 December 2018 and still continue working with the Company. The past seniority payment depends on each staff past services and shall not exceed six months of average gross salaries. On 22 March 2019, the Ministry of Labour and Vocational Training issued guideline number 042/19 K.B/S.N.N.Kh.L, to delay the payment of the past years of seniority service which will be payable three days each in June and in December starting December 2021.

The annual service pay is considered as short-term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Company.

The past years of seniority service is classified as long term employee benefits. Past seniority liability is recognised at the present value of defined obligations at the reporting period. That obligation arises as employees render the services that the Company expected to pay in the future reporting periods. The present value of the past seniority payment is determined by discounting the estimate future payments by references to the high quality corporate bond of the currency that the liability is denominated.

2.17 Interest income and expense

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

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

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

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

2.18 Fee and commission income

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

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

2.19 Rounding of amounts

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

i) Expected credit loss allowance on financial assets at amortised cost

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

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

- grouping financial assets sharing similar credit risk characteristics for the purposes of measuring ECL
- choosing appropriate models and assumptions to measure ECL
- determining criteria for identifying loans to customers that have experienced a significant increase in credit risk ("SICR")
- applying assumptions and analysis on expected future cash flows and forward-looking information
- applying a non-mechanistic approach to ECL by considering additional qualitative criteria for SICR on restructured loans due to COVID-19 and determining percentages for probability-weighted scenarios reflecting the most recent economic conditions due to COVID-19, which the existing ECL model was not built for.

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

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Current:</i>				
Khmer Riel	16,187,628	20,383,956	4,001,886	5,002,198
US Dollar	68,975,478	81,937,814	17,052,034	20,107,439
Thai Baht	4,468,784	2,863,811	1,104,767	702,776
	<u>89,631,890</u>	<u>105,185,581</u>	<u>22,158,687</u>	<u>25,812,413</u>

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

(a) By account types

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Settlement accounts	15,378,000	2,677,807	3,801,731	657,131
Current accounts	305,431,163	568,042,019	75,508,322	139,396,814
Negotiable certificate of deposits	1,818,552	200,181	449,580	49,124
	<u>322,627,715</u>	<u>570,920,007</u>	<u>79,759,633</u>	<u>140,103,069</u>

The Company has pledged negotiable certificate of deposits amounting to KHR 400,000 thousands as collateral for overdraft (31 December 2019: KHR 200,000 thousand) and KHR 1,211,250 thousand as collateral for Real time fund transfer ("RFT").

(b) By maturity

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	322,627,715	570,920,007	79,759,633	140,103,069
Non-current	-	-	-	-
	<u>322,627,715</u>	<u>570,920,007</u>	<u>79,759,633</u>	<u>140,103,069</u>

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

	2020	2019
Settlement accounts	0%	0%
Current accounts	0%	0%
Negotiable certificates of deposits	0.18%-1.94%	0.61%

6. DEPOSITS AND PLACEMENTS WITH BANKS

(a) By account types

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Deposits and placements with local banks:				
Savings deposits	84,330,797	41,598,705	20,848,157	10,208,271
Current accounts	85,715,464	36,473,452	21,190,473	8,950,541
Time deposits	67,752,893	-	16,749,789	-
	<u>237,799,154</u>	<u>78,072,157</u>	<u>58,788,419</u>	<u>19,158,812</u>
Less: Allowance for expected credit loss	<u>(1,889,969)</u>	<u>(780,721)</u>	<u>(467,236)</u>	<u>(191,588)</u>
	<u>235,909,185</u>	<u>77,291,436</u>	<u>58,321,183</u>	<u>18,967,224</u>

(b) By maturity

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	237,799,154	78,072,157	58,788,419	19,158,812
Non-current	-	-	-	-
	<u>237,799,154</u>	<u>78,072,157</u>	<u>58,788,419</u>	<u>19,158,812</u>

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

	2020	2019
Savings deposits	0% – 1.20%	0% – 2.00%
Current accounts	0% – 1.30%	0% – 1.75%
Term deposits	0% – 3.25%	0%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Non-current				
<i>Unlisted securities</i>				
Investment in Credit Bureau Cambodia	60,675	61,125	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 2020 was KHR 60,675 thousands.

Dividend received during the year was KHR 71,280 thousand (2019: KHR 71,565 thousand).

There is no gain/loss recognised in other comprehensive income due to fair value approximate the carrying amount. There is no loss allowance for this FVOCI at 31 December 2020.

8. LOANS AND ADVANCES AT AMORTISED COST

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>At amortised cost</i>				
Group loans	441,025,832	347,464,302	109,029,872	85,267,314
Individual loans:	2,996,973,447	2,778,705,131	740,908,145	681,890,830
Staff loans	24,203,637	20,603,698	5,983,594	5,056,122
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>
Less: Allowance for expected credit loss	<u>(67,327,999)</u>	<u>(31,291,206)</u>	<u>(16,644,746)</u>	<u>(7,678,824)</u>
Total net loans	<u>3,394,874,917</u>	<u>3,115,481,925</u>	<u>839,276,865</u>	<u>764,535,442</u>

a) Allowance for expected credit loss

Allowance for expected credit loss by stages are as follow:

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
12-month ECL (Stage 1)	30,823,708	24,377,268	7,620,200	5,982,152
Lifetime ECL-not credit impaired (Stage 2)	5,132,755	552,581	1,268,913	135,603
Lifetime ECL-credit impaired (Stage 3)	<u>31,371,536</u>	<u>6,361,357</u>	<u>7,755,633</u>	<u>1,561,069</u>
	<u>67,327,999</u>	<u>31,291,206</u>	<u>16,644,746</u>	<u>7,678,824</u>

b) By industry

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Trade and commerce	628,357,223	493,234,369	155,341,711	121,039,109
Services	562,191,223	420,091,494	138,984,233	103,089,937
Manufacturing	44,961,931	16,353,875	11,115,434	4,013,221
Transportation	20,332,995	36,750,608	5,026,698	9,018,554
Agriculture	889,415,893	1,075,119,979	219,880,320	263,833,125
Construction	139,328,660	297,546,619	34,444,663	73,017,575
Household/family	1,177,200,085	798,344,204	291,025,979	195,912,688
Others	414,906	9,331,983	102,573	2,290,057
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

c) Analysis by loan classification

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Performing</i>				
Gross amount	3,295,828,183	3,127,350,043	814,790,651	767,447,864
Exposure at default	<u>3,295,828,183</u>	<u>3,127,350,043</u>	<u>814,790,651</u>	<u>767,447,864</u>
Allowance for expected credit loss	<u>(30,823,708)</u>	<u>(24,377,268)</u>	<u>(7,620,200)</u>	<u>(5,982,152)</u>

<i>Under-performing</i>				
Gross amount	<u>101,152,077</u>	<u>3,646,766</u>	<u>25,006,694</u>	<u>894,912</u>
Exposure at default	<u>101,152,077</u>	<u>3,646,766</u>	<u>25,006,694</u>	<u>894,912</u>
Allowance for expected credit loss	<u>(5,132,755)</u>	<u>(552,581)</u>	<u>(1,268,913)</u>	<u>(135,603)</u>
<i>Non-performing</i>				
Gross amount	<u>65,222,656</u>	<u>15,776,322</u>	<u>16,124,266</u>	<u>3,871,490</u>
Exposure at default	<u>65,222,656</u>	<u>15,776,322</u>	<u>16,124,266</u>	<u>3,871,490</u>
Allowance for expected credit loss	<u>(31,371,536)</u>	<u>(6,361,357)</u>	<u>(7,755,633)</u>	<u>(1,561,069)</u>
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>
Exposure at default	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>
Allowance for expected credit loss	<u>(67,327,999)</u>	<u>(31,291,206)</u>	<u>(16,644,746)</u>	<u>(7,678,824)</u>

d) By maturity

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>KHR'000</u>	<u>KHR'000</u>	<u>US\$</u>	<u>US\$</u>
Not later than 1 year	233,862,319	217,135,654	57,815,159	53,284,823
Later than 1 year and no later than 3 years	1,217,226,898	1,123,912,583	300,921,359	275,806,769
Later than 3 years and no later than 5 years	1,607,082,736	1,682,330,381	397,301,047	412,841,811
Later than 5 years	<u>404,030,963</u>	<u>123,394,513</u>	<u>99,884,046</u>	<u>30,280,863</u>
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

e) By relationship

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>KHR'000</u>	<u>KHR'000</u>	<u>US\$</u>	<u>US\$</u>
Related parties (including staff loans)	24,203,637	17,596,880	5,983,594	4,318,253
Non-related parties	<u>3,437,999,279</u>	<u>3,129,176,251</u>	<u>849,938,017</u>	<u>767,896,013</u>
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

f) By residency

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>KHR'000</u>	<u>KHR'000</u>	<u>US\$</u>	<u>US\$</u>
Residents	3,462,202,916	3,146,773,131	855,921,611	772,214,266
Non-residents	-	-	-	-
Total gross loans	<u>3,462,202,916</u>	<u>3,146,773,131</u>	<u>855,921,611</u>	<u>772,214,266</u>

g) By interest rate

	<u>2020</u>	<u>2019</u>
Short term loans	11.00% - 18.00%	11.00% - 18.00%
Long term loans	9.00% - 18.00%	9.87% - 18.00%

9. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Current</i>				
Reserve requirement	195,381,565	164,661,713	48,301,994	40,407,782
<i>Non-current</i>				
Capital guarantee deposit	22,437,740	22,437,740	5,547,031	5,506,194
	<u>217,819,305</u>	<u>187,099,453</u>	<u>53,849,025</u>	<u>45,913,976</u>

(i) Reserve requirement

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

(ii) Capital guarantee deposit

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

Annual interest rates:

	2020	2019
Capital guarantee deposit	3%	3%
Reserve requirement	0%	0%

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
As at 1 January 2019					
Cost	3,120,511	12,594,687	7,607,103	1,387,500	24,709,801
Accumulated depreciation	(2,257,292)	(10,368,477)	(4,999,739)	(539,753)	(18,165,261)
Net book value	<u>863,219</u>	<u>2,226,210</u>	<u>2,607,364</u>	<u>847,747</u>	<u>6,544,540</u>
In US\$ equivalent	<u>214,838</u>	<u>554,059</u>	<u>648,921</u>	<u>210,987</u>	<u>1,628,805</u>
For the year ended 31 December 2019					
Opening net book value	863,219	2,226,210	2,607,364	847,747	6,544,540
Additions	706,877	615,902	4,150,080	212,756	5,685,615
Disposal	-	-	(7,349)	-	(7,349)
Depreciation charge	(476,724)	(1,353,951)	(2,341,489)	(209,391)	(4,381,555)
Closing net book value	<u>1,093,372</u>	<u>1,488,161</u>	<u>4,408,606</u>	<u>851,112</u>	<u>7,841,251</u>
As at 31 December 2019					
Cost	3,801,978	13,168,697	11,514,920	1,600,256	30,085,851
Accumulated depreciation	(2,708,606)	(11,680,536)	(7,106,314)	(749,144)	(22,244,600)
Net book value	<u>1,093,372</u>	<u>1,488,161</u>	<u>4,408,606</u>	<u>851,112</u>	<u>7,841,251</u>
In US\$ equivalent	<u>268,312</u>	<u>365,193</u>	<u>1,081,867</u>	<u>208,861</u>	<u>1,924,233</u>

For the year ended 31 December 2020

Opening net book value	1,093,372	1,488,161	4,408,606	851,112	7,841,251
Additions	525,233	727,239	2,574,701	104,341	3,931,514
Disposal	(408)	-	(867)	-	(1,275)
Depreciation charge	(563,412)	(766,822)	(2,660,328)	(240,770)	(4,231,332)
Closing net book value	<u>1,054,785</u>	<u>1,448,578</u>	<u>4,322,112</u>	<u>714,683</u>	<u>7,540,158</u>
As at 31 December 2020					
Cost	4,164,831	13,451,294	13,585,069	1,643,846	32,845,040
Accumulated depreciation	(3,110,046)	(12,002,716)	(9,262,957)	(929,163)	(25,304,882)
Net book value	<u>1,054,785</u>	<u>1,448,578</u>	<u>4,322,112</u>	<u>714,683</u>	<u>7,540,158</u>
In US\$ equivalent	<u>260,763</u>	<u>358,116</u>	<u>1,068,507</u>	<u>176,683</u>	<u>1,864,069</u>

11. LEASES

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

The Company leases various buildings for its head office and branch operation. Rental contracts are typically made for fixed periods of one to twelve years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

a) Amounts recognised in the statement of financial position

	2020	2019	2020	2019
	KHR'000	KHR'000	US\$	US\$
<i>Right-of-use assets (Non-current)</i>				
Buildings	<u>20,687,945</u>	<u>19,667,508</u>	<u>5,114,449</u>	<u>4,826,382</u>
	<u>20,687,945</u>	<u>19,667,508</u>	<u>5,114,449</u>	<u>4,826,382</u>
<i>Lease liabilities</i>				
Current	<u>7,088,062</u>	<u>4,321,097</u>	<u>1,752,302</u>	<u>1,060,392</u>
Non-current	<u>11,141,103</u>	<u>14,280,934</u>	<u>2,754,290</u>	<u>3,504,524</u>
	<u>18,229,165</u>	<u>18,602,031</u>	<u>4,506,592</u>	<u>4,564,916</u>

Additions to the right-of-use assets during the year were KHR 8,218,494 thousand (2019: KHR 5,666,198 thousand).

b) Amounts recognised in the statement of profit or loss

	2020	2019	2020	2019
	KHR'000	KHR'000	US\$	US\$
<i>Depreciation of right-of-use assets</i>				
Buildings (Note 29)	<u>5,378,922</u>	<u>5,531,466</u>	<u>1,319,333</u>	<u>1,365,120</u>
Interest expense (Note 25)	<u>1,276,572</u>	<u>1,380,818</u>	<u>313,116</u>	<u>340,774</u>
Expense relating to short-term lease and leases of low-value assets (included in operating expenses) (Note 30)	<u>5,165,454</u>	<u>3,384,544</u>	<u>1,266,974</u>	<u>835,277</u>
Total expenses related to leases	<u>11,820,948</u>	<u>10,296,828</u>	<u>2,899,423</u>	<u>2,541,171</u>

Total cash outflow for lease for year ended 31 December 2020 was KHR 11,223,558 thousand (2019:KHR 9,042,206 thousand).

12. INTANGIBLE ASSETS

Non-current	Software and license KHR'000	Work in progress KHR'000	Total KHR'000
As at 1 January 2019			
Cost	4,180,234	910,792	5,091,026
Accumulated amortisation	(585,217)	-	(585,217)
Net book value	<u>3,595,017</u>	<u>910,792</u>	<u>4,505,809</u>
In US\$ equivalent	<u>894,728</u>	<u>226,678</u>	<u>1,121,406</u>
For the year ended 31 December 2019			
Opening net book value	3,595,017	910,792	4,505,809
Additions	349,748	638,730	988,478
Transfer	582,598	(582,598)	-
Amortisation charge	(394,062)	-	(394,062)
Closing net book value	<u>4,133,301</u>	<u>966,924</u>	<u>5,100,225</u>
As at 31 December 2019			
Cost	5,112,580	966,924	6,079,504
Accumulated amortisation	(979,279)	-	(979,279)
Net book value	<u>4,133,301</u>	<u>966,924</u>	<u>5,100,225</u>
In US\$ equivalent	<u>1,014,307</u>	<u>237,282</u>	<u>1,251,589</u>
For the year ended 31 December 2020			
Opening net book value	4,133,301	966,924	5,100,225
Additions	248,334	1,395,328	1,643,662
Transfer	966,923	(966,923)	-
Write-off	(826)	-	(826)
Amortisation charge	(633,362)	-	(633,362)
Closing net book value	<u>4,714,370</u>	<u>1,395,329</u>	<u>6,109,699</u>
As at 31 December 2020			
Cost	6,156,989	1,395,329	7,552,318
Accumulated amortisation	(1,442,619)	-	(1,442,619)
Net book value	<u>4,714,370</u>	<u>1,395,329</u>	<u>6,109,699</u>
In US\$ equivalent	<u>1,165,480</u>	<u>344,952</u>	<u>1,510,432</u>

13. DEFERRED TAX ASSETS

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Non-current</i>				
Deferred tax assets	29,586,894	9,127,261	7,314,436	2,239,819
Deferred tax liabilities	(4,137,589)	-	(1,022,890)	-
Net deferred tax assets	<u>25,449,305</u>	<u>9,127,261</u>	<u>6,291,546</u>	<u>2,239,819</u>

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

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
As at 1 January	9,127,261	7,581,894	2,239,819	1,886,982
Charged to profit or loss (Note 31(a))	16,322,044	1,545,367	4,003,445	381,384
Currency translation differences	-	-	48,282	(28,547)
As at 31 December	<u>25,449,305</u>	<u>9,127,261</u>	<u>6,291,546</u>	<u>2,239,819</u>

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 2019	3,942,837	-	-	207,666	2,828,819	602,572	7,581,894
(Charged)/credited to profit or loss	2,676,604	-	-	(25,240)	(853,825)	(252,172)	1,545,367
As at 31 December 2019	<u>6,619,441</u>	<u>-</u>	<u>-</u>	<u>182,426</u>	<u>1,974,994</u>	<u>350,400</u>	<u>9,127,261</u>
In US\$ equivalent	<u>1,624,403</u>	<u>-</u>	<u>-</u>	<u>44,767</u>	<u>484,661</u>	<u>85,988</u>	<u>2,239,819</u>
As at 1 January 2020	6,619,441	-	-	182,426	1,974,994	350,400	9,127,261
(Charged)/credited to profit or loss	4,010,095	12,349,459	3,645,833	(28,356)	266,487	216,115	20,459,633
As at 31 December 2020	<u>10,629,536</u>	<u>12,349,459</u>	<u>3,645,833</u>	<u>154,070</u>	<u>2,241,481</u>	<u>566,515</u>	<u>29,586,894</u>
In US\$ equivalent	<u>2,627,821</u>	<u>3,053,019</u>	<u>901,318</u>	<u>38,089</u>	<u>554,136</u>	<u>140,053</u>	<u>7,314,436</u>

b) Deferred tax liabilities

	Right-of-use assets KHR'000	Total KHR'000
As at 1 January 2019	-	-
Charged/(credited) to profit or loss	-	-
As at 31 December 2019	-	-
In US\$ equivalent	-	-
As at 1 January 2020	-	-
Charged/(credited) to profit or loss	4,137,589	4,137,589
As at 31 December 2020	4,137,589	4,137,589
In US\$ equivalent	1,022,890	1,022,890

14. OTHER ASSETS

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Account receivables	2,810,741	5,794,165	694,868	1,421,881
Prepayments	5,779,244	5,454,822	1,428,738	1,338,607
Office and house rental deposits	437,090	617,192	108,057	151,458
Supplies	95,629	232,041	23,641	56,943
Others	4,501,281	3,233,382	1,112,801	793,468
	<u>13,623,985</u>	<u>15,331,602</u>	<u>3,368,105</u>	<u>3,762,357</u>
	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	13,357,144	14,714,410	3,302,137	3,610,899
Non-current	266,841	617,192	65,968	151,458
	<u>13,623,985</u>	<u>15,331,602</u>	<u>3,368,105</u>	<u>3,762,357</u>

15. DEPOSITS FROM BANK AND OTHER FINANCIAL INSTITUTIONS

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Savings deposits	1,443,040	737,750	356,747	181,043
Fixed deposits	129,991,365	90,177,022	32,136,308	22,129,331
	<u>131,434,405</u>	<u>90,914,772</u>	<u>32,493,055</u>	<u>22,310,374</u>
Accrued interest payables	2,798,199	2,220,359	691,767	544,873
	<u>134,232,604</u>	<u>93,135,131</u>	<u>33,184,822</u>	<u>22,855,247</u>

a) **By maturity**

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	129,363,297	93,135,131	31,981,038	22,855,247
Non-current	4,869,307	-	1,203,784	-
	<u>134,232,604</u>	<u>93,135,131</u>	<u>33,184,822</u>	<u>22,855,247</u>

b) **By interest rate**

	2020	2019
Savings deposits	1.00%	5.00%
Fixed deposits	2.50%-6.50%	3.00%-6.50%

16. DEPOSITS FROM CUSTOMERS

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Savings deposits	167,120,992	165,310,766	41,315,450	40,567,059
Fixed deposits	1,820,635,830	1,571,441,316	450,095,384	385,629,771
	<u>1,987,756,822</u>	<u>1,736,752,082</u>	<u>491,410,834</u>	<u>426,196,830</u>
Accrued interest payables	46,211,140	35,083,279	11,424,262	8,609,393
	<u>2,033,967,962</u>	<u>1,771,835,361</u>	<u>502,835,096</u>	<u>434,806,223</u>

a) **By maturity**

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	1,736,804,660	1,211,642,371	429,370,744	297,335,551
Non-current	297,163,302	560,192,990	73,464,352	137,470,672
	<u>2,033,967,962</u>	<u>1,771,835,361</u>	<u>502,835,096</u>	<u>434,806,223</u>

b) **By interest rate**

	2020	2019
Savings deposits	3.00%-5.00%	1.00%-5.00%
Fixed deposits	3.50%-10.50%	3.25%-12.00%

17. BORROWINGS

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current borrowings				
Overdraft	-	1,746,299	-	428,540
Other current borrowings	518,148,136	484,225,441	128,095,955	118,828,328
	<u>518,148,136</u>	<u>485,971,740</u>	<u>128,095,955</u>	<u>119,256,868</u>
Non-current borrowings	565,138,194	940,487,851	139,712,779	230,794,565
	<u>1,083,286,330</u>	<u>1,426,459,591</u>	<u>267,808,734</u>	<u>350,051,433</u>

During the year, the Company obtained additional borrowings of KHR 247,769,133 thousand (US\$60,772,414). The annual interest rates are ranging from 4.71% to 8.72% (2019: 2.55% to 9.88%).

All of the borrowings are unsecured.

18. DEBT SECURITIES

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	1,217,459	1,224,548	300,979	300,502
Non-current	80,132,838	80,531,351	19,810,343	19,762,295
	<u>81,350,297</u>	<u>81,755,899</u>	<u>20,111,322</u>	<u>20,062,797</u>

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

19. CURRENT INCOME TAX LIABILITIES

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
As at 1 January	13,621,187	20,523,933	3,342,623	5,107,997
Income tax expense (Note 31(a))	48,209,796	18,811,439	11,824,822	4,642,507
Income tax paid	(13,931,299)	(25,714,185)	(3,417,047)	(6,346,048)
Currency translation differences	-	-	91,304	(61,833)
As at 31 December	<u>47,899,684</u>	<u>13,621,187</u>	<u>11,841,702</u>	<u>3,342,623</u>

20. EMPLOYEE BENEFITS

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Provision on seniority payment:</i>				
Current	199,649	-	49,357	-
Non-current	2,450,676	2,850,672	605,853	699,551
	<u>2,650,325</u>	<u>2,850,672</u>	<u>655,210</u>	<u>699,551</u>

21. OTHER LIABILITIES

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Staff bonuses and incentives	23,668,826	22,379,018	5,851,378	5,491,784
Accrued expenses	1,996,481	1,608,425	493,568	394,706
Tax payables	1,990,734	2,058,690	492,147	505,200
Others	6,643,147	4,806,612	1,642,310	1,179,537
	<u>34,299,188</u>	<u>30,852,745</u>	<u>8,479,403</u>	<u>7,571,227</u>
	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	34,299,188	26,447,847	8,479,404	6,490,269
Non-current	-	4,404,898	-	1,080,957
	<u>34,299,188</u>	<u>30,852,745</u>	<u>8,479,404</u>	<u>7,571,226</u>

22. SUBORDINATED DEBTS

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current	32,694,213	6,588,480	8,082,624	1,616,805
Non-current	132,867,219	113,999,106	32,847,273	27,975,241
	<u>165,561,432</u>	<u>120,587,586</u>	<u>40,929,897</u>	<u>29,592,046</u>

During the year, the Company obtained additional subordinated debts of KHR 61,155,000 thousand (US\$15,000,000). The annual interest rates for all subordinated debts are ranging from 9.77% to 12.21% (2019: 10.17% to 12.21%).

23. SHARE CAPITAL

The total number of authorised share of the Company as at 31 December 2020 was 2,243,774 shares (2019: 2,243,774 shares) with a par value of KHR 100 thousand per share (2019: KHR 100 thousand). All authorised shares are issued and fully paid up.

	2020			2019		
	Number of shares	%	KHR'000	Number of shares	%	KHR'000
Shareholders:						
LOLC Private Investment Limited	2,175,792	97%	217,579,200	2,175,792	97%	217,579,200
TPC-ESOP Co., Ltd	67,982	3%	6,798,200	67,982	3%	6,798,200
	<u>2,243,774</u>	<u>100%</u>	<u>224,377,400</u>	<u>2,243,774</u>	<u>100%</u>	<u>224,377,400</u>
In US\$ equivalent			<u>55,460,850</u>			<u>55,460,850</u>

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
As at 1 January	224,377,400	120,000,000	55,460,850	29,701,373
Additional share capital during the year	-	104,377,400	-	25,759,477
As at 31 December	<u>224,377,400</u>	<u>224,377,400</u>	<u>55,460,850</u>	<u>55,460,850</u>

24. REGULATORY RESERVES

As at the reporting date, the accumulated regulatory provision is lower than the accumulated impairment based on CIFRS 9, so the regulatory reserve is reversed to retained earnings as per the central bank's guidelines.

25. NET INTEREST INCOME

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Interest income from financial assets at amortised cost</i>				
Loans and advances	662,360,723	521,251,862	162,462,772	128,640,637
Deposits and placements with banks	2,576,184	1,017,334	631,882	251,070
Deposits and placements with the central bank	681,543	481,780	167,168	118,899
Total interest income	<u>665,618,450</u>	<u>522,750,976</u>	<u>163,261,822</u>	<u>129,010,606</u>
<i>Interest expense on financial liabilities at amortised cost</i>				
Deposits from customers	(146,527,675)	(97,665,614)	(35,940,071)	(24,103,064)
Borrowings	(101,743,226)	(102,495,948)	(24,955,415)	(25,295,151)
Subordinated debts	(13,394,009)	(9,354,833)	(3,285,261)	(2,308,695)
Debt securities	(6,748,334)	(4,588,587)	(1,655,221)	(1,132,425)
Lease liabilities	(1,276,572)	(1,380,818)	(313,116)	(340,774)
Total interest expense	<u>(269,689,816)</u>	<u>(215,485,800)</u>	<u>(66,149,084)</u>	<u>(53,180,109)</u>
Net interest income	<u>395,928,634</u>	<u>307,265,176</u>	<u>97,112,738</u>	<u>75,830,497</u>

26. NET FEE AND COMMISSION INCOME

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Fee and commission income				
Fees and commission income on loans	2,179,240	4,488,854	534,520	1,107,812
Penalty income	17,349,235	8,125,665	4,255,392	2,005,346
Other fees	20,342	-	4,990	-
	<u>19,548,817</u>	<u>12,614,519</u>	<u>4,794,902</u>	<u>3,113,158</u>
Fee and commission expense	<u>(698,829)</u>	<u>(1,118,386)</u>	<u>(171,408)</u>	<u>(276,008)</u>
Net fee and commission income	<u>18,849,988</u>	<u>11,496,133</u>	<u>4,623,494</u>	<u>2,837,150</u>

27. CREDIT IMPAIRMENT LOSSES

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Expected Credit Loss:</i>				
Loans and advances	37,058,791	12,589,498	9,089,721	3,106,984
Deposits and placements with banks	1,133,655	(328,885)	278,061	(81,166)
	<u>38,192,446</u>	<u>12,260,613</u>	<u>9,367,782</u>	<u>3,025,818</u>

28. PERSONNEL EXPENSES

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Salaries and wages	107,564,240	90,682,833	26,383,184	22,379,771
Other benefits	8,144,694	9,377,886	1,997,717	2,314,385
	<u>115,708,934</u>	<u>100,060,719</u>	<u>28,380,901</u>	<u>24,694,156</u>

29. DEPRECIATION AND AMORTISATION CHARGES

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Depreciation of property and equipment	4,231,332	4,381,555	1,037,854	1,081,331
Depreciation of right-of-use assets	5,378,922	5,531,466	1,319,333	1,365,120
Amortisation of intangible assets	633,362	394,062	155,351	97,252
	<u>10,243,616</u>	<u>10,307,083</u>	<u>2,512,538</u>	<u>2,543,703</u>

30. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Insurance	6,234,101	4,407,865	1,529,090	1,087,825
Rental expense related to short-term lease and lease of low-value assets	5,165,454	3,384,544	1,266,974	835,277
Professional fees	4,455,594	3,945,372	1,092,861	973,685
Travelling expenses	3,755,077	3,642,299	921,039	898,889
Office supplies and stationery	2,792,506	2,124,046	684,941	524,197
Advertising	1,605,704	1,724,821	393,844	425,672
Communication	1,695,915	1,566,216	415,971	386,529
Utilities	1,607,348	1,590,393	394,248	392,496
Security guard	1,269,590	1,171,990	311,403	289,237
Charitable contributions	727,787	186,009	178,510	45,905
Board of directors' expenses (Note 35(g))	647,028	697,375	158,702	172,106
Repairs and maintenance	394,450	433,678	96,750	107,028
Others	9,490,463	11,292,134	2,327,808	2,786,806
	<u>39,841,017</u>	<u>36,166,742</u>	<u>9,772,141</u>	<u>8,925,652</u>

31. INCOME TAX EXPENSE

a) Income tax expense

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Current income tax	48,209,796	18,811,439	11,824,822	4,642,507
Deferred income tax	(16,322,044)	(1,545,367)	(4,003,445)	(381,384)
	<u>31,887,752</u>	<u>17,266,072</u>	<u>7,821,377</u>	<u>4,261,123</u>

b) Reconciliation of income tax expense and accounting profit

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Profit before income tax	211,338,373	160,998,914	51,836,734	39,733,196
Tax at 19.02% (2019: 10%)	40,198,860	16,099,891	9,859,912	3,973,320
Tax effect of reconciling items:				
Expenses not deductible for tax purposes	260,161	347,538	63,812	85,769
Recognised previously unrecognised deferred tax	(8,571,269)	(535,066)	(2,102,347)	(132,050)
Others	-	1,353,709	-	334,084
Income tax expense	<u>31,887,752</u>	<u>17,266,072</u>	<u>7,821,377</u>	<u>4,261,123</u>

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

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

The Company successfully listed its corporate bond on CSX on 26 April 2019. On 25 March 2020, the Company received an approval from the General Department of Taxation (“GDT”) on the tax on profit reduction of 50% for the year ended 2019. In the GDT’s letter also stated that the Company will entitle to reduction of tax on profit for the years ending 2020 and 2021 with the following conditions as per Prakas No. 183 MoEF Br.K dated 25 February 2020.

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

As at 31 December 2020, the Company’s bond issuance was approximately 2% of total assets. The Company has calculated the tax incentives for the year then ended 31 December 2020 based on pro-rata basis resulting in 4.89% incentive of tax on profit (20%). Therefore, the Company’s income tax is calculated at 19.02% for the year then ended 31 December 2020. For the year ended 31 December 2019, the Company’s income tax liabilities was at 10% as the Company received full tax reduction for the year ended 31 December 2019.

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

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Cash on hand	89,631,890	105,185,581	22,158,687	25,812,413
Deposits and placements with the central bank				
Current accounts	305,431,163	568,042,019	75,508,322	139,396,814
Settlement accounts	15,378,000	2,677,808	3,801,731	657,131
Deposits and placements with banks				
Current accounts	85,715,464	36,473,452	21,190,473	8,950,541
Savings accounts	84,330,797	41,598,705	20,848,157	10,208,271
Fixed deposits with maturity three months or less	67,752,893	-	16,749,788	-
Overdraft	-	(1,746,299)	-	(428,540)
	<u>648,240,207</u>	<u>752,231,266</u>	<u>160,257,158</u>	<u>184,596,630</u>

33. CASH FLOW INFORMATION

a) Cash flow from operations

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Profit before income tax	211,338,373	160,998,914	51,836,734	39,733,196
<i>Adjustments for:</i>				
Depreciation and amortisation charges (Note 29)	10,243,616	10,307,083	2,512,538	2,543,703
Credit impairment losses (Note 27)	38,192,446	12,260,613	9,367,782	3,025,818
Net gains/(losses) on derecognition of financial assets measured at amortised cost	5,165,455	4,975,995	1,266,974	1,228,034
Gain on disposals of property and equipment	(78,590)	(15,072)	(19,276)	(3,720)
Remeasurement gain of employee benefit	(200,347)	(1,473,068)	(49,141)	(363,541)
Unrealised exchange losses/(gains)	(2,247,809)	(1,625,889)	(551,339)	(401,256)
Net interest income (Note 25)	(395,928,634)	(307,265,176)	(97,112,738)	(75,830,497)
<i>Changes in working capital:</i>				
Reserve requirement deposits	(30,719,852)	(70,413,666)	(7,534,916)	(17,377,509)
Loans and advances	(323,695,237)	(1,222,739,635)	(79,395,447)	(301,762,003)
Other assets	1,707,617	2,802,577	418,842	691,653
Deposits from banks and other financial institutions	41,097,473	15,515,800	10,080,322	3,829,171
Deposits from customers	250,426,900	877,066,790	61,424,307	216,452,811
Other liabilities	3,446,443	(4,755,121)	845,338	(1,173,524)
Cash used in operations	<u>(191,252,146)</u>	<u>(524,359,855)</u>	<u>(46,910,020)</u>	<u>(129,407,664)</u>

b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net debt	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Cash and cash equivalents	648,240,207	752,231,266	160,257,158	184,596,630
Borrowings (including overdraft)	(1,083,286,330)	(1,426,459,591)	(267,808,734)	(350,051,433)
Subordinated debts	(165,561,432)	(120,587,586)	(40,929,897)	(29,592,046)
Debt securities	(81,350,297)	(81,755,899)	(20,111,322)	(20,062,797)
Lease liabilities	(18,229,165)	(18,602,031)	(4,506,592)	(4,564,916)
Net debt	<u>(700,187,017)</u>	<u>(895,173,841)</u>	<u>(173,099,387)</u>	<u>(219,674,562)</u>
Cash and liquid investments	648,240,207	752,231,266	160,257,158	184,596,630
Gross debt – fixed interest rates	(1,207,601,428)	(1,436,250,049)	(298,541,762)	(352,454,000)
Gross debt – variable interest rates	(140,825,796)	(211,155,058)	(34,814,783)	(51,817,192)
Net debt	<u>(700,187,017)</u>	<u>(895,173,841)</u>	<u>(173,099,387)</u>	<u>(219,674,562)</u>

	Borrowings KHR'000	Leases KHR'000	Subordinated Debts KHR'000	Debt Securities KHR'000	Sub-total KHR'000	Cash/ bank overdraft KHR'000	Total KHR'000
Net debt as at 1 January 2019							
Cash flows	(1,011,797,243)	(16,891,194)	(85,105,957)	-	(1,113,794,394)	369,337,050	(744,457,344)
New leases	(418,302,504)	4,277,844	(35,869,555)	(80,000,000)	(529,894,215)	382,894,216	(146,999,999)
Foreign exchange adjustments	-	(5,666,198)	-	-	(5,666,198)	-	(5,666,198)
Other changes (i)	6,708,904	(322,483)	654,832	(531,351)	6,509,902	-	6,509,902
	(3,068,748)	-	(266,906)	(1,224,548)	(4,560,202)	-	(4,560,202)
Net debt as at 31 December 2019	(1,426,459,591)	(18,602,031)	(120,587,586)	(81,755,899)	(1,647,405,107)	752,231,266	(895,173,841)
In US\$ equivalent	(350,051,433)	(4,564,916)	(29,592,046)	(20,062,797)	(404,271,192)	184,596,630	(219,674,562)
Net debt as at 1 January 2020							
Cash flows	(1,426,459,591)	(18,602,031)	(120,587,586)	(81,755,899)	(1,647,405,107)	752,231,266	(895,173,841)
New leases	334,897,792	4,781,532	(46,553,000)	-	293,126,324	(103,991,059)	189,135,265
Foreign exchange adjustments	-	(4,594,044)	-	-	(4,594,044)	-	(4,594,044)
Other changes (i)	5,588,385	185,378	1,679,009	398,513	7,851,285	-	7,851,285
	2,687,084	-	(99,855)	7,089	2,594,318	-	2,594,318
Net debt as at 31 December 2020	(1,083,286,330)	(18,229,165)	(165,561,432)	(81,350,297)	(1,348,427,224)	648,240,207	(700,187,017)
In US\$ equivalent	(267,808,734)	(4,506,592)	(40,929,897)	(20,111,322)	(333,356,545)	160,257,158	(173,099,387)

(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 2020, 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:

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Within one year	1,134,764	1,373,248	280,535	336,993
	<u>1,134,764</u>	<u>1,373,248</u>	<u>280,535</u>	<u>336,993</u>

c) Capital commitments

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
<i>Intangible assets:</i>				
Within one year	548,753	-	135,662	-
	<u>548,753</u>	<u>-</u>	<u>135,662</u>	<u>-</u>

35. RELATED-PARTY TRANSACTIONS

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

a) Related parties and relationships

The related parties of the Company are as follows:

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

(b) Loans and advances to key management personnel

	2020	2019	2020	2019
	KHR'000	KHR'000	US\$	US\$
Loans to key management personnel	2,602,339	248,596	643,347	61,005
Interest income	203,471	30,347	49,907	7,489

Loans and advances to key management personnel are secured and having interest rate of 9.4% to 12% per annum (2019: 11% to 12% per annum). Allowances for expected credit losses for loans to related parties was recognised during the year of KHR 6,617 thousand (2019: KHR 7,620 thousand).

(c) Receivables from related parties

	2020	2019	2020	2019
	KHR'000	KHR'000	US\$	US\$
Receivables from related companies	1,187,960	5,031,097	293,686	1,234,625

The receivables are unsecured and bear no interest. There are no allowances against receivables from related parties (2019: nil).

(d) Payables to related parties

	2020	2019	2020	2019
	KHR'000	KHR'000	US\$	US\$
Payables to related companies	81,568	-	20,165	-

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

(e) Deposits from related parties

	2020	2019	2020	2019
	KHR'000	KHR'000	US\$	US\$
Shareholders	7,345,425	115,308	1,815,927	28,296
Board of directors	772,537	687,448	190,986	168,699
Key management personnel	4,871,465	2,082,745	1,204,318	511,103
Related companies	41,304	1,599,874	10,211	392,607
	<u>13,030,731</u>	<u>4,485,375</u>	<u>3,221,442</u>	<u>1,100,705</u>
Interest payable	126,666	26,425	31,314	6,484
Interest expense	<u>302,735</u>	<u>107,239</u>	<u>74,254</u>	<u>26,466</u>

Annual interest rates during the year are as follows:

	<u>2020</u>	<u>2019</u>
Shareholders	3.00%	5.00%
Board of directors	3.00% – 8.75%	5.00% – 8.75%
Key management personnel	3.00% – 9.00%	5.00% – 9.25%
Related companies	3.00%	5.00%

(f) Transactions with related parties

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>KHR'000</u>	<u>KHR'000</u>	<u>US\$</u>	<u>US\$</u>
<i>i) Incomes from related companies:</i>				
Rental income	37,671	10,697	9,240	2,640
Management fee income	59,712	-	14,646	-
	<u>97,383</u>	<u>10,697</u>	<u>23,886</u>	<u>2,640</u>
<i>ii) Expenses to related companies:</i>				
Purchases of assets for financial leasing products	2,359,971	-	578,850	-
License fees	596,379	27,327	146,279	8,095
IT consultancy and support fees	552,931	44,746	135,622	11,043
	<u>3,509,281</u>	<u>72,073</u>	<u>860,751</u>	<u>19,138</u>

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

(g) Key management compensation

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>KHR'000</u>	<u>KHR'000</u>	<u>US\$</u>	<u>US\$</u>
Directors' fees	647,028	697,375	158,702	172,106
Salaries and other benefits to key management	10,372,013	3,473,103	2,544,031	857,133
	<u>11,019,041</u>	<u>4,170,478</u>	<u>2,702,733</u>	<u>1,029,239</u>

36. FINANCIAL RISK MANAGEMENT

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

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

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

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Financial assets				
Financial assets at amortised costs				
Cash on hand	89,631,890	105,185,581	22,158,687	25,812,413
Deposits and placements with the central bank	322,627,715	570,920,007	79,759,633	140,103,069
Deposits and placements with banks	235,909,185	77,291,436	58,321,183	18,967,224
Loans and advances at amortised cost	3,394,874,917	3,115,481,925	839,276,865	764,535,442
Other financial assets	3,451,321	6,389,503	853,231	1,567,976
	<u>4,046,495,028</u>	<u>3,875,268,452</u>	<u>1,000,369,599</u>	<u>950,986,124</u>
Financial assets at fair value through other comprehensive income				
	60,675	61,125	15,000	15,000
Total financial assets	<u>4,046,555,703</u>	<u>3,875,329,577</u>	<u>1,000,384,599</u>	<u>951,001,124</u>
Financial liabilities				
Financial liabilities at amortised cost				
Deposits from banks and other financial institutions	134,232,604	93,135,131	33,184,822	22,855,247
Deposits from customers	2,033,967,962	1,771,835,361	502,835,096	434,806,223
Borrowings	1,083,286,330	1,426,459,591	267,808,734	350,051,433
Subordinated debts	165,561,432	120,587,586	40,929,897	29,592,046
Debt securities	81,350,297	81,755,899	20,111,322	20,062,797
Lease liabilities	18,229,165	18,602,031	4,506,592	4,564,916
Other financial liabilities	2,290,727	1,742,626	566,311	427,638
Total financial liabilities	<u>3,518,918,517</u>	<u>3,514,118,225</u>	<u>869,942,774</u>	<u>862,360,300</u>
Net financial assets	<u>527,637,186</u>	<u>361,211,352</u>	<u>130,441,825</u>	<u>88,640,824</u>

36.1 Credit risk

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

(a) Credit risk measurement

Credit risk is managed on a group basis.

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

Deposits and placements with the central bank and banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows a three-stage approach in note 36.1 (c).

(b) Risk limit control and mitigation policies

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

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

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

(c) Impairment (expected credit loss) policies

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

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

- 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 counting backward from the reporting date 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 2019 and 31 December 2020, 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 2020, the management has refreshed the latest macroeconomics variables available which were up to 31 December 2020. The management believes that the adjustment reflected the most recent economic condition. The longevity of COVID-19 pandemic has also led to an uncertain economic environment which may result in higher credit impairment expenses. As a result, the managements have adjusted the Company’s probability weighted percentage in the probability weighted forward looking Probability of Default (“PD”) to give a heavier weight to the worst case scenario and a lighter weight to the best case scenario while keeping the base percentage the same using reasonable and supportable information.

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 2019 and 31 December 2020 are as follows:

	Base	Best	Worst
	%	%	%
As at 31 December 2020	60%	15%	25%
Scenario probability weighting	60%	15%	25%
	Base	Best	Worst
	%	%	%
As at 31 December 2019	60%	20%	20%
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 2020 and 31 December 2019 are as follows:

Model	Portfolio	2020	2019
PD	Group loan	Interest rate loans 12 months	Foreign direct investment (% of GDP)
		Cambodia commodity imports	Domestic private sector credit to GDP
	Individual loan	Foreign direct investment (% of GDP)	Foreign direct investment (% of GDP)
		US 1 year treasury yield curve rates	US 1 year treasury yield curve rates
	Life improvement loan asset backed	Cambodia CPI All Items, 2010=100	Cambodia CPI All Items, 2010=100
		Foreign direct investment (% of GDP)	Foreign direct investment (% of GDP)
	Home improvement loan	US dollars to Cambodia riel currency exchange rate	US dollars to Cambodia riel currency exchange rate
		Foreign direct investment (% of GDP)	Cambodia Foreign Reserves
		Interest rate loans 12 months	Domestic private sector credit to GDP
	Seasonal loan	Domestic private sector credit to GDP	
		Foreign direct investment (% of GDP)	Cambodia Foreign Reserves
	SME loan		Cambodia composite index (containing all issues in the market)
		US 1 year treasury yield curve rates	US 1 year treasury yield curve rates
	Staff loan	Interest rate loans 12 months	Cambodia commodity Imports
Foreign direct investment (% of GDP)		Cambodia composite index (containing all issues in the market)	
US 1 year treasury yield curve rates		US dollars to Cambodia riel currency exchange rate	
LGD	Group loan	Cambodia CPI All Items, 2010=100	Interest rate fixed deposit 12 months
		Total unemployment Cambodia (ILO est)	US dollars to Cambodia riel currency exchange rate
		Cambodia composite index (containing all issues in the market)	Cambodia commodity Imports

Set out below are the estimated changes to the ECL for the year ended 31 December 2020 and 31 December 2019 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	
	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Group loan				
Variation added to MEVs	(7,304,118)	(1,573,556)	(1,805,715)	(386,149)
Variation deducted from MEVs	3,805,662	1,412,632	940,831	346,658
Individual loan				
Variation added to MEVs	(5,156,918)	(5,263,535)	(1,274,887)	(1,291,665)
Variation deducted from MEVs	3,594,452	3,137,181	888,616	769,860
Life improvement loan asset backed				
Variation added to MEVs	298,078	24,914	73,690	6,114
Variation deducted from MEVs	(320,979)	(25,333)	(79,352)	(6,217)
Home improvement loan				
Variation added to MEVs	(1,123,580)	(543,788)	(277,770)	(133,445)
Variation deducted from MEVs	739,616	313,704	182,847	76,983
Seasonal loan				
Variation added to MEVs	703,038	1,375,788	173,804	337,617
Variation deducted from MEVs	(3,059,425)	(3,703,631)	(756,347)	(908,867)
SME loan				
Variation added to MEVs	(20,977,054)	(5,810,053)	(5,185,922)	(1,425,780)
Variation deducted from MEVs	7,384,119	2,869,791	1,825,493	704,243
Staff loan				
Variation added to MEVs	(38,669)	300,389	(9,560)	73,715
Variation deducted from MEVs	25,620	(599,107)	6,334	(147,020)

(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:

	2020	2019	2020	2019
	KHR'000	KHR'000	US\$	US\$
Credit risk exposure relating to on-balance sheet assets:				
Deposits and placements with banks	235,909,185	77,291,436	58,321,183	18,967,224
Loans and advances at amortised cost	3,394,874,917	3,115,481,925	839,276,865	764,535,442
Other financial assets	3,451,321	6,389,503	853,231	1,567,976
Total maximum credit risk exposure that are subject to impairment	<u>3,634,235,423</u>	<u>3,199,162,864</u>	<u>898,451,279</u>	<u>785,070,642</u>

The above table represents a worst-case scenario of credit risk exposure to the Company, since collateral held and/or other credit enhancement attached were not taken into account. The exposures set out above are based on net carrying amounts. As shown above, 93% (2019: 97%) of total maximum exposure is derived from loans and advances. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Company's loans and advances due to the following:

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

(e) Credit quality of financial assets

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

Credit quality description is summarised as follows:

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

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

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

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

	2020			2019			
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Total 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	90,474,482	-	-	90,474,482	-	-	30,292,766
Un-graded	147,324,672	-	-	147,324,672	-	-	47,779,391
Gross carrying amount	237,799,154	-	-	237,799,154	-	-	78,072,157
Less: Expected credit loss	(1,889,969)	-	-	(1,889,969)	-	-	(780,721)
Net carrying amount	235,909,185	-	-	235,909,185	-	-	77,291,436
In US\$ equivalent	58,321,183	-	-	58,321,183	-	-	18,967,224

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

	2020		2019		Total	12-month ECL KHR'000	LifETIME ECL Credit- Impaired KHR'000	LifETIME ECL not Credit- Impaired KHR'000	Total	12-month ECL KHR'000	LifETIME ECL Credit- Impaired KHR'000	LifETIME ECL not Credit- Impaired KHR'000	Total
	12-month ECL KHR'000	Lifetime ECL not Credit- Impaired KHR'000	Lifetime ECL Credit- Impaired KHR'000	Lifetime ECL not Credit- Impaired KHR'000									
Loans and advances at amortised cost													
Standard monitoring	3,295,828,183	-	-	-	3,295,828,183	3,127,350,043	-	-	-	-	-	-	3,127,350,043
Special monitoring	-	101,152,077	-	-	101,152,077	-	-	3,646,766	-	-	-	3,646,766	3,646,766
Default	-	-	65,222,656	-	65,222,656	-	-	-	-	15,776,322	-	15,776,322	15,776,322
Gross carrying amount	3,295,828,183	101,152,077	65,222,656	-	3,462,202,916	3,127,350,043	3,646,766	3,646,766	15,776,322	15,776,322	3,146,773,131	(6,361,357)	(31,291,206)
Less: Expected credit loss	(30,823,708)	(5,132,755)	(31,371,536)	-	(67,327,999)	(24,377,268)	(552,581)	-	(6,361,357)	-	-	-	-
Net carrying amount	3,265,004,475	96,019,322	33,851,120	-	3,394,874,917	3,102,972,775	3,094,185	3,094,185	9,414,965	9,414,965	3,115,481,925	2,310,421	764,535,442
In US\$ equivalent	807,170,451	23,737,781	8,368,633	-	839,276,865	761,465,712	759,309	759,309	2,310,421	2,310,421	764,535,442	-	-

(f) Loss allowance

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

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2020	24,377,268	552,581	6,361,357	31,291,206
<i>Changes due to exposure:</i>				
Transfer to stage 1	35,243	(23,035)	(12,208)	-
Transfer to stage 2	(733,340)	735,036	(1,696)	-
Transfer to stage 3	(604,659)	(324,448)	929,107	-
Net remeasurement of loss allowance (*)	(3,578,099)	3,030,983	21,516,547	20,969,431
New financial assets originated	19,519,136	1,321,941	3,902,334	24,743,411
Financial assets derecognised during the year other than write off	(8,276,173)	(97,036)	(280,841)	(8,654,050)
Write-offs	(41,841)	(97,513)	(3,188,652)	(3,328,006)
Foreign exchange difference	126,173	34,246	162,348	322,767
Unwinding of discount (**)	-	-	1,983,240	1,983,240
Loss allowance as at 31 December 2020	<u>30,823,708</u>	<u>5,132,755</u>	<u>31,371,536</u>	<u>67,327,999</u>
In US\$ equivalent	<u>7,620,200</u>	<u>1,268,913</u>	<u>7,755,633</u>	<u>16,644,746</u>

(*) Impact of the measurement of ECL due to changes in EADs, PDs and LGDs during the year arising from regular refreshing of inputs to models.

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

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2020	3,127,350,043	3,646,766	15,776,322	3,146,773,131
<i>Changes due to exposure:</i>				
Transfer to stage 1	180,804	(151,267)	(29,537)	-
Transfer to stage 2	(89,986,122)	89,991,795	(5,673)	-
Transfer to stage 3	(47,846,352)	(2,284,654)	50,131,006	-
New financial assets originated or purchased	1,375,919,988	11,014,065	7,388,187	1,394,322,240
Financial assets derecognised during the year other than write off	(1,069,082,787)	(576,537)	(739,670)	(1,070,398,994)
Write-offs	(707,391)	(488,091)	(7,297,979)	(8,493,461)
Gross carrying amount as at 31 December 2020	<u>3,295,828,183</u>	<u>101,152,077</u>	<u>65,222,656</u>	<u>3,462,202,916</u>
In US\$ equivalent	<u>814,790,651</u>	<u>25,006,694</u>	<u>16,124,266</u>	<u>855,921,611</u>

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2019	14,482,901	438,766	6,774,028	21,695,695
<i>Changes due to exposure:</i>				
Transfer to stage 1	48,427	(19,339)	(29,088)	-
Transfer to stage 2	(53,580)	59,477	(5,897)	-
Transfer to stage 3	(252,708)	(205,685)	458,393	-
Net remeasurement of loss allowance	(3,825,124)	225,738	2,704,985	(894,401)
New financial assets originated	19,803,543	241,283	669,766	20,714,592
Financial assets derecognised during the year other than write off	(6,446,219)	(85,463)	(699,011)	(7,230,693)
Write-offs	(84,327)	(118,162)	(3,695,624)	(3,898,113)
Foreign exchange difference	704,355	15,966	183,805	904,126
Loss allowance as at 31 December 2019	<u>24,377,268</u>	<u>552,581</u>	<u>6,361,357</u>	<u>31,291,206</u>
In US\$ equivalent	<u>5,982,152</u>	<u>135,603</u>	<u>1,561,069</u>	<u>7,678,824</u>
	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2019	1,925,376,214	2,666,446	16,047,786	1,944,090,446
<i>Changes due to exposure:</i>				
Transfer to stage 1	247,248	(159,207)	(88,041)	-
Transfer to stage 2	(2,860,102)	2,879,739	(19,637)	-
Transfer to stage 3	(8,258,583)	(1,529,120)	9,787,703	-
New financial assets originated or purchased	2,075,571,794	713,258	(437,622)	2,075,847,430
Financial assets derecognised during the year other than write off	(861,888,912)	(516,513)	(1,885,212)	(864,290,637)
Write-offs	(837,616)	(407,837)	(7,628,655)	(8,874,108)
Gross carrying amount as at 31 December 2019	<u>3,127,350,043</u>	<u>3,646,766</u>	<u>15,776,322</u>	<u>3,146,773,131</u>
In US\$ equivalent	<u>767,447,864</u>	<u>894,912</u>	<u>3,871,490</u>	<u>772,214,266</u>

- (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.

	2020				2019			
	Deposits and placements with banks KHR'000	Loans and advances at amortised cost KHR'000	Other financial assets KHR'000	Total KHR'000	Deposits and placements with banks KHR'000	Loans and advances at amortised cost KHR'000	Other financial assets KHR'000	Total KHR'000
Financial institutions	237,799,154	-	-	237,799,154	78,072,157	-	-	78,072,157
Trade and commerce	-	628,357,223	-	628,357,223	-	493,234,369	-	493,234,369
Services	-	562,191,223	-	562,191,223	-	420,091,494	-	420,091,494
Manufacturing	-	44,961,931	-	44,961,931	-	16,353,875	-	16,353,875
Transportation	-	20,332,995	-	20,332,995	-	36,750,608	-	36,750,608
Agriculture	-	889,415,893	-	889,415,893	-	1,075,119,979	-	1,075,119,979
Construction	-	139,328,660	-	139,328,660	-	297,546,619	-	297,546,619
Household/family	-	1,177,200,085	-	1,177,200,085	-	798,344,204	-	798,344,204
Others	-	414,906	3,451,321	3,866,227	-	9,331,983	6,389,503	15,721,486
Gross carrying amount	237,799,154	3,462,202,916	3,451,321	3,703,453,391	78,072,157	3,146,773,131	6,389,503	3,231,234,791
Less: Expected credit loss	(1,889,969)	(67,327,999)	-	(69,217,968)	(780,721)	(31,291,206)	-	(32,071,927)
Net carrying amount	235,909,185	3,394,874,917	3,451,321	3,634,235,423	77,291,436	3,115,481,925	6,389,503	3,199,162,864
In US\$ equivalent	58,321,183	839,276,865	853,231	898,451,279	18,967,224	764,535,442	1,567,976	785,070,642

(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) *Reposessed 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 2020 and 31 December 2019.

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
As at 31 December 2020				
Financial assets				
Cash on hand	16,187,629	68,975,478	4,468,783	89,631,890
Deposits and placements with the central bank	118,291,738	204,335,977	-	322,627,715
Deposits and placements with banks	57,830,109	178,079,076	-	235,909,185
Loans and advances at amortised cost	840,985,921	2,338,374,180	215,514,816	3,394,874,917
Financial assets at fair value through other comprehensive income	-	60,675	-	60,675
Other financial assets	803,113	2,581,248	66,960	3,451,321
Total financial assets	1,034,098,510	2,792,406,634	220,050,559	4,046,555,703
Financial liabilities				
Deposits from banks and other financial institutions	1,897	134,230,707	-	134,232,604
Deposits from customers	140,343,337	1,881,548,230	12,076,395	2,033,967,962
Borrowings	132,580,544	775,718,368	174,987,418	1,083,286,330
Subordinated debts	-	165,561,432	-	165,561,432
Debt securities	27,617,459	53,732,838	-	81,350,297
Lease liabilities	-	18,229,165	-	18,229,165
Other liabilities	958,561	1,312,613	19,553	2,290,727
Total financial liabilities	301,501,798	3,030,333,353	187,083,366	3,518,918,517
Net on-balance sheet position	732,596,712	(237,926,719)	32,967,193	527,637,186
In US\$ equivalent	181,111,672	(58,819,955)	8,150,108	130,441,825

	In KHR'000 equivalent			
	KHR	US\$	THB	Total
As at 31 December 2019				
Financial assets				
Cash on hand	20,383,956	81,937,814	2,863,811	105,185,581
Deposits and placements with the central bank	234,840,155	336,079,852	-	570,920,007
Deposits and placements with banks	16,968,385	60,323,051	-	77,291,436
Loans and advances at amortised cost	687,323,559	2,230,580,747	197,577,619	3,115,481,925
Financial assets at fair value through other comprehensive income	-	61,125	-	61,125
Other financial assets	301,051	5,925,250	163,202	6,389,503
Total financial assets	959,817,106	2,714,907,839	200,604,632	3,875,329,577
Financial liabilities				
Deposits from banks and other financial institutions	2,694,970	90,440,161	-	93,135,131
Deposits from customers	227,608,755	1,536,438,294	7,788,312	1,771,835,361
Borrowings	175,779,975	1,092,829,878	157,849,738	1,426,459,591
Subordinated debts	-	120,587,586	-	120,587,586
Debt securities	27,624,548	54,131,351	-	81,755,899
Lease liabilities	-	18,602,031	-	18,602,031
Other liabilities	713,037	1,027,257	2,332	1,742,626
Total financial liabilities	434,421,285	2,914,056,558	165,640,382	3,514,118,225
Net on-balance sheet position	525,395,821	(199,148,719)	34,964,250	361,211,352
In US\$ equivalent	128,931,490	(48,870,851)	8,580,185	88,640,824

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\$
2020				
KHR/US\$ exchange rate- increase by 2%	3,777,852	-	933,956	-
KHR/US\$ exchange rate- decrease by 2%	(3,932,051)	-	(972,077)	-
KHR/THB exchange rate- increase by 6%	(1,511,121)	-	(373,577)	-
KHR/THB exchange rate- decrease by 6%	1,704,030	-	421,268	-
2019				
KHR/US\$ exchange rate- increase by 2%	3,514,389	-	868,823	-
KHR/US\$ exchange rate- decrease by 2%	(3,657,833)	-	(904,285)	-
KHR/THB exchange rate- increase by 6%	(1,781,198)	-	(440,346)	-
KHR/THB exchange rate- decrease by 6%	2,008,584	-	496,560	-

(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.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Non-interest rate sensitive KHR'000	Total KHR'000
As at 31 December 2020							
Financial assets							
Cash on hand	-	-	-	-	-	89,631,890	89,631,890
Deposits and placements with the central bank	-	1,009,208	809,344	-	-	320,809,163	322,627,715
Deposits and placements with banks	67,751,386	67,333,610	-	-	-	100,824,189	235,909,185
Financial assets at fair value through other comprehensive income	-	-	-	-	-	60,675	60,675
Loans and advances at amortised cost	8,883,741	24,485,961	190,256,255	2,774,086,772	397,162,188	-	3,394,874,917
Other financial assets	-	-	-	-	-	3,451,321	3,451,321
Total financial assets	76,635,127	92,828,779	191,065,599	2,774,086,772	397,162,188	514,777,238	4,046,555,703
Financial liabilities							
Deposits from banks and other financial institutions	29,503,739	37,555,405	62,304,153	4,869,307	-	-	134,232,604
Deposits from customers	374,713,967	371,772,211	990,318,482	297,163,302	-	-	2,033,967,962
Borrowings	20,907,070	39,495,120	248,549,086	774,335,054	-	-	1,083,286,330
Subordinated debts	-	12,449,902	2,480,053	89,897,312	60,734,165	-	165,561,432
Debt securities	-	-	-	81,350,297	-	-	81,350,297
Lease liabilities	17,873	34,696	138,659	398,670	17,639,267	-	18,229,165
Other financial liabilities	-	-	-	-	-	2,290,727	2,290,727
Total financial liabilities	425,142,649	461,307,334	1,303,790,433	1,248,013,942	78,373,432	2,290,727	3,518,918,517
Net interest repricing gap	(348,507,522)	(368,478,555)	(1,112,724,834)	1,526,072,830	318,788,756	512,486,511	527,637,186
In US\$ equivalent	(86,157,607)	(91,094,822)	(275,086,486)	377,273,876	78,810,570	126,696,294	130,441,825

	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Non-interest rate sensitive KHR'000	Total KHR'000
As at 31 December 2019							
Financial assets							
Cash on hand	-	-	-	-	-	105,185,581	105,185,581
Deposits and placements with the central bank	-	200,180	-	-	-	570,719,827	570,920,007
Deposits and placements with banks	11,035,100	-	-	-	-	66,256,336	77,291,436
Financial assets at fair value through other comprehensive income	-	-	-	-	-	61,125	61,125
Loans and advances at amortised cost	113,695,585	286,557,893	1,095,493,572	1,603,178,052	16,556,823	-	3,115,481,925
Other financial assets	-	-	-	-	-	6,389,503	6,389,503
Total financial assets	124,730,685	286,758,073	1,095,493,572	1,603,178,052	16,556,823	748,612,372	3,875,329,577
Financial liabilities							
Deposits from banks and other financial institutions	16,479,987	26,536,957	50,118,187	-	-	-	93,135,131
Deposits from customers	382,799,991	392,156,211	823,403,618	173,475,541	-	-	1,771,835,361
Borrowings	3,123,134	81,547,338	206,253,674	1,135,535,445	-	-	1,426,459,591
Subordinated debits	4,094,203	2,494,277	-	95,926,888	18,072,218	-	120,587,586
Debt securities	-	-	1,224,548	80,531,351	-	-	81,755,899
Lease liabilities	385,320	758,334	3,309,666	9,716,775	4,431,936	-	18,602,031
Other financial liabilities	-	-	-	-	-	1,742,626	1,742,626
Total financial liabilities	406,882,635	503,493,117	1,084,309,693	1,495,186,000	22,504,154	1,742,626	3,514,118,225
Net interest repricing gap	(282,151,950)	(216,735,044)	11,183,879	107,992,052	(5,947,331)	746,869,746	361,211,352
In US\$ equivalent	(69,239,742)	(53,186,514)	2,744,510	26,501,117	(1,459,468)	183,280,921	88,640,824

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\$
2020				
Interest rate increase by 100 basis point	1,140,392	-	281,926	-
Interest rate decrease by 100 basis point	(1,140,392)	-	(281,926)	-
2019				
Interest rate increase by 100 basis point	1,900,396	-	466,355	-
Interest rate decrease by 100 basis point	(1,900,396)	-	(466,355)	-

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	Total KHR'000
As at 31 December 2020						
Financial assets						
Cash on hand	89,631,890	-	-	-	-	89,631,890
Deposits and placements with the central bank	320,809,163	1,012,580	810,471	-	-	322,632,214
Deposits and placements with banks	168,156,292	67,979,886	-	-	-	236,136,178
Financial assets at fair value through other comprehensive income	60,675	-	-	-	-	60,675
Loans and advances at amortised cost	201,919,322	289,475,911	1,224,356,795	2,714,032,125	89,044,260	4,518,828,413
Other financial assets	3,055,242	13,146	116,092	122,968	143,873	3,451,321
Total financial assets by remaining contractual maturities	783,632,584	358,481,523	1,225,283,358	2,714,155,093	89,188,133	5,170,740,691
Financial liabilities						
Deposits from banks and other financial institutions	28,189,156	39,072,767	63,648,125	5,285,235	-	136,195,283
Deposits from customers	368,851,117	398,681,910	1,035,692,983	331,206,591	-	2,134,432,601
Borrowings	38,809,983	106,026,219	438,687,807	605,689,956	-	1,189,213,965
Subordinated debts	-	15,325,392	33,137,068	149,256,429	23,068,521	220,787,410
Debt securities	-	-	6,701,848	83,474,581	-	90,176,429
Lease liabilities	488,968	950,394	3,979,469	11,018,136	585,276	17,022,243
Other financial liabilities	2,290,727	-	-	-	-	2,290,727
Total financial liabilities by remaining contractual maturities	438,629,951	560,056,682	1,581,847,300	1,185,930,928	23,653,797	3,790,118,658
Net liquidity (gap)/surplus	345,002,633	(201,575,159)	(356,563,942)	1,528,224,165	65,534,336	1,380,622,033
In US\$ equivalent	85,291,133	(49,833,167)	(88,149,306)	377,805,727	16,201,319	341,315,706

As at 31 December 2020, the Company has undrawn overdraft facilities amounting to KHR 24,670,000 thousands (US\$ 6,098,888) from local financial institutions.

	Up to 1 month KHR'000	1 to 3 months KHR'000	3 to 12 months KHR'000	1 to 5 years KHR'000	Over 5 years KHR'000	Total KHR'000
As at 31 December 2019						
Financial assets						
Cash on hand	105,185,581	-	-	-	-	105,185,581
Deposits and placements with the central bank	570,719,827	-	200,617	-	-	570,920,444
Deposits and placements with banks	77,291,436	-	-	-	-	77,291,436
Financial assets at fair value through other comprehensive income	61,125	-	-	-	-	61,125
Loans and advances at amortised cost	183,125,120	263,581,880	1,138,474,045	2,493,450,592	27,141,132	4,105,772,769
Other financial assets	6,389,503	-	-	-	-	6,389,503
Total financial assets by remaining contractual maturities	942,772,592	263,581,880	1,138,674,662	2,493,450,592	27,141,132	4,865,620,858
Financial liabilities						
Deposits from banks and other financial institutions	15,221,020	27,988,144	51,463,746	-	-	94,672,910
Deposits from customers	377,981,497	408,632,571	866,998,902	202,611,957	-	1,856,224,927
Borrowings	33,974,299	147,850,991	400,574,581	1,014,358,266	-	1,596,758,137
Subordinated debts	4,566,248	4,704,825	104,025,311	44,025,535	1,621,177	158,970,096
Debt securities	-	-	6,696,994	90,535,189	-	97,232,183
Lease liabilities	502,786	985,852	985,852	4,266,553	12,340,343	19,081,386
Other financial liabilities	1,742,626	-	-	-	-	1,742,626
Total financial liabilities by remaining contractual maturities	433,988,476	590,162,383	1,430,745,386	1,355,824,500	13,961,520	3,824,682,265
Net liquidity (gap)/surplus	508,784,116	(326,580,503)	(292,070,724)	1,137,626,092	13,179,612	1,040,938,593
In US\$ equivalent	124,854,998	(80,142,455)	(71,673,797)	279,172,047	3,234,261	255,445,054

As at 31 December 2019, the Company has undrawn overdraft facilities amounting to KHR 37,166,201 thousands (US\$ 9,120,540) 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 2020 and 31 December 2019 on a recurring basis:

	Level 1 KHR'000	Level 2 KHR'000	Level 3 KHR'000	Total KHR'000
As at 31 December 2020				
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	60,675	60,675
Total financial assets	-	-	60,675	60,675
In US\$ equivalent	-	-	15,000	15,000
As at 31 December 2019				
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	-	-	61,125	61,125
Total financial assets	-	-	61,125	61,125
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) Lease liabilities

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

v) Other financial assets and other financial liabilities

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

vi) Borrowings and subordinated debts

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

vii) Debt securities

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

36.5 Capital management

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

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

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

The table below summarises the composition of regulatory capital:

	2020 KHR'000	2019 KHR'000	2020 US\$	2019 US\$
Tier I capital				
Share capital	224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings	298,065,276	107,919,895	73,379,198	26,740,647
Other reserves	210,415,116	210,415,116	51,979,374	51,979,374
Less: Loans to related parties	<u>(2,618,151)</u>	<u>(255,891)</u>	<u>(647,256)</u>	<u>(62,795)</u>
	<u>730,239,641</u>	<u>542,456,520</u>	<u>180,172,166</u>	<u>134,118,076</u>
Tier II complementary capital				
Subordinated debts	<u>157,755,000</u>	<u>109,210,000</u>	<u>39,000,000</u>	<u>26,800,000</u>
	<u>157,755,000</u>	<u>109,210,000</u>	<u>39,000,000</u>	<u>26,800,000</u>
Total Capital Tier I + Tier II	<u>887,994,641</u>	<u>651,666,520</u>	<u>219,172,166</u>	<u>160,918,076</u>

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Tel: 081 800 315

7. Krong Paoy Paet Branch - Sangkat Phsar Kandal

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Tel: 081 800 324

8. Preah Netr Preah District Branch - Chob Vari Commune

National Road N°6, Chob Village, Chob Vari Commune, Preah Netr Preah District, Banteay Meanchey Province.

Tel: 081 800 020

9. Thma Puok District Branch - Kumru Commune

National Road 56A, Andoung Khlong Village, Kumru Commune, Thma Puok District, Banteay Meanchey Province.

Tel: 081 800 595

10. Battambang Provincial Branch

N°01.F59A N°02.F59A N°03.F59A National Road N°5, Prek Moha Tep Village, Sangkat Svay Por, Krong Battambang, Battambang Province

Tel: 081 800 317

11. Krong Battambang Branch - Sangkat Rottanak

Phum Rumchek 4, Sangkat Rottanak, Krong Battambang, Battambang Province.

Tel: 081 800 536

12. Bavel District Branch - Bavel Commune

National Road N°57, Spean Kandaol Village, Bavel Commune, Bavel District, Battambang Province.

Tel: 081 800 609

13. Kamrieng District Branch - Boeng Reang Commune

N°79, Doung Village, Boeng Reang Commune, Kamrieng District, Battambang Province.

Tel: 081 800 785

14. Moug Ruessei District Branch - Kear Commune

National Road N°5, Kear Bei Village, Kear Commune, Moug Ruessei District, Battambang Province.

Tel: 081 800 319

15. Rotonak Mondol District Branch - Sdau Commune

N°491, Group 1, Sdau Village, Sdau Commune, Rotonak Mondol District, Battambang Province.

Tel: 081 800 318

16. Samlout District Branch - Ta Sanh Commune

Street 10B, Ou Tontuem Village, Ta Sanh Commune, Samlout District, Battambang Province.

Tel: 081 800 988

17. Sampov Lun District Branch - Santepheap Commune

1025, Trapeang Prolit Village, Santepheap Commune, Sampov Lun District, Battambang Province.

Tel: 081 800 585

18. Kampong Cham Provincial Branch

Boeng Snay Village, Sangkat Sambuor Meas, Krong Kampong Cham, Kampong Cham Province.

Tel: 081 800 298

- 19. Chamkar Leu District Branch - Svay Teab Commune**
National Road N° 71, Thnol Baek Kaeut Village,
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Tel: 081 800 983
- 20. Cheung Prey District Branch - Soutib Commune**
National Road N°6, Ta saen Village, Soutip
Commune, Cheung Prey District,
Kampong Cham Province.
Tel: 081 800 301
- 21. Prey Chhor District Branch - Chrey Vien Commune**
National Road No 7, Slaeng Village,
Chrey Vien Commune, Prey Chhor District,
Kampong Cham Province.
Tel: 081 800 040
- 22. Kampong Chhnang Provincial Branch**
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Tel: 081 400 241
- 23. Kampong Tralach District Branch - Thma Edth
Commune**
National Road No 5, Daeum Popel Village,
Thma Edth Commune, Kampong Tralach District,
Kampong Chhnang Province.
Tel: 081 800 039
- 24. Kampong Speu Provincial Branch**
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Tel: 081 800 769
- 25. Odongk District Branch - Veang Chas Commune**
National Road N°5, Srah Keo Village, Veang Chas
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Tel: 081 800 321
- 26. Phnum Sruoch District Branch - Kiri Voan Commune**
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- 27. Kampong Thom Provincial Branch**
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- 28. Baray District Branch - Ballangk Commune**
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- 29. Sandan District Branch - Sandan Commune**
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Sandan District, Kampong Thom Province.
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- 30. Stoung District Branch - Kampong Chen Cheung
Commune**
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Stoung District, Kampong Thom Province
Tel: 081 800 967
- 31. Kampot Provincial Branch**
National Road N°3, Svay Thum Village, Sangkat
Krang Ampil, Kampot Municipality, Kampot Province.
Tel: 081 800 297
- 32. Angkor Chey District Branch - Phnum Kong
Commune**
Pou Village, Phnum Kong Commune, Angkor Chey
District, Kampot Province.
Tel: 081 800 293
- 33. Chhuk District Branch - Satv Pong Commune**
National Road N°3, Satv Pong Village, Satv Pong
Commune, Chhuk District, Kampot Province.
Tel: 081 800 290
- 34. Kampong Trach District Branch - Ang Sophy
Commune**
National Road N°31, Boeng Thum Khang Lech Village,
Ang Sophy Commune, Kampong Trach District,
Kampot Province.
Tel: 081 800 202
- 35. Kandal Provincial Branch**
#138, National Road N°2, Krapeu Ha Village, Sangkat
Prek Ruessey, Ta Khmau Municipality,
Kandal Province.
Tel: 081 800 312
- 36. Angk Snuol District Branch - Baek Chan Commune**
National Road N°4, Borei Kammeakkar Village,
Baek Chan Commune, Angk Snuol District,
Kandal Province.
Tel: 081 400 222
- 37. Kaoh Thum District Branch - Preaek Thmei
Commune**
National Road N°21, Preaek Thon Village, Preaek
Thmei Commune, Kaoh Thum District,
Kandal Province.
Tel: 081 700 127
- 38. Kien Svay District Branch - Kokir Commune**
National Road N°1, Chen kaoh Village, Kokir
Commune, Kien Svay District, Kandal Province.
Tel: 081 800 601

- 39. Mukh Kampul District Branch - Preaek Anhchanh Commune**
National Road N°6, Preaek Anhchanh Commune, Mukh Kampul District, Kandal Province.
Tel: 081 900 041
- 40. Krong Ta Khmau Branch - Sangkat Roka Khpos**
National Road N°21, Preaek Khsev Village, Sangkat Roka Khpos, Takhmau Municipality, Kandal Province.
Tel: 081 800 314
- 41. Koh Kong Provincial Branch**
National Road N°48, Phum Ti Muoy, Sangkat Smach Mean Chey, Khemara Phoumin Municipality, Koh Kong Province.
Tel: 081 900 281
- 42. Kratie Provincial Branch**
Street Sangkum Reah Niyum, Doun Chroam Village, Kratie Sangkat, Kratie Municipality, Kratie Province.
Tel: 081 900 327
- 43. Chhloung District Branch - Chhloung Commune**
Street 308, Chrouy Thma Kraom Village, Chhloung Commune, Chhloung District, Kratie Province.
Tel: 081 900 328
- 44. Snuol District Branch - Snuol Commune**
Street 74, Kbal Snuol Village, Snuol Commune, Snuol District, Kratie Province.
Tel: 081 700 215
- 45. Mondul Kiri Provincial Branch**
National Road N°76, Ou Spean Village, Sangkat Spean Mean Chey, Saen Monourom Municipality, Mondul Kiri Province.
Tel: 081 700 111
- 46. Preah Vihear Provincial Branch**
Andoung Pou Village, Sangkat Kampong Pranak, Preah Vihear Municipality, Preah Vihear Province.
Tel: 081 800 996
- 47. Choam Ksant District Branch - Choam Ksant Commune**
National Road N°9B, Choam Ksant Village, Choam Ksant Commune, Choam Ksant District, Preah Vihear Province.
Tel: 081 900 855
- 48. Preah Sihanouk Provincial Branch**
#19-20, Borey Kamakor Steet, Phum Bei Village, Sangkat Bei, Khan Mittapheap, Preah Sihanouk Municipality, Preah Sihanouk Province.
Tel: 081 900 277
- 49. Prey Veng Provincial Branch**
Phum Lekh Prampir, Sangkat Kampong Leav, Prey Veng Municipality, Prey Veng Province.
Tel: 081 900 781
- 50. Kampong Trabaek District Branch - Prasat Commune**
National Road N°1, Doung tung Village, Prasat Commune, Kampong Trabaek District, Prey Veng Province.
Tel: 081 900 305
- 51. Me Sang District Branch - Chi Phoch Commune**
Veang Village, Chi Phoch Commune, Me Sang District, Prey Veng Province.
Tel: 081 700 010
- 52. Pea Reang District Branch - Roka Commune**
National Road N°8, Snay Pol Village, Roka Commune, Pea Reang District, Prey Veng Province.
Tel: 081 300 400
- 53. Peam Ro District Branch - Preaek Khsay Kha Commune**
National Road N°1, Phum Muoy Village, Preaek Khsay Kha Commune, Peam Ro District, Prey Veng Province.
Tel: 081 800 277
- 54. Pursat Provincial Branch**
#256, National Road N°5, Thnal Bambaek Village, Sangkat Roleab, Pursat Municipality, Pursat Province.
Tel: 081 800 889
- 55. Ratanak Kiri Provincial Branch**
#B06 & B07, National Road N°78A, Akpiwat Village, Sangkat Labansiek, Ban Lung Municipality, Ratanak Kiri Province.
Tel: 081 800 244
- 56. Bar Kaev District Branch - La Minh Commune**
National Road N°78, Phum Muoy, La Minh Commune, Bar Kaev District, Ratanak Kiri Province.
Tel: 081 900 248
- 57. Siem Reap Provincial Branch**
Banteay Chas Village, Sangkat Sla Kram, Siem Reap Municipality, Siem Reap Province.
Tel: 081 900 294
- 58. Angkor Chum District Branch - Char Chhuk Commune**
Street 231, Doun Sva Village, Char Chhuk Commune, Angkor Chum District, Siem Reap Province.
Tel: 081 800 151

- 59. Chi Kraeng District Branch - Kampong Kdei Commune**
#028, National Road N°6, Kampong Kdei Muoy Village, Kampong Kdei Commune, Chi Kraeng District, Siem Reap Province.
Tel: 081 800 295
- 60. Puok District Branch - Puok Commune**
N° 2709, Kouk Chuon Village, Puok Commune, Puok District, Siem Reap Province.
Tel: 081 800 296
- 61. Soutr Nikom District Branch - Dam Daek Commune**
Doun Hong Village, Dam Daek Commune, Soutr Nikom District, Siemreap Province.
Tel: 081 800 297
- 62. Stung Traeng Provincial Branch**
#22, Kandal Village, Stueng Traeng Sangkat, Stueng Traeng Municipality, Stung Treng Province.
Tel: 081 800 959
- 63. Svay Rieng Provincial Branch**
National Road No1, Sangkat Prey Chhlak, Svay Rieng Municipality, Svay Rieng Province.
Tel: 081 800 302
- 64. Krong Bavet Branch - Sangkat Prey Angkunh**
National Road No1, Chrey Thum Village, Sangkat Prey Angkunh, Bavet Municipality, Svay Rieng province.
Tel: 081 800 783
- 65. Romeas Haek District Branch - Kampong Trach Commune**
Ta Trav Village, Kampong Trach Commune, Romeas Haek District, Svay Rieng Province.
Tel: 081 800 304
- 66. Takeo Provincial Branch**
National Road N°2, Phsar Ta Kao Village, Sangkat Roka Knong, Doun Kaev Municipality, Takeo Province.
Tel: 081 800 199
- 67. Bati District Branch - Trapeang Sab Commune**
National Road N°2, Smau Khnhei Village, Trapeang Sab Commune, Bati District, Takeo Province.
Tel: 081 800 307
- 68. Kiri Vong District Branch - Preah Bat Choan Chum Commune**
National Road N°2, Kampong Village, Preah Bat Choan Chum Commune, Kiri Vong District, Takeo Province.
Tel: 081 800 289
- 69. Prey Kabbas District Branch - Prey Lvea Commune**
Lvea Tnaot Village, Prey Lvea Commune, Prey Kabbas District, Takeo Province.
Tel: 081 800 309
- 70. Tram Kak District Branch - Angk Ta Saom Commune**
National Road N°3, Trapeang khout Village, Angk Ta Saom Commune, Tram Kak District, Takeo Province.
Tel: 081 800 288
- 71. Oddar Meanchey Provincial Branch**
National Road N°68, Doun Kaen Village, Sangkat Samraong, Samraong Municipality, Oddar Meanchey Province.
Tel: 081 800 316
- 72. Anlong Veang District Branch - Anlong Veang Commune**
National Road N°67, Akphivoad Village, Anlong Veang Commune, Anlong Veang District, Oddar Meanchey Province.
Tel: 081 800 211
- 73. Banteay Ampil District Branch - Kouk Mon Commune**
National Road N°56A, Kouk Mon Village, Kouk Mon Commune, Banteay Ampil District, Oddar Meanchey Province.
Tel: 081 300 311
- 74. Pailin Provincial Branch**
National Road N° 57, Ou Ta Puk Leu Village, Sangkat Pailin, Pailin Municipality, Pailin Province.
Tel: 081 800 242
- 75. Tboung Khmum Provincial Branch**
Cheung Lang Village, Sangkat Suong, Suong Municipality, Tboung Khmum Province.
Tel: 081 800 326
- 76. Dambae District Branch - Dambae Commune**
National Road N°73, Sach Chey Sen Village, Dambae Commune, Dambae District, Tboung Khmum Province.
Tel: 081 800 420
- 77. Memot District Branch - Memot Commune**
National Road N°7, Masin Tuek Village, Memot Commune, Memot District, Tboung Khmum Province.
Tel: 081 800 255
- 78. Ou Reang Ov District Branch - Ampil Ta Pok Commune**
Lekh Bei Village, Ampil Ta Pok Commune, Ou Reang Ov District, Tboung Khmum Province.
Tel: 081 800 578
- 79. Ponhea Kraek District Branch - Kaong Kang Commune**
National Road N°7, Kandaol kaong Village, Kaong Kang Commune, Ponhea Kraek District, Tboung Khmum Province.
Tel: 081 800 333



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