

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

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LOLC (Cambodia) Plc.

STATEMENT BY BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting the condensed interim financial information of LOLC (Cambodia) Plc. ("the Company") for the six-month period ended 30 June 2021.

BOARD OF DIRECTORS

The Board of Directors of the Company during the period 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 |

In the opinion of the Board of Directors, the condensed interim financial information of the Company is prepared, in all material respects, the financial position of the Company as at 30 June 2021 and its financial performance for the three-month and six-month periods then ended, changes in equity and cash flows of the Company for the six-month period then ended, in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting".

On behalf of the Board of Directors

Mr. Brindley Chrishantha Gajanayake de Zylva
Chairman

12 August 2021



Report on review of condensed interim financial information

To the Shareholders of LOLC (Cambodia) Plc.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of LOLC (Cambodia) Plc. ("the Company") as at 30 June 2021, the related condensed interim statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, the related condensed interim statements of changes in equity and cash flows for the six-month period then ended and the condensed notes to the interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with Cambodian International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting".

For PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
12 August 2021

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

		30 June 2021	31 December 2020	30 June 2021	31 December 2020
Notes	KHR'000	KHR'000	US\$	US\$	
ASSETS					
Cash on hand		88,589,990	89,631,890	21,739,875	22,158,687
Deposits and placements with the central bank		214,338,120	322,627,715	52,598,312	79,759,633
Deposits and placements with banks		239,712,823	235,909,185	58,825,233	58,321,183
Financial assets at fair value through other comprehensive income		61,125	60,675	15,000	15,000
Loans and advances at amortised cost	6	3,583,603,049	3,394,874,917	879,411,791	839,276,865
Statutory deposits with the central bank		219,699,503	217,819,305	53,913,988	53,849,025
Property and equipment	7	6,647,299	7,540,158	1,631,239	1,864,069
Right-of-use assets	8	24,395,138	20,687,945	5,986,537	5,114,449
Intangible assets	9	6,058,240	6,109,699	1,486,685	1,510,432
Deferred tax assets		28,727,954	25,449,305	7,049,805	6,291,546
Other assets		14,848,112	13,623,985	3,643,708	3,368,105
TOTAL ASSETS		4,426,681,353	4,334,334,779	1,086,302,173	1,071,528,994
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	10	154,038,925	134,232,604	37,800,963	33,184,822
Deposits from customers	11	2,119,189,972	2,033,967,962	520,046,619	502,835,096
Borrowings	12	949,710,699	1,083,286,330	233,057,840	267,808,734
Debt securities		81,736,298	81,350,297	20,057,987	20,111,322
Lease liabilities	8	21,979,694	18,229,165	5,393,790	4,506,592
Current income tax liabilities		27,875,435	47,899,684	6,840,597	11,841,702
Employee benefits		2,537,749	2,650,325	622,760	655,210
Other liabilities		30,127,256	34,299,188	7,393,194	8,479,403
Subordinated debts	13	208,878,197	165,561,432	51,258,453	40,929,897
TOTAL LIABILITIES		3,596,074,225	3,601,476,987	882,472,203	890,352,778
EQUITY					
Share capital		224,377,400	224,377,400	55,460,850	55,460,850
Retained earnings		395,814,612	298,065,276	97,449,461	73,379,198
General reserves		210,415,116	210,415,116	51,979,374	51,979,374
Regulatory reserves		-	-	-	-
Other reserves		-	-	(1,059,715)	356,794
TOTAL EQUITY		830,607,128	732,857,792	203,829,970	181,176,216
TOTAL LIABILITIES AND EQUITY		4,426,681,353	4,334,334,779	1,086,302,173	1,071,528,994

The accompanying notes on pages 7 to 30 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2021

	Notes	Three-month period ended				Six-month period ended			
		30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
Interest income	14	175,707,579	150,793,643	43,245,774	36,895,924	347,362,618	305,956,846	85,536,227	75,063,014
Interest expense	14	(62,509,726)	(70,229,814)	(15,385,116)	(17,183,708)	(124,702,763)	(137,873,387)	(30,707,403)	(33,825,659)
Net interest income	14	<u>113,197,853</u>	<u>80,563,829</u>	<u>27,860,658</u>	<u>19,712,216</u>	<u>222,659,855</u>	<u>168,083,459</u>	<u>54,828,824</u>	<u>41,237,355</u>
Fee and commission income		5,168,275	14,328,145	1,272,034	3,505,785	12,394,576	34,040,038	3,052,099	8,351,334
Fee and commission expense		(111,425)	79,542	(27,424)	19,462	(290,716)	(312,760)	(71,587)	(76,732)
Net fee and commission income		<u>5,056,850</u>	<u>14,407,687</u>	<u>1,244,610</u>	<u>3,525,247</u>	<u>12,103,860</u>	<u>33,727,278</u>	<u>2,980,512</u>	<u>8,274,602</u>
Other operating income		178,727	1,736,397	43,989	424,859	977,856	2,645,478	240,792	649,038
Other gains/(losses) – net		66,434	2,220,733	16,351	543,365	(867,302)	(1,100,726)	(213,569)	(270,051)
Total other operating income		<u>245,161</u>	<u>3,957,130</u>	<u>60,340</u>	<u>968,224</u>	<u>110,554</u>	<u>1,544,752</u>	<u>27,223</u>	<u>378,987</u>
Credit impairment losses	15	(11,196,339)	828,263	(2,755,683)	202,658	(21,270,261)	(17,131,568)	(5,237,690)	(4,203,034)
Net other operating (losses)/gains		<u>(10,951,178)</u>	<u>4,785,393</u>	<u>(2,695,343)</u>	<u>1,170,882</u>	<u>(21,159,707)</u>	<u>(15,586,816)</u>	<u>(5,210,467)</u>	<u>(3,824,047)</u>
Personnel expenses	16	(31,647,649)	(28,106,552)	(7,789,232)	(6,877,062)	(65,761,720)	(55,184,125)	(16,193,479)	(13,538,794)
Depreciation and amortisation charges		(2,649,483)	(2,690,016)	(652,100)	(658,188)	(5,291,533)	(5,341,261)	(1,303,012)	(1,310,417)
Other operating expenses		(9,618,798)	(9,148,568)	(2,367,413)	(2,238,456)	(19,999,607)	(19,292,184)	(4,924,799)	(4,733,117)
Profit before income tax		<u>63,387,595</u>	<u>59,811,773</u>	<u>15,601,180</u>	<u>14,634,639</u>	<u>122,551,148</u>	<u>106,406,351</u>	<u>30,177,579</u>	<u>26,105,582</u>
Income tax expense	17	(12,863,804)	(12,043,789)	(3,166,085)	(2,946,853)	(24,801,812)	(20,671,012)	(6,107,316)	(5,071,396)
Profit for the period		<u>50,523,791</u>	<u>47,767,984</u>	<u>12,435,095</u>	<u>11,687,786</u>	<u>97,749,336</u>	<u>85,735,339</u>	<u>24,070,263</u>	<u>21,034,186</u>
Other comprehensive income: <i>Items that will not reclassified to profit or loss</i>									
Currency translation differences		-	-	(731,905)	(848,367)	-	-	(1,416,509)	(684,604)
Other comprehensive income for the period, net of tax		-	-	(731,905)	(848,367)	-	-	(1,416,509)	(684,604)
Total comprehensive income for the period		<u>50,523,791</u>	<u>47,767,984</u>	<u>11,703,190</u>	<u>10,839,419</u>	<u>97,749,336</u>	<u>85,735,339</u>	<u>22,653,754</u>	<u>20,349,582</u>
Profit attributable to:									
Owners of the Company		<u>50,523,791</u>	<u>47,767,984</u>	<u>12,435,095</u>	<u>11,687,786</u>	<u>97,749,336</u>	<u>85,735,339</u>	<u>24,070,263</u>	<u>21,034,186</u>
Total comprehensive income attributable to:									
Owners of the Company		<u>50,523,791</u>	<u>47,767,984</u>	<u>11,703,190</u>	<u>10,839,419</u>	<u>97,749,336</u>	<u>85,735,339</u>	<u>22,653,754</u>	<u>20,349,582</u>

The accompanying notes on pages 7 to 30 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

	Attributable to owners of the Company											
	Share capital KHR'000	Retained earnings KHR'000	General reserves KHR'000	Regulatory reserves KHR'000	Other reserves KHR'000	Total KHR'000	Share capital US\$	Retained earnings US\$	General reserves US\$	Regulatory reserves US\$	Other reserves US\$	Total US\$
Balance at 1 January 2020	224,377,400	107,919,896	210,415,116	10,694,759	-	553,407,171	55,460,850	26,740,647	51,979,374	2,645,229	(1,020,659)	135,805,441
Profit for the period	-	85,735,339	-	-	-	85,735,339	-	21,034,186	-	-	-	21,034,186
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	(684,604)	(684,604)
Total comprehensive income the period	-	85,735,339	-	-	-	85,735,339	-	21,034,186	-	-	(684,604)	20,349,582
Transactions with owners in their capacity as owners:												
Transfer to regulatory reserves	-	10,176,192	-	(10,176,192)	-	-	-	2,496,612	-	(2,496,612)	-	-
Total transactions with owners in their capacity as owners:	-	10,176,192	-	(10,176,192)	-	-	-	2,496,612	-	(2,496,612)	-	-
Balance at 30 June 2020	<u>224,377,400</u>	<u>203,831,427</u>	<u>210,415,116</u>	<u>518,567</u>	<u>-</u>	<u>639,142,510</u>	<u>55,460,850</u>	<u>50,271,445</u>	<u>51,979,374</u>	<u>148,617</u>	<u>(1,705,263)</u>	<u>156,155,023</u>
Balance at 1 January 2021	224,377,400	298,065,276	210,415,116	-	-	732,857,792	55,460,850	73,379,198	51,979,374	-	356,794	181,176,216
Profit for the period	-	97,749,336	-	-	-	97,749,336	-	24,070,263	-	-	-	24,070,263
Other comprehensive income – currency translation differences	-	-	-	-	-	-	-	-	-	-	(1,416,509)	(1,416,509)
Total comprehensive income for the period	-	97,749,336	-	-	-	97,749,336	-	24,070,263	-	-	(1,416,509)	22,653,754
Balance at 30 June 2021	<u>224,377,400</u>	<u>395,814,612</u>	<u>210,415,116</u>	<u>-</u>	<u>-</u>	<u>830,607,128</u>	<u>55,460,850</u>	<u>97,449,461</u>	<u>51,979,374</u>	<u>-</u>	<u>(1,059,715)</u>	<u>203,829,970</u>

The accompanying notes on pages 7 to 30 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

	Notes	Six-month period ended			
		30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
Cash flows from operating activities					
Cash (used in)/generated from operations	18	(186,988,826)	246,150,497	(46,045,020)	60,390,210
Interest received		347,696,348	304,201,902	85,618,406	74,632,459
Interest paid		(126,036,768)	(128,261,175)	(31,035,895)	(31,467,413)
Income tax paid		(48,104,710)	(13,930,106)	(11,845,533)	(3,417,592)
Employee benefits paid		(3,267,933)	(3,052,979)	(804,711)	(749,013)
Net cash (used in)/generated from operating activities		(16,701,889)	405,108,139	(4,112,753)	99,388,651
Cash flows from investing activities					
Deposits and placements with the central bank - maturity more than three months		(510,752)	(406,083)	(125,770)	(99,628)
Purchases of property and equipment	7	(1,147,403)	(1,704,432)	(282,542)	(418,163)
Purchases of intangible assets	9	(322,073)	(177,136)	(79,309)	(43,458)
Proceeds from disposals of property and equipment		16,769	66,083	4,129	16,213
Net cash used in investing activities		(1,963,459)	(2,221,568)	(483,492)	(545,036)
Cash flows from financing activities					
Proceeds from borrowings		181,382,886	184,312,490	44,664,587	45,218,962
Repayments of borrowings		(306,435,355)	(271,698,720)	(75,458,103)	(66,658,175)
Proceeds from subordinated debts		61,549,521	-	15,156,247	-
Repayments of subordinated debts		(18,680,200)	(6,512,000)	(4,599,902)	(1,597,645)
Payment of transaction costs		(2,431,011)	-	(598,624)	-
Principal element of lease payment		(2,584,055)	(2,368,114)	(636,310)	(580,990)
Net cash used in financing activities		(87,198,214)	(96,266,344)	(21,472,105)	(23,617,848)
Net (decrease)/increase in cash and cash equivalents		(105,863,562)	306,620,227	(26,068,350)	75,225,767
Cash and cash equivalents at beginning of period		648,240,207	752,231,266	160,257,159	184,551,341
Currency translation differences		-	-	(1,090,245)	(1,078,967)
Cash and cash equivalents at end of period		542,376,645	1,058,851,493	133,098,564	258,698,141

The accompanying notes on pages 7 to 30 form an integral part of these condensed interim financial information.

LOLC (CAMBODIA) PLC.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

1. GENERAL INFORMATION

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

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

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

The 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 80 office locations (79 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 condensed interim financial information was authorised to issue by the Board of Directors on 12 August 2021.

This condensed interim financial information for the six-month period ended 30 June 2021 has been reviewed but not audited.

2. BASIS OF PREPARATION

This condensed interim financial information for the six-month period ended 30 June 2021 has been prepared in accordance with Cambodian International Accounting Standard (“CIAS”) 34, “Interim financial reporting”.

This condensed interim financial information does not include all the notes of the type normally included in the annual audited financial statements. Accordingly, this report is to be read in conjunction with the annual audited financial statements for the year ended 31 December 2020, which have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRS”).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

LOLC (CAMBODIA) PLC.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

2. BASIS OF PREPARATION (continued)

New and amended standards adopted by the Company

A number of amended standards became applicable for the current reporting period as follows:

- *COVID-19 Related Rent Concessions – Amendments to CIFRS 16*
- *Interest rate benchmark reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16*

Those amended standards have no impact on the Company. As a result, the Company did not have to change its accounting policies or make retrospective adjustments.

3. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Impact on impairment charge from COVID-19

Due to the ongoing spread of COVID-19 pandemic and a recent community outbreak in February 2021 that are potentially have an impact on the quality of loans and advances, therefore an additional impairment loss was recognised during the period. The additional impairment loss was due to management continuously refreshes the macroeconomic variables quarterly to reflect the recent economic condition in its forward-looking model. In addition, there was an increase in the number of restructured loans to borrowers who are having financial difficulties due to a recent community outbreak in February 2021 in which the Company has downgraded the staging of borrowers.

Other than additional impairment loss recognised, management considers that the Company's activities may be slow in this short period but would not lead to a going concern issue given the size of the operations, current profitability level and liquidity headroom of the Company.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The significant estimates, assumptions and judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the annual audited financial statements for the year ended 31 December 2020 except the percentages for probability-weighted scenarios used in the forward-looking information incorporated into the expected credit loss (ECL) models for measurement of expected credit loss allowance on financial assets at amortised cost.

The percentages for probability-weighted scenarios used in macroeconomic variable assumptions have been restored to before COVID-19 pandemic period. Having reflected the most recent economic conditions due to COVID-19 within the existing ECL model, the management determines that the percentages for probability-weighted scenarios of 60% for base case, 20% for best case, and 20% for worst case reflect the current economic prospect from external research houses.

The weightings assigned to each economic scenario are as follows.

	Base	Best	Worst
	%	%	%
As at 30 June 2021			
Scenario probability weighting	60%	20%	20%
	Base	Best	Worst
	%	%	%
As at 31 December 2020			
Scenario probability weighting	60%	15%	25%

LOLC (CAMBODIA) PLC.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

5. SEGMENT REVENUE AND INFORMATION

The Company has only one reportable segment, namely, banking service income. The chief operating decision-maker (“the management team”) reviews the internal management report, which reports the performances of the banking service income segment as a whole, to assess performance and allocate resources. The management team also reviews profit before tax and net profit as a whole compared to prior periods.

6. LOANS AND ADVANCES

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
<i>At amortised cost</i>				
Group loans	496,278,686	441,025,832	121,786,181	109,029,872
Individual loans	3,154,556,262	2,996,973,447	774,124,236	740,908,145
Staff loans	24,125,169	24,203,637	5,920,286	5,983,594
Total gross loans	3,674,960,117	3,462,202,916	901,830,703	855,921,611
Less: Allowance for expected credit loss	(91,357,068)	(67,327,999)	(22,418,912)	(16,644,746)
Total net loans	<u>3,583,603,049</u>	<u>3,394,874,917</u>	<u>879,411,791</u>	<u>839,276,865</u>

(a) Analysis by industry

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Trade and commerce	708,094,870	628,357,223	173,765,612	155,341,711
Services	591,406,792	562,191,223	145,130,501	138,984,233
Manufacturing	56,610,775	44,961,931	13,892,215	11,115,434
Transportation	23,808,145	20,332,995	5,842,490	5,026,698
Agriculture	892,777,250	889,415,893	219,086,442	219,880,320
Construction	148,384,893	139,328,660	36,413,471	34,444,663
Household/family	1,253,844,600	1,177,200,085	307,691,926	291,025,979
Others	32,792	414,906	8,046	102,573
Total gross loans	<u>3,674,960,117</u>	<u>3,462,202,916</u>	<u>901,830,703</u>	<u>855,921,611</u>

LOLC (CAMBODIA) PLC.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

6. LOANS AND ADVANCES (continued)

(b) Analysis by loan classification

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
<i>Performing</i>				
Gross amount	3,249,143,550	3,295,828,183	797,335,840	814,790,651
Exposure at default	3,249,143,550	3,295,828,183	797,335,840	814,790,651
Allowance for expected credit loss	(32,192,015)	(30,823,708)	(7,899,881)	(7,620,200)
<i>Under-performing</i>				
Gross amount	331,400,837	101,152,077	81,325,359	25,006,694
Exposure at default	331,400,837	101,152,077	81,325,359	25,006,694
Allowance for expected credit loss	(9,692,987)	(5,132,755)	(2,378,647)	(1,268,913)
<i>Non-performing</i>				
Gross amount	94,415,730	65,222,656	23,169,504	16,124,266
Exposure at default	94,415,730	65,222,656	23,169,504	16,124,266
Allowance for expected credit loss	(49,472,066)	(31,371,536)	(12,140,384)	(7,755,633)
Total gross loans	<u>3,674,960,117</u>	<u>3,462,202,916</u>	<u>901,830,703</u>	<u>855,921,611</u>
Exposure at default	<u>3,674,960,117</u>	<u>3,462,202,916</u>	<u>901,830,703</u>	<u>855,921,611</u>
Allowance for expected credit loss	<u>(91,357,068)</u>	<u>(67,327,999)</u>	<u>(22,418,912)</u>	<u>(16,644,746)</u>

(c) Analysis by maturity

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Not later than 1 year	227,247,701	233,862,319	55,766,307	57,815,159
Later than 1 year and no later than 3 years	1,223,792,039	1,217,226,898	300,317,065	300,921,359
Later than 3 years and no later than 5 years	1,328,004,593	1,607,082,736	325,890,698	397,301,047
Later than 5 years	895,915,784	404,030,963	219,856,633	99,884,046
Total gross loans	<u>3,674,960,117</u>	<u>3,462,202,916</u>	<u>901,830,703</u>	<u>855,921,611</u>

(d) Analysis by relationship

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Related parties (including staff loans)	24,125,169	24,203,637	5,920,287	5,983,594
Non-related parties	3,650,834,948	3,437,999,279	895,910,416	849,938,017
Total gross loans	<u>3,674,960,117</u>	<u>3,462,202,916</u>	<u>901,830,703</u>	<u>855,921,611</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

6. LOANS AND ADVANCES (continued)

(e) Analysis by residency

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Residents	3,674,960,117	3,462,202,916	901,830,703	855,921,611
Non-residents	-	-	-	-
Total gross loans	<u>3,674,960,117</u>	<u>3,462,202,916</u>	<u>901,830,703</u>	<u>855,921,611</u>

(f) Interest rates

These loans and advances to customers earn annual interest rates as below:

	30 June 2021	31 December 2020
Short term loans	10.56% – 18.00%	11.00% – 18.00%
Long term loans	9.00% – 18.00%	9.00% – 18.00%

(g) Allowance for expected credit loss

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
12-month ECL (Stage 1)	32,192,015	30,823,708	7,899,881	7,620,200
Lifetime ECL-not credit impaired (Stage 2)	9,692,987	5,132,755	2,378,647	1,268,913
Lifetime ECL-credit impaired (Stage 3)	<u>49,472,066</u>	<u>31,371,536</u>	<u>12,140,384</u>	<u>7,755,633</u>
	<u>91,357,068</u>	<u>67,327,999</u>	<u>22,418,912</u>	<u>16,644,746</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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6. LOANS AND ADVANCES (continued)

(h) Expected credit loss reconciliation – loans and advances

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not Credit-	Credit-	
	KHR'000	Impaired	Impaired	KHR'000
	KHR'000	KHR'000	KHR'000	KHR'000
Expected Credit Losses				
Loss allowance as at 1 January 2021	30,823,708	5,132,755	31,371,536	67,327,999
<i>Changes due to exposure:</i>				
Transfer to stage 1	746,534	(638,127)	(108,407)	-
Transfer to stage 2	(2,913,480)	3,809,750	(896,270)	-
Transfer to stage 3	(578,208)	(2,259,543)	2,837,751	-
Net remeasurement of loss allowance (*)	643,205	3,663,158	19,765,011	24,071,374
New financial assets originated or purchased	10,688,091	1,622,773	336,577	12,647,441
Financial assets derecognised during the period other than write off	(7,251,268)	(1,637,779)	(5,606,685)	(14,495,732)
Unwinding of discount	-	-	1,723,505	1,723,505
Foreign exchange differences	33,433	-	49,048	82,481
Loss allowance as at 30 June 2021	<u>32,192,015</u>	<u>9,692,987</u>	<u>49,472,066</u>	<u>91,357,068</u>
<i>In US\$ equivalent</i>	<u>7,899,881</u>	<u>2,378,647</u>	<u>12,140,384</u>	<u>22,418,912</u>

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

6. LOANS AND ADVANCES (continued)

(h) Expected credit loss reconciliation – loans and advances (continued)

	Stage 1 12-month ECL KHR'000	Stage 2 Lifetime ECL not Credit- Impaired KHR'000	Stage 3 Lifetime ECL Credit- Impaired KHR'000	Total KHR'000
Gross carrying amount				
Gross carrying amount as at 1 January 2021	3,295,828,183	101,152,077	65,222,656	3,462,202,916
<i>Changes due to financial instruments recognised:</i>				
Transfer to stage 1	23,712,676	(23,469,882)	(242,794)	-
Transfer to stage 2	(298,832,264)	301,233,457	(2,401,193)	-
Transfer to stage 3	(17,813,716)	(27,386,788)	45,200,504	-
New financial assets originated or purchased	1,086,744,727	15,188,367	1,084,580	1,103,017,674
Financial assets derecognised during the period other than write off	(840,496,056)	(35,316,394)	(14,448,023)	(890,260,473)
Gross carrying amount as at 30 June 2021	<u>3,249,143,550</u>	<u>331,400,837</u>	<u>94,415,730</u>	<u>3,674,960,117</u>
<i>In US\$ equivalent</i>	<u>797,335,840</u>	<u>81,325,359</u>	<u>23,169,504</u>	<u>901,830,703</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 2020	24,377,268	552,581	6,361,357	31,291,206
<i>Changes due to exposure:</i>				
Transfer to stage 1	51,861	(13,322)	(38,539)	-
Transfer to stage 2	(5,329,565)	5,411,966	(82,401)	-
Transfer to stage 3	(307,509)	(420,272)	727,781	-
Net remeasurement of loss allowance	(478,937)	2,944,541	5,601,022	8,066,626
New financial assets originated or purchased	9,438,248	1,773,685	146,965	11,358,898
Financial assets derecognised during the period other than write off	(3,021,364)	(60,452)	(152,982)	(3,234,798)
Unwinding of discount	-	-	1,313,707	1,313,707
Foreign exchange differences	138,301	56,980	77,878	273,159
Loss allowance as at 30 June 2020	<u>24,868,303</u>	<u>10,245,707</u>	<u>13,954,788</u>	<u>49,068,798</u>
<i>In US\$ equivalent</i>	<u>6,075,813</u>	<u>2,503,227</u>	<u>3,409,427</u>	<u>11,988,467</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

6. LOANS AND ADVANCES (continued)

(h) Expected credit loss reconciliation – loans and advances (continued)

	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 financial instruments recognised:</i>				
Transfer to stage 1	190,111	(104,003)	(86,108)	-
Transfer to stage 2	(758,129,038)	758,399,340	(270,302)	-
Transfer to stage 3	(9,122,514)	(2,776,706)	11,899,220	-
New financial assets originated or purchased	482,968,656	83,919,370	2,850,644	569,738,670
Financial assets derecognised during the period other than write off	(421,638,977)	(339,040)	(412,923)	(422,390,940)
Gross carrying amount as at 30 June 2020	<u>2,421,618,281</u>	<u>842,745,727</u>	<u>29,756,853</u>	<u>3,294,120,861</u>
<i>In US\$ equivalent</i>	<u>591,648,737</u>	<u>205,899,274</u>	<u>7,270,181</u>	<u>804,818,192</u>

7. PROPERTY AND EQUIPMENT

	Furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Total KHR'000
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 amount	<u>1,054,785</u>	<u>1,448,578</u>	<u>4,322,112</u>	<u>714,683</u>	<u>7,540,158</u>
<i>In US\$ equivalents</i>	<u>260,763</u>	<u>358,116</u>	<u>1,068,507</u>	<u>176,683</u>	<u>1,864,069</u>
Six-month period ended 30 June 2021					
Opening net book amount	1,054,785	1,448,578	4,322,112	714,683	7,540,158
Additions	65,057	141,264	840,931	100,151	1,147,403
Depreciation charge	(289,506)	(279,329)	(1,355,523)	(115,904)	(2,040,262)
Closing net book amount	<u>830,336</u>	<u>1,310,513</u>	<u>3,807,520</u>	<u>698,930</u>	<u>6,647,299</u>
As at 30 June 2021					
Cost	4,216,158	13,542,866	14,335,718	1,743,997	33,838,739
Accumulated depreciation	(3,385,822)	(12,232,353)	(10,528,198)	(1,045,067)	(27,191,440)
Net book amount	<u>830,336</u>	<u>1,310,513</u>	<u>3,807,520</u>	<u>698,930</u>	<u>6,647,299</u>
<i>In US\$ equivalents</i>	<u>203,763</u>	<u>321,598</u>	<u>934,361</u>	<u>171,517</u>	<u>1,631,239</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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8. LEASES

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

The Company leases various buildings for its head office's and branches' operations. Rental contracts are typically made for fixed periods of 1 to 12 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(i) Amounts recognised in the statement of financial position

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
<i>Right-of-use assets (Non-current)</i>				
Buildings	24,395,138	20,687,945	5,986,537	5,114,449
	<u>24,395,138</u>	<u>20,687,945</u>	<u>5,986,537</u>	<u>5,114,449</u>
<i>Lease liabilities</i>				
Current	4,443,371	7,088,062	1,090,398	1,752,302
Non-current	17,536,323	11,141,103	4,303,392	2,754,290
	<u>21,979,694</u>	<u>18,229,165</u>	<u>5,393,790</u>	<u>4,506,592</u>

Right-of-use assets' additions during the period were KHR 6,419,236 thousand (2020: KHR 8,218,494 thousand).

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8. LEASES (continued)

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

The statement of profit or loss shows the following amounts relating to leases:

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
Depreciation of right-of-use assets <i>Buildings</i>	1,462,640	1,445,380	359,990	353,481	2,877,739	2,880,109	708,628	706,602
Interest expense (Note 14)	429,130	349,735	105,619	85,573	837,669	706,413	206,271	173,310
Expense relating to short-term lease and leases of low-value assets (included in operating expenses)	1,500,517	1,302,437	369,313	318,678	2,948,521	2,437,604	726,058	598,038
Total expenses related to leases	3,392,287	3,097,552	834,922	757,904	6,663,929	6,024,126	1,640,958	1,477,950

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

9. INTANGIBLE ASSETS

	Software and license KHR'000	Work in progress KHR'000	Total KHR'000
As at 31 December 2020			
Cost	6,156,989	1,395,329	7,552,318
Accumulated amortisation	<u>(1,442,619)</u>	<u>-</u>	<u>(1,442,619)</u>
Net book amount	<u>4,714,370</u>	<u>1,395,329</u>	<u>6,109,699</u>
<i>In US\$ equivalents</i>	<u>1,165,480</u>	<u>344,952</u>	<u>1,510,432</u>
Six-month period ended 30 June 2021			
Opening net book amount	4,714,370	1,395,329	6,109,699
Additions	25,543	296,530	322,073
Transfer from/(to) IA	78,701	(78,701)	-
Amortisation charge	<u>(373,532)</u>	<u>-</u>	<u>(373,532)</u>
Closing net book amount	<u>4,445,082</u>	<u>1,613,158</u>	<u>6,058,240</u>
As at 30 June 2021			
Cost	6,261,233	1,613,158	7,874,391
Accumulated amortisation	<u>(1,816,151)</u>	<u>-</u>	<u>(1,816,151)</u>
Net book amount	<u>4,445,082</u>	<u>1,613,158</u>	<u>6,058,240</u>
<i>In US\$ equivalents</i>	<u>1,090,818</u>	<u>395,867</u>	<u>1,486,685</u>

10. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Savings deposits	3,757,227	1,443,040	922,019	356,747
Fixed deposits	<u>147,948,989</u>	<u>129,991,365</u>	<u>36,306,500</u>	<u>32,136,308</u>
	151,706,216	131,434,405	37,228,519	32,493,055
Accrued interest payables	<u>2,332,709</u>	<u>2,798,199</u>	<u>572,444</u>	<u>691,767</u>
	<u>154,038,925</u>	<u>134,232,604</u>	<u>37,800,963</u>	<u>33,184,822</u>
	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Current	153,601,980	129,363,297	37,693,737	31,981,038
Non-current	<u>436,945</u>	<u>4,869,307</u>	<u>107,226</u>	<u>1,203,784</u>
	<u>154,038,925</u>	<u>134,232,604</u>	<u>37,800,963</u>	<u>33,184,822</u>

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11. DEPOSITS FROM CUSTOMERS

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Savings deposits	180,655,757	167,120,992	44,332,701	41,315,450
Fixed deposits	<u>1,891,471,409</u>	<u>1,820,635,830</u>	<u>464,164,763</u>	<u>450,095,384</u>
	<u>2,072,127,166</u>	<u>1,987,756,822</u>	<u>508,497,464</u>	<u>491,410,834</u>
Accrued interest payables	<u>47,062,806</u>	<u>46,211,140</u>	<u>11,549,155</u>	<u>11,424,262</u>
	<u>2,119,189,972</u>	<u>2,033,967,962</u>	<u>520,046,619</u>	<u>502,835,096</u>

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Current	1,788,287,428	1,736,804,660	438,843,541	429,370,744
Non-current	<u>330,902,544</u>	<u>297,163,302</u>	<u>81,203,078</u>	<u>73,464,352</u>
	<u>2,119,189,972</u>	<u>2,033,967,962</u>	<u>520,046,619</u>	<u>502,835,096</u>

12. BORROWINGS

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Current	426,234,926	518,148,136	104,597,528	128,095,955
Non-current	<u>523,475,773</u>	<u>565,138,194</u>	<u>128,460,312</u>	<u>139,712,779</u>
	<u>949,710,699</u>	<u>1,083,286,330</u>	<u>233,057,840</u>	<u>267,808,734</u>

During the period, the Company obtained additional borrowings of KHR 179,626,396 thousand (US\$44,232,060). The annual interest rates are ranging from 4.62% to 8.49% (2020: 4.71% to 8.72%).

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Principal amount	941,213,494	1,072,953,711	230,972,636	265,254,317
Interest payables	<u>8,497,205</u>	<u>10,332,619</u>	<u>2,085,204</u>	<u>2,554,417</u>
	<u>949,710,699</u>	<u>1,083,286,330</u>	<u>233,057,840</u>	<u>267,808,734</u>

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13. SUBORDINATED DEBTS

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Current	25,903,775	32,694,213	6,356,754	8,082,624
Non-current	182,974,422	132,867,219	44,901,699	32,847,273
	<u>208,878,197</u>	<u>165,561,432</u>	<u>51,258,453</u>	<u>40,929,897</u>

During the period, the Company obtained additional subordinated debts of KHR 60,875,000 thousand (US\$14,990,150). The annual interest rates for all subordinated debts are ranging from 9.01% to 10.47% (2020: 9.77% to 12.21%).

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Principal amount	206,468,747	163,279,726	50,667,177	40,365,816
Interest payables	2,409,450	2,281,706	591,276	564,081
	<u>208,878,197</u>	<u>165,561,432</u>	<u>51,258,453</u>	<u>40,929,897</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

14. NET INTEREST INCOME

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
<i>Interest income from financial assets at amortised cost</i>								
Loans and advances	174,924,834	150,347,821	43,053,122	36,786,841	345,469,642	305,198,742	85,070,092	74,877,022
Deposits and placements with banks	609,623	274,734	150,043	67,221	1,551,289	420,661	381,997	103,204
Deposits and placements with the central bank	173,122	171,088	42,609	41,862	341,687	337,443	84,138	82,788
Total interest income	<u>175,707,579</u>	<u>150,793,643</u>	<u>43,245,774</u>	<u>36,895,924</u>	<u>347,362,618</u>	<u>305,956,846</u>	<u>85,536,227</u>	<u>75,063,014</u>
<i>Interest expense on financial liabilities at amortised cost</i>								
Deposits from customers	(36,978,817)	(37,520,718)	(9,101,358)	(9,180,503)	(73,351,774)	(72,060,465)	(18,062,491)	(17,679,211)
Borrowings	(18,409,526)	(27,699,686)	(4,531,018)	(6,777,511)	(37,814,520)	(55,592,583)	(9,311,628)	(13,639,005)
Subordinated debts	(5,003,856)	(2,965,898)	(1,231,567)	(725,691)	(9,364,605)	(6,150,416)	(2,305,985)	(1,508,934)
Debt securities	(1,688,397)	(1,693,777)	(415,554)	(414,430)	(3,334,195)	(3,363,510)	(821,028)	(825,199)
Lease liabilities	(429,130)	(349,735)	(105,619)	(85,573)	(837,669)	(706,413)	(206,271)	(173,310)
	<u>(62,509,726)</u>	<u>(70,229,814)</u>	<u>(15,385,116)</u>	<u>(17,183,708)</u>	<u>(124,702,763)</u>	<u>(137,873,387)</u>	<u>(30,707,403)</u>	<u>(33,825,659)</u>
Net interest income	<u>113,197,853</u>	<u>80,563,829</u>	<u>27,860,658</u>	<u>19,712,216</u>	<u>222,659,855</u>	<u>168,083,459</u>	<u>54,828,824</u>	<u>41,237,355</u>

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15. CREDIT IMPAIRMENT LOSSES

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
	<i>Expected Credit Loss (ECL):</i>							
Loans and advances	11,573,641	(991,087)	2,848,546	(242,497)	22,223,083	16,190,726	5,472,318	3,972,209
Deposits and placements with banks	70,279	162,824	17,297	39,839	154,297	940,842	37,994	230,825
Recovery from loans written off	(447,581)	-	(110,160)	-	(1,107,119)	-	(272,622)	-
	<u>11,196,339</u>	<u>(828,263)</u>	<u>2,755,683</u>	<u>(202,658)</u>	<u>21,270,261</u>	<u>17,131,568</u>	<u>5,237,690</u>	<u>4,203,034</u>

16. PERSONNEL EXPENSES

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
	Salaries and wage expenses	29,707,397	26,522,345	7,311,690	6,489,441	61,277,139	51,153,498	15,089,175
Other benefits	1,940,252	1,584,207	477,542	387,621	4,484,581	4,030,627	1,104,304	988,868
	<u>31,647,649</u>	<u>28,106,552</u>	<u>7,789,232</u>	<u>6,877,062</u>	<u>65,761,720</u>	<u>55,184,125</u>	<u>16,193,479</u>	<u>13,538,794</u>

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17. INCOME TAX EXPENSE

(a) Income tax expense

	Three-month period ended				Six-month period ended			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	KHR'000	KHR'000	US\$	US\$	KHR'000	KHR'000	US\$	US\$
Current income tax	14,375,407	11,588,662	3,538,126	2,835,493	28,080,461	28,452,384	6,914,666	6,980,467
Deferred income tax	(1,511,603)	455,127	(372,041)	111,360	(3,278,649)	(7,781,372)	(807,350)	(1,909,071)
	<u>12,863,804</u>	<u>12,043,789</u>	<u>3,166,085</u>	<u>2,946,853</u>	<u>24,801,812</u>	<u>20,671,012</u>	<u>6,107,316</u>	<u>5,071,396</u>

(b) Reconciliation between income tax expenses and accounting profit

	Three-month period ended				Six-month period ended			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	KHR'000	KHR'000	US\$	US\$	KHR'000	KHR'000	US\$	US\$
Profit before income tax	63,387,595	59,811,773	15,601,180	14,634,639	122,551,148	106,406,351	30,177,579	26,105,582
Tax expenses at 20%	12,677,519	11,962,355	3,120,236	2,926,927	24,510,230	21,281,271	6,035,516	5,221,116
Tax effect of reconciling items:								
Expenses not deductible for tax purposes	186,285	47,624	45,849	11,653	291,582	150,285	71,800	36,871
Unrecognised previous deferred tax	-	33,810	-	8,273	-	(760,544)	-	(186,591)
Income tax expense	<u>12,863,804</u>	<u>12,043,789</u>	<u>3,166,085</u>	<u>2,946,853</u>	<u>24,801,812</u>	<u>20,671,012</u>	<u>6,107,316</u>	<u>5,071,396</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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17. INCOME TAX EXPENSE (continued)

(b) Reconciliation between income tax expenses and accounting profit (continued)

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

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

The Company successfully listed its corporate bond on CSX on 26 April 2019. On 25 March 2020, the Company received an approval from the General Department of Taxation ("GDT") on the tax on profit reduction of 50% for the year ended 2019. In the GDT's letter also stated that the Company entitles to reduction of tax on profit for the years 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 30 June 2021, the Company's bond issuance amount was approximately 1.85% (2020: 1.88%) of total assets and the tax reduction incentive was insignificant. The Company estimated income tax liabilities at 20% tax rate for the six-month period ended 30 June 2021 and 30 June 2020.

18. CASH FLOW FROM OPERATING ACTIVITIES

	Six-month period ended			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	KHR'000	KHR'000	US\$	US\$
Profit before income tax	122,551,148	106,406,351	30,177,579	26,105,582
<i>Adjustments for:</i>				
Depreciation and amortisation charges	5,291,533	5,341,261	1,303,012	1,310,417
Credit impairment losses	22,377,380	17,131,568	5,510,313	4,203,034
Gain on disposals of property and equipment	(16,769)	(63,583)	(4,129)	(15,599)
Provision for employee benefits	3,155,357	2,974,176	776,990	729,680
Unrealised exchange gains	(3,989,485)	(369,703)	(982,390)	(90,702)
Net interest income (Note 14)	(222,659,855)	(168,083,459)	(54,828,824)	(41,237,355)
<i>Changes in working capital:</i>				
Reserve requirement deposits	(1,880,198)	(30,155,791)	(462,989)	(7,398,379)
Loans and advances	(211,064,033)	(145,594,220)	(51,973,414)	(35,719,877)
Other assets	(1,224,127)	443,289	(301,435)	108,756
Deposits from banks and other financial institutions	20,271,811	-	4,991,827	-
Deposits from customers	84,370,344	468,422,774	20,775,756	114,922,172
Other liabilities	(4,171,932)	(10,302,166)	(1,027,316)	(2,527,519)
Cash (used in)/generated from operations	<u>(186,988,826)</u>	<u>246,150,497</u>	<u>(46,045,020)</u>	<u>60,390,210</u>

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19. RELATED PARTY TRANSACTIONS AND BALANCES

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 period end and relating expenses and income for the period are as follows:

(a) Related parties and relationship

The related parties of and their relationship with 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

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Loans to key management personnel	<u>2,476,206</u>	<u>2,602,339</u>	<u>607,658</u>	<u>643,347</u>

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19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
Interest income	66,284	108,316	16,314	26,503	133,623	196,537	32,904	48,218

Loans and advances to key management personnel are secured and having interest rate of 9.4% to 12% per annum.

(c) Receivables from related parties

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
	Receivables from related companies	1,227,919	1,187,960	301,330

(d) Payables to related parties

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
	Payables to related companies	-	81,568	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(e) Deposits from related parties

	30 June 2021 KHR'000	31 December 2020 KHR'000	30 June 2021 US\$	31 December 2020 US\$
Shareholders	13,567,809	7,345,425	3,329,524	1,815,927
Board of directors	848,552	772,537	208,234	190,986
Key management personnel	6,749,990	4,871,465	1,656,439	1,204,318
Related company	5,134	41,304	1,260	10,211
	<u>21,171,485</u>	<u>13,030,731</u>	<u>5,195,457</u>	<u>3,221,442</u>
Interest payable	<u>135,205</u>	<u>126,666</u>	<u>33,179</u>	<u>31,314</u>

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
Interest expense	<u>138,406</u>	<u>136,649</u>	<u>34,065</u>	<u>33,434</u>	<u>202,443</u>	<u>198,761</u>	<u>49,851</u>	<u>48,764</u>

Annual interest rates during the period are as follows:

	30 June 2021	31 December 2020
Shareholders	3.00%	3.00%
Board of directors	3.00% – 8.75%	3.00% – 8.75%
Key management personnel	3.00% – 9.00%	3.00% – 9.00%
Related company	3.00%	3.00%

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19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(f) Transactions with related parties

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
<i>Incomes from related companies:</i>								
Rental income	13,570	8,096	3,340	1,981	21,605	16,141	5,320	3,960
Management fee	14,877	14,972	3,662	3,663	29,739	29,849	7,323	7,323
	<u>28,447</u>	<u>23,068</u>	<u>7,002</u>	<u>5,644</u>	<u>51,344</u>	<u>45,990</u>	<u>12,643</u>	<u>11,283</u>
<i>Expenses to related companies:</i>								
Purchase of assets used in leasing product	-	64,493	-	15,780	63,676	2,115,485	15,680	519,010
License fees	302,535	149,458	74,461	36,569	450,897	298,114	111,031	73,139
IT consultancy and support fees	81,504	24,281	20,060	5,941	194,270	156,882	47,838	38,489
	<u>384,039</u>	<u>238,232</u>	<u>94,521</u>	<u>58,290</u>	<u>708,843</u>	<u>2,570,481</u>	<u>174,549</u>	<u>630,638</u>

(g) Key management compensation

	Three-month period ended				Six-month period ended			
	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$	30 June 2021 KHR'000	30 June 2020 KHR'000	30 June 2021 US\$	30 June 2020 US\$
Directors' fees	159,517	159,597	39,261	39,050	318,985	327,871	78,548	80,439
Salaries and other benefits to key management	2,696,460	1,408,451	663,662	344,617	5,332,219	3,905,205	1,313,031	958,097
	<u>2,855,977</u>	<u>1,568,048</u>	<u>702,923</u>	<u>383,667</u>	<u>5,651,204</u>	<u>4,233,076</u>	<u>1,391,579</u>	<u>1,038,536</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual audited financial statements.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Company classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Company's financial assets measured and recognised at fair value at 30 June 2021 and 31 December 2020 on a recurring basis:

	<u>Level 1</u> <u>KHR'000</u>	<u>Level 2</u> <u>KHR'000</u>	<u>Level 3</u> <u>KHR'000</u>	<u>Total</u> <u>KHR'000</u>
As at 30 June 2021				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	61,125	61,125
Total financial assets	<u>-</u>	<u>-</u>	<u>61,125</u>	<u>61,125</u>
<i>In US\$ equivalent</i>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
As at 31 December 2020				
Financial assets				
<i>Financial assets at fair value through other comprehensive income (FVOCI)</i>				
Equity securities	-	-	60,675	60,675
Total financial assets	<u>-</u>	<u>-</u>	<u>60,675</u>	<u>60,675</u>
<i>In US\$ equivalent</i>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>

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.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) Fair value measurements using significant unobservable inputs (level 3)

The unlisted equity securities are the 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 FVOCI have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

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 30 June 2021.

(c) 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 might approximate to their carrying value as reporting date.

(iii) Deposits from customers

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

(iv) Lease liabilities

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

(v) Other financial assets and other financial liabilities

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

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20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(vi) Borrowings and subordinated debts

Borrowings and subordinated debts issued are not quoted in active market and their fair value approximate 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.