Map of Operating Areas

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

Number of branches: 67
Number of operating provinces: 24
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.

**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

Client Relationships, our first priority is always to ensure that the clients are fully satisfied with our services.

Quality, we will continue to provide efficient, effective and best quality services to our clients.

Integrity, fairness and honesty in all business dealings, trust is the cornerstone of our business and it will never be compromised.

Discipline, we believe in respecting the rules of the company, its stakeholder and the country.

Diversity & Neutrality, we serve poor people on the basis of need not ethnicity, religion or political affiliation.

Balanced Social & Profit, the balance assures the future for our clients and for ourselves.

Education, we believe that it will provide the foundation for staff and client lifelong success.

Hard Work, we believe that trust our future is guaranteed through the maximum effort we give to our responsibilities.

Discipline, we believe in respecting the rules of the company, its stakeholder and the country.

Balanced Social & Profit, the balance assures the future for our clients and for ourselves.
## Lenders and Partners

<table>
<thead>
<tr>
<th>Lenders and Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acleda Bank Plc.</td>
</tr>
<tr>
<td>Foreign Trade Bank</td>
</tr>
<tr>
<td>Industrial and commercial Bank of China Limited</td>
</tr>
<tr>
<td>Maruhan Japan Bank</td>
</tr>
<tr>
<td>Union Commercial Bank (UCB)</td>
</tr>
<tr>
<td>Phillip Bank</td>
</tr>
<tr>
<td>Advanced Bank of Asia Limited</td>
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<tr>
<td>Phnom Penh Commercial Bank</td>
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<td>Vattanac Bank</td>
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<td>responsAbility</td>
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<tr>
<td>Okokredit</td>
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<tr>
<td>Cyrano-Management</td>
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<tr>
<td>Overseas Private Investment Corporation</td>
</tr>
<tr>
<td>Symbiotics SA Information</td>
</tr>
<tr>
<td>Incofin</td>
</tr>
<tr>
<td>Instituto de Crédito Oficial</td>
</tr>
<tr>
<td>BlueOrchard</td>
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<tr>
<td>Calvert Foundation</td>
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<tr>
<td>Cambodia Microfinance Association</td>
</tr>
<tr>
<td>Good Return</td>
</tr>
<tr>
<td>Credit Bureau Cambodia</td>
</tr>
<tr>
<td>The Smart Campaign</td>
</tr>
<tr>
<td>Agence Française de Développement</td>
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<tr>
<td>Water.org</td>
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<tr>
<td>Proparco</td>
</tr>
<tr>
<td>MicroVest</td>
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<tr>
<td>Fonds Desjardins</td>
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<tr>
<td>KCD Mikrofinanzfonds</td>
</tr>
<tr>
<td>Developing World Market</td>
</tr>
<tr>
<td>Grameen Credit Agricole</td>
</tr>
<tr>
<td>Agence Française De Developpement</td>
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<tr>
<td>FMO</td>
</tr>
<tr>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>Crowdbank Inculab Co., Ltd</td>
</tr>
<tr>
<td>Good Return</td>
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<tr>
<td>MCE Social Capital</td>
</tr>
<tr>
<td>Triple Jump BV</td>
</tr>
<tr>
<td>Hatton National Bank</td>
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<tr>
<td>Deutsche Bank</td>
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<tr>
<td>Invest In Vision Microfinance Fund</td>
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<tr>
<td>Standard Chartered</td>
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<tr>
<td>Alterfin c.v.b.a</td>
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<tr>
<td>Banking With The Poor Network</td>
</tr>
<tr>
<td>Microcredit summit Campaign</td>
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<tr>
<td>USAID</td>
</tr>
<tr>
<td>Wing</td>
</tr>
<tr>
<td>MIX Market</td>
</tr>
</tbody>
</table>
Awards, Recognitions and Achievements

Top, left to right: License to Conduct Deposit Taking Business certificate from NBC, Client Protection Certification certificate from Smart Campaign

Middle, left to right: MIX STAR MFI certificate from MIX, Progress out of Poverty Index certificate from Grameen Foundation and MicroFinanza

Bottom, left to right: Outstanding Impressive Branch MFI award from IDG, Outstanding Financial Performance MFI award from IDG
## Key Performance Highlights

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>$95,025,328</td>
<td>$134,307,474</td>
<td>$222,455,440</td>
</tr>
<tr>
<td><strong>Gross Loan Portfolio</strong></td>
<td>$74,946,541</td>
<td>$115,372,296</td>
<td>$188,354,835</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>$17,088,518</td>
<td>$23,801,643</td>
<td>$36,000,313</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$4,284,523</td>
<td>$7,468,659</td>
<td>$12,051,747</td>
</tr>
<tr>
<td><strong>Number of Active Borrowers</strong></td>
<td>153,952</td>
<td>189,345</td>
<td>218,411</td>
</tr>
<tr>
<td><strong>Deposit Balance</strong></td>
<td>-</td>
<td>-</td>
<td>$275,219</td>
</tr>
<tr>
<td><strong>Deposit Account</strong></td>
<td>-</td>
<td>-</td>
<td>418</td>
</tr>
<tr>
<td><strong>Depositors</strong></td>
<td>-</td>
<td>-</td>
<td>361</td>
</tr>
<tr>
<td><strong>Number of Offices (including HO)</strong></td>
<td>46</td>
<td>54</td>
<td>67</td>
</tr>
<tr>
<td><strong>Number of Personnel</strong></td>
<td>874</td>
<td>1,156</td>
<td>1,498</td>
</tr>
<tr>
<td><strong>Operating Expense/ Loan Portfolio</strong></td>
<td>12.68%</td>
<td>10.74%</td>
<td>9.85%</td>
</tr>
<tr>
<td><strong>PAR ≥ 30 days</strong></td>
<td>0.15%</td>
<td>0.10%</td>
<td>0.24%</td>
</tr>
<tr>
<td><strong>Gross Write-offs</strong></td>
<td>0.09%</td>
<td>0.09%</td>
<td>0.07%</td>
</tr>
<tr>
<td><strong>Capital Adequacy Ratio (CAR)</strong></td>
<td>16.16%</td>
<td>17.77%</td>
<td>17.01%</td>
</tr>
<tr>
<td><strong>Debt-to-Equity Ratio</strong></td>
<td>4.6 x</td>
<td>4.6 x</td>
<td>5.2 x</td>
</tr>
<tr>
<td><strong>Cost to Income Ratio (Incl. Provisions)</strong></td>
<td>72.28%</td>
<td>66.39%</td>
<td>64.91%</td>
</tr>
<tr>
<td><strong>Return On Assets</strong></td>
<td>5.49%</td>
<td>6.71%</td>
<td>6.96%</td>
</tr>
<tr>
<td><strong>Return On Equity</strong></td>
<td>29.83%</td>
<td>37.14%</td>
<td>40.92%</td>
</tr>
</tbody>
</table>

### Gross Loan Portfolio

- **Gross Loan Portfolio (USD in million)**
  - 2013: $74.9 million
  - 2014: $115.4 million
  - 2015: $188.4 million

### Active Borrowers

- **Active Borrowers (in thousand)**
  - 2013: 54 thousand
  - 2014: 189.3 thousand
  - 2015: 218.4 thousand

### Net Income

- **Net Income (USD in million)**
  - 2013: $4.3 million
  - 2014: $7.5 million
  - 2015: $12.1 million

### PAR ≥ 30 Days

- **PAR ≥ 30 Days**
  - 2013: 0.00%
  - 2014: 0.15%
  - 2015: 0.24%
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Chairperson’s Statement
Reflecting the support of Sri Lanka’s LOLC Group and maintaining its global strategy, the name of the company was changed from Thaneakea Phum (Cambodia) Ltd., to LOLC (Cambodia) Plc. It is encouraging to note that the rebranding not only was well executed, but also continues in spirit to keep the organization in the limelight. This change is expected to represent a fresh way of doing things signifying the start of an organizational transformation ably supported by the approval to mobilize public deposits and the implementation of the new core banking system in 2016.

GLOBAL GROWTH fell short of expectations in 2015, mainly due to continued deceleration of economic activity in emerging and developing economies amid weakening commodity prices, global trade, and capital flows. Growth in the East Asia and Pacific slowed to 6.5% in 2015 with the slowdown in China offsetting the modest pickup in ASEAN countries. Despite the slowing of export growth in the region and specifically lower rice prices that limited exports, Cambodia was an exception, largely due to a shift of labour intensive production from China. Economic growth in Cambodia is expected to remain around 7% in 2016.

IN CAMBODIA the growth of the urban population is providing economic opportunities. It is creating jobs and attracting migrant workers from rural areas. Hotel workers in Siem Reap and Phnom Penh remit home over USD 1.2 million per month. With city life being deeply influenced by global markets, consumerism and access to information have increased the demand for sophisticated financial services. Cambodia also boasts a young population, with children and young adults accounting for 50%-62% of the population. The potential for a demographic dividend with the right social, economic, and human capital policies is very high. The implementation of the Credit Bureau with information from MFIs, without a lower limit on the size, is encouraging and is expected to support the continuation of the high levels of growth seen in the MFI industry.

THE COMPANY continued to maintain its outstanding financial performance and social results in 2015. Its branch network expanded from 54 branches to 67, spanning 24 of Cambodia’s 25 provinces, while its staff count grew from 1,156 to 1,498. This expansion saw its borrowers – 84% of whom are women – grow by 15% from 189,345 a year earlier to 218,411. While LOLC’s average loan size grew from USD 607 to USD 858 as a result of higher incomes and large-loan products, such as the tractor loan and the home improvement loan, the company also expanded operations for small-loan products such as the solar loan, which was piloted in September 2015 to help electrify the Cambodian households that lack access to electricity. It is estimated that approximately 58% of Cambodian households do not have access to the electricity grid.

With a return on assets of 6.96%, the company has outperformed all its peers, and its ROE of 40.92% is second only to the largest MFI in the country. The company has consolidated its position as the country’s 5th largest MFI in terms of total assets, gross loan portfolio and total clients, whilst being the 4th most profitable MFI.
Chairperson’s Statement

in Cambodia. Despite a marginal deterioration of credit quality, the PAR ≥ 30 days of 0.24% is better than the industry average. The approval obtained to mobilize public deposits is providing new opportunities and considered timely in an environment where portfolios are being diversified to other least developed countries in the region such as Myanmar.

LOLC became the first microfinance institution in Cambodia to be awarded the SMART Campaign’s Client Protection Certification after the implementation of its Client Protection Principles and the use of the Progress out of Poverty Index tool. As of December 2015, in a partnership with Good Return, an initiative of World Education Australia, the company provided financial literacy training to over 15,000 clients and non-clients of which about 4,500 were youth.

THE MICROFINANCE MARKET in Cambodia is considered one of the largest in the world, growing by 40% from a year earlier to around USD 4 billion at the end of 2015\(^5\). There are currently 41 licensed MFIs serving many segments of the population and having a wide range of products. Expansion in this sector is expected to be maintained at its current pace through 2016 with benefits accruing from the favorable regulatory environment and strong demand.

ECONOMIC PROSPECTS in Cambodia for 2016 are encouraging; leading economic forecasters expect it to be the third fastest growing country in the world only behind Turkmenistan and Laos\(^6\). Data indicate that domestic demand is holding up, based on a 33.3% year-on-year expansion of credit to the private sector recorded in May 2015 and indications of high growth in imports. The expansion of garment manufacturing, construction, and services – particularly in tourism, finance, and real estate – continues to drive growth in GDP. Along with increased domestic demand, GDP is expected to grow around 7% in 2016 and continue at the same level in 2017.

FOR LOLC CAMBODIA 2016 offers a new beginning with the name-change and new branding, the implementation of the new core banking system and the focused deposit mobilization drive. The company is expanding its inclusive financial services, from micro-credit to micro-savings, and plans to provide its customers with virtually all retail banking services. With the implementation of the new core banking system, it also has the opportunity to consider offering Digital Financial Services to its 200,000+ clients.

I look forward to working with LOLC Cambodia during this landmark year and support the challenge of managing changes whilst maintaining the outstanding financial performance of previous years. To the National Bank of Cambodia, a big thank you for the progressive regulatory framework and supervisory role. The CEO, CFO and the Executive Committee of the Company have provided the leadership that has made outstanding performance a habit; your dynamism and hard work along with that of the 1,500 members of the staff is recognized and appreciated by the Board. And most importantly, I look forward to providing the opportunity to bring prosperity to our 200,000+ customers and their families whilst reaching out to more Cambodians.

Brindley de Zylva
Chairperson

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\(^4\)Cambodia Microfinance Association
\(^5\)The Economist
\(^6\)The Cambodia Daily
LOLC’s Seasonal Loan enables us to get a good harvest
CEO’s Report
Cambodia’s microfinance sector performed very well in 2015, with the top 10 MFIs achieving an average loan portfolio growth of 45% and the sector overall having outstanding loans totaling to USD 4.1 billion at the end of 2015, up from USD 1.4 billion at the end of 2013. This growth was partly due to higher incomes that increased demand for larger loan sizes, encouraging the top MFIs to increase their maximum loan sizes and offer loan products intended for larger projects...

Another attribution for growth was that many MFIs, particularly rural-focused MFIs such as LOLC, opened more branches and were thus able to expand outreach. Adding to this growth, many MFIs, particularly the larger ones, boosted their social responsibility by meeting all the indicators of the Client Protection Principles, with LOLC being the first MFI in Cambodia to be awarded the SMART Campaign’s Client Protection Principles Certificate.

The Cambodian MFI sector has been one of the best performing globally with strong signs of continually robust performance. A key indication of the sector’s commitment to responsible growth is its recent increase in deposits, signaling both consumer confidence and a responsible MFI culture. The MFI sector has remained very profitable while charging interest rates that are at the low end of the spectrum for MFIs globally, and while maintaining a level of transparency and a pro-poor approach that are among the best in the world. These characteristics position the Cambodian microfinance sector for continued growth in the years ahead.

LOLC Performance in 2015

LOLC maintained strong growth in 2015, increasing its loan portfolio by 63% (averaging 57% annually over the last 5 years) to USD 188.4 million and its number of borrowers by 15.4% to over 218,000. The portfolio consists of group, individual, and seasonal loans, comprising 33%, 52%, and 15% of the portfolio, respectively. 0.14% of the portfolio is in Life Improvement Loan Asset Backed which has been piloted in 10 branches, and 0.03% of the portfolio is in Solar Loan, which has been piloted in 6 branches. Both of these products were innovated in 2015. To meet growing demand, management expanded LOLC’s employee base and geographic footprint, opening 13 new branches while maintaining high productivity standards and strong risk control. LOLC’s growth in gross loan portfolio, number of borrowers, and branches indicates that LOLC is a trustworthy microfinance institution offering excellent customer services, guaranteeing client protection, providing competitive and innovative loan products, and maintaining strong human resources at both the head office and branch level.

Active Borrowers

As of December 31, 2015, LOLC served more than 218,000 active borrowers, 15.4% more than a year prior. 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 socio-economic pyramid.

Loan Portfolio Quality

Even though LOLC’s management and Board of Directors have targeted high growth in 2015, we have maintained responsible growth to ensure a top quality portfolio, having worked together closely to strengthen LOLC’s credit processes, credit control, and risk management practices, including by:

- Strengthening credit risk management and internal controls by using risk mapping and risk matrices;
- Improving employees’ incentive structures, particularly for credit officers and other field staff;
- Integrating Client Protection Principles as a core part of risk management;
In 2015, with greater importance placed on integrating social performance with business operations, the Social Performance Management Department was formalized and began contributing to the company’s Executive Committee meetings.

LOLC Cambodia is fully committed to translating its mission into practice and aims to grow its business together with its clients by helping them improve their lives and businesses.

Deposit Collection
2015 is another successful year for LOLC as it transforms itself from Microfinance Institution to Microfinance Deposit Taking Institution. LOLC was granted a deposit taking license from the National Bank of Cambodia in October 2015. Since then, LOLC has begun pilot testing its savings products (savings and fixed deposit accounts). By the end of December 2015, LOLC had obtained a deposit balance of more than USD275,000 from 361 depositors. As these numbers grow, LOLC is exited to continue providing diversified financial products and services.

Return on Assets and Return on Equity
LOLC’s ROA and ROE have been increasing year-to-year since 2009. LOLC’s ROA rose to 7.0% in 2015, from 6.7% in 2014, while ROE increased to 40.9% in 2015, from 37.1% in 2014. Net income for 2015 was USD 12.1 million, 61% higher than in 2014. These improvements were driven by strong portfolio growth and careful management of operating expenses, which decreased from 10.7% in 2014 to 9.9% in 2015.

Social Performance
LOLC is committed to improving the lives of the poor and balancing financial and social performance. Over 84% of clients are women, over 38% of new clients live below 150% of the national poverty line, PPI estimates a 7% improvement to clients’ lives in the time they hold loans, and 55% of clients work in agriculture. One of our key milestones for 2015 was being the first MFI in Cambodia to receive the Smart Certificate, which serves as evidence of our effort to protect clients, particularly low-income clients, from the potential negative effects of debt. Additionally, our financial literacy training, given to over 15,000 Cambodians as of 2015, is a social service LOLC provides free-of-charge to improve clients’ understandings of financial services.

In 2015, with greater importance placed on integrating social performance with business operations, the Social Performance Management Department was formalized and began contributing to the company’s Executive Committee meetings.

LOLC Cambodia is fully committed to translating its mission into practice and aims to grow its business together with its clients by helping them improve their lives and businesses.

Additional Highlights for 2015
- LOLC (Cambodia) Plc. (LOLC) is the company’s new name as of October 2, 2015 – named after its international majority shareholder, The LOLC Group – changed from Thaneakea Phum (Cambodia), Ltd.
- LOLC opened 13 new branch offices over the course of 2015 to expand operations and reach more clients who have lacked access to microfinance services. With these new branches, LOLC’s operations now cover 24 provinces across Cambodia.
- LOLC recruited many new staff in 2015 with the aim of ensuring excellent customer services, developing human capital, and maintaining the business’s longevity.
- LOLC rolled out new products (such as Life Improvement Loan Asset Backed and Solar Loan) to meet clients’ needs.
LOLC became the first microfinance institution in Cambodia to be awarded the SMART Campaign’s Client Protection Principles Certificate. We continue to strengthen our client complaint mechanisms, train all staff on proper communication and client handling, and train Credit Officers to always use meta-cards during loan assessments and loan disbursements.

- LOLC set up a call center unit to receive client complaints and client inquiries.
- LOLC received a microfinance deposit taking license from the National Bank of Cambodia and began piloting its savings products in the fourth quarter of 2015 in fourteen branches, including Chamkar Mon, Siem Reap, Kandal, Battambang, Tboung Khmum, Kampong Cham, Sen Sok, Takeo, Kampong Speu, Ratanak Kiri, Stung Treng, Kratie, Svay Rieng, and Prey Veng.
- LOLC set up a corporate sales team that will support the Savings Department and Customer Service Officer in promoting savings products.
- LOLC continued doing volunteer work in the various communities where we operate, leading numerous community activities such as repainting public schools and classrooms, planting trees, repairing roads and bridges, building sinks, and donating blood, among other such activities.

**Strategic Priorities for 2016**

- Open offices in 6 new locations, tentatively including Tuol Kouk, Mondul Kiri, Angk Snuol, Banteay Ampil, Sandan, and Punhea Kraek. These 6 tentative locations were picked because they are currently underserved by formal financial service providers yet are very economically active areas with stable agricultural sectors, some trade, and notable amounts of factory workers.
- Provide new and diversified products and services to meet clients’ needs, including a wash loan, flexi loan, leasing services, and more savings account plans.
- Enhance and promote the current savings products.
- Conduct institutional and social ratings in 2016.
- Update the current MBWin system to a new, real-time core banking system that would support LOLC’s growth and development of new products and services.
- Explore ways to use technology-oriented delivery channels that would improve customer services and increase efficiency.
- Implement next phase of social performance improvements by better integrating best practices with business operations by using the USSPM and SPI4.
- Expand the financial literacy training program to improve Cambodians’ awareness and understanding of savings, debt management, and cash management.
- Promote planet conservation through awareness campaigns to become the most environmentally friendly financial institution.
- Study market demand for financial services, broadening LOLC’s products and services to reach underserved segments of urban and rural populations.
- Continue focusing on social activities to meet LOLC’s core values: “LOLC values the vision of a balanced social and profit organizational agenda”.

LOLC is extremely excited for another year of productive growth and plans to strengthen the factors that already give us an advantage over competitors: strong customer services, innovative products and services, and commitment understanding and fulfilling clients’ needs. Additionally, we plan on focusing in 2016 to make LOLC a leading microfinance deposit taking institution. I am very proud of the great things LOLC (Cambodia) Plc. has consistently achieved over the past years. It goes without saying that they are the result of hardworking and committed LOLC staff who continue to impress me with the way they bring together their knowledge, strength, duty and sense of responsibility to serve our clients to the best of their abilities. With that said, I would like to express my sincere gratitude to all LOLC staff. Without the individuals who together make our company great, LOLC would not be able to achieve what it does. Additionally, I would like to express my sincere thanks to all of LOLC’s clients, shareholders, and business partners for supporting LOLC to be apart of its achievements. I also would like to thank LOLC’s Board of Directors for their support and guidance along with their helpful oversight of LOLC’s operations. Finally, I wish for another year of growth and excellence.

[Signature]

Mr. Sok Voeun
Chief Executive Officer
About LOLC
Cambodia at a Glance

Cambodia is a tropical country situated at the center of the fertile Mekong delta region. Its terrain consists of mostly low, flat plains with the exception of mountains in the southwestern and northern regions. Of its population of roughly 16 million people, about 2.5 million live in Phnom Penh, the capital, while most of the rest live in rural areas. 96% of the population speak Khmer, and 97% consider themselves Buddhist. Cambodia has one of the youngest populations in the world, with over half of its inhabitants are younger than 25 years old and less than 10% are older than 54 years old.

The country’s economic growth has been remarkable over the last two decades. Its GDP grew at an annual rate of over 8% between 2000 and 2010 and at least 7% from 2011 to 2015. While remaining robust, growth in 2015 eased slightly to 7.0 percent, slightly below the 7.1 percent achieved in 2014. The performance of the garment sector improved in 2015, while signs of economic moderation and weakness persisted in the tourism and agriculture sectors, respectively. Cambodia’s real growth is projected to remain healthy at 6.9 percent in 2016, driven partly by a significant increase in government spending. Strong garment exports should help to offset a slowdown in agriculture, while the construction sector is expected to continue to remain an engine of growth.

The National Bank of Cambodia has done an impressive job maintaining the stable monetary environment that has facilitated the country’s strong growth. The inflation rate has remained below 5% since 2015, and in 2015 it was around 1.9%. A major factor behind this stability has been the dollarization of the economy, as the Cambodian economy operates on both the KHR and the USD. Financial institutions generally offer products in both currencies, and most small, medium, and large companies also use both currencies. Through a managed float, the exchange rate between the KHR and USD for the last decade has been kept stable around 4,000-to-1, and economists expect it to remain so.

Despite impressive growth, Cambodia has a lot of development milestones yet to achieve, as a large chunk of its population still lives below the poverty line. In a push to improve its people’s standards of living, the Cambodian Government has worked closely with bilateral and multilateral donors, including the Asian Development Bank, the World Bank, and the IMF. (Over 30% of the government’s budget comes from international donors, giving the country a huge external stimulus that has helped and will continue to help develop its infrastructure and industrial competitiveness.)
Cambodia’s export-led growth continues …
Real GDP growth continues to be robust.

...with rising garment and footwear production...
Garment and footwear exports accelerated in 2015 (US$ million)

...and deepening of the construction sector...
Approved construction projects (US$ million, YTD)

... offsetting the decline in agriculture...
Annual rice production (Metric tons million)

...while healthy FDI inflows finance the external gap ...
Trade and current account deficits, and FDI (Percent of GDP)

...and rising collection helps fiscal consolidation.
General government fiscal deficits. (Percent of GDP)
As a result of Cambodia’s robust economic growth and rising incomes, its microfinance industry has expanded tremendously in recent years. There are currently 41 licensed MFIs serving many segments of the population and having a wide range of products ranging from agricultural loan, MSMEs loan, Home Improvement Loan, Savings, Deposit, and Funds Transfer. The industry-wide gross loan portfolio was around USD 4 billion (including ACLEDA Bank microfinance portfolio) at the end of 2015, up 38% from a year earlier and up nearly 600% since 2011, when the industry-wide GLP was USD 572 million with 1 million borrowers. LOLC is the fifth largest MFI in Cambodia both in terms of gross loan portfolio and number of borrowers.

The microfinance industry has been responsible for bringing financial products and services to the bulk of rural Cambodians in the past five years. This industry has played an essential role in developing the country’s economy by increasing investment and domestic demand. As microfinance institutions that once only offered one or two loan products now they offer dozens of loan products, savings and deposit, funds transfer services, and innovative ways to access these products and services.

The Cambodian microfinance environment is market-oriented, giving borrowers and savers competitive interest rates and service quality. With the competitive growth of the industry, the Cambodian government has acted to ensure its responsible growth and sustainability. The National Bank of Cambodia has acted as an independent regulator to the industry, conducting on-site visits to microfinance institutions, monitoring their banking practices and loan portfolio quality, and taking steps to prevent systemic risk. Additionally, the Credit Bureau of Cambodia (CBC), founded in 2012, plays a significant role in monitoring the over-indebtedness and multiple loans held by clients and potential clients at different MFIs. This information is provided to MFIs so they can incorporate it into their analysis of clients’ cash flows and loan applications.
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. Currently, LOLC Micro Investment Ltd. ("LOMI") owns 60% of LOLC, Developing World Markets ("DWM") owns 36.97%, and LOLC staff own the remainder through an Employee Stock Ownership Plan (TPC-ESOP).

LOLC was established by 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.

Currently, LOLC is the 5th largest MDI/MFI in Cambodia (by number of borrowers and GLP). Through its network of 67 branches, LOLC serves more than 218,000 clients with a loan portfolio of more than USD 188 million. Since receiving a deposit taking license, LOLC has broadened its financial products and services to include savings and fixed deposit products. LOLC is now happy to encourage clients, as well as Cambodians more generally, to save income for future purposes. LOLC believes that through its loan and savings products, clients will be able to improve their living standards year after year.

Going forward, LOLC will continue its expansion in rural and urban areas, developing new, and innovative financial products and services for its clients. With experienced management team, strong governance, and social commitment, LOLC is well positioned to further broaden its outreach and impact across Cambodia.
Brief History of LOLC

21-year track record of providing socially responsible microfinance services in Cambodia

- Became the first MFI in Cambodia to receive the SMART Campaign's Client Protection Certification
- Changed name from TPC to LOLC (Cambodia) Plc., received deposit taking license from the National Bank of Cambodia
- New Head Office established in Phnom Penh
- Majority stake in LOLC acquired by LOLC Micro Investments Ltd. (LOMI)
- Developed Microbusiness Expansion Loan product
- Developed Collateral Management System and set up Risk Management Department
- Acquired by Developing World Markets
- Gross Loan Portfolio exceeded USD 22 million
- Rolled out of Seasonal Loan product for agricultural clients
- Established the Environmental and Social Performance Management Committee
- Established Employee Stock Ownership Plan
- Licensed as a Microfinance Institution by the National Bank of Cambodia
- Incorporated as Thaneakea Phum (Cambodia), Ltd. (Village Bank Cambodia in Khmer)
- Continued growth through support from USAID and McKnight Foundation
- First regulated by the National Bank of Cambodia
- Founded by Catholic Relief Services as part of Small Enterprise Development Program
Business Review
LOLC (Cambodia) Plc. (“LOLC”) is a rapidly growing, regulated microfinance institution with a focus on serving entrepreneurs and families at the base of the socio-economic pyramid with the 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 5th largest MFI in Cambodia by number of borrowers and loan portfolio. 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 empower micro, small and medium entrepreneurs and low-income families at the base of the socio-economic pyramid in Cambodia was realized through the development of new products tailored to our clients’ needs, sound internal control policies, and financial literacy program aimed at enhancing the overall client experience. In 2015, having again experienced impressive growth in our loan portfolio, number of borrowers and operational areas, LOLC is continuing on its growth path while exerting due diligence on operational activities.

2015 was a pivotal year for LOLC after LOLC Micro Investments, Ltd. (“LOMI”) became the majority shareholder after over five years of a successful joint partnership with Developing World Markets (“DWM”) by acquiring a larger stake (60%) in LOLC. LOLC’s Gross Loan Portfolio grew by 63% from USD 115 million at the end of 2014 to USD 188 million at the end of 2015, while the number of clients grew by more than 29,000 from 189,000 in 2014 to 218,000 at the end of 2015. Having consolidated risk controls and lowered the Portfolio at Risk rate (PARE<30 Days) from 1.96% in 2010 to 0.24% in 2015, LOLC has built a solid base for further expansion of its responsible activities in Cambodia.

After achieving an average growth rate of 53% per year for the last 5 years, LOLC needed strong stakeholders to support its growth path and further consolidate its risk and internal control policies. LOLC maintains a high quality loan portfolio thanks to strong internal controls, a careful monitoring of its loan disbursement and collection processes, and the provision of extensive training and capacity building for its staff. In this regard, LOMI’s leadership will not only help LOLC expand its operations but also provide LOLC with the expertise of more than 30 years’ experience in financial services in South East Asia. LOMI’s expertise is in microfinance related challenges, and the two organizations have already started working together on IT management issues and client data protection.

LOLC’s long term commitment to preventing over-indebtedness among its clients and generating fair customer outcomes, illustrated by its strict credit and multiple loan policies, will be backed and pushed forward by its new shareholder. LOMI, the LOLC Group’s microfinance subsidiary has been recognized since February 2014 as the first Sri Lankan microfinance institution to receive the Client Protection Certification from the Smart Campaign. LOLC Cambodia also took several steps towards an effective social performance management, such as the implementation of the Smart Campaign Client Protection Principles, the use of the Progress out of Poverty Index tool, and the development of environmental and social performance management, for all of which it has received awards. Since 2014, LOLC became the 3rd MFI in Cambodia to receive the S.T.A.R certification from MIX Market for achieving a high level of transparency and compliance to social performance standards. These initiatives and their derived processes contribute to the reduction of all client related risks and ensure that LOLC treats its clients fairly.

LOLC also looks at innovative ways to fulfill its mission to empower rural entrepreneurs and families. As of 2015, in partnership with Good Return, an initiative of World Education Australia, LOLC provided financial literacy courses to more than 15,000 including university students. Additionally, in a partnership with Agence Française de Développement (“AFD”), LOLC is seeking to encourage the use of renewable energy in rural and urban Cambodia by developing a new loan product for clients who wish to buy solar home systems.

Finally, our operations and projects have been supported by growing our number of staff from 1,156 in 2014 to 1,498 in 2015. LOLC opened 13 new branches in 2015 – up to a total of 67 branches – and now operates in 24 provinces throughout the country. Our staff members all receive extensive training on LOLC’s internal and credit policies as LOLC is dedicated to aligning our growth path with the quality of our loan portfolio.
LOLC has strengthened and diversified its product offerings over the years in order 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 their application and delivery, removing any barriers of access to our services. We have also expanded the size of our individual loans and designed new products aimed at meeting clients’ needs.

LOLC’s group loans (Thaneakea Phum Loan and Solidarity Group Loan) are LOLC’s most well established loan products; this is mainly due to their popularity among rural communities and the clients’ knowledge and trust in these products as they are highly representative of the whole microfinance market product offering. The Thaneakea Phum Loan (TPL) and Solidarity Group Loan (SGL) account for 25% and 7% of total Gross Loan Portfolio (GLP), respectively, and jointly represent 71% of LOLC borrowers. Although these two products are well functioning and satisfy clients, we are always looking for new ways to improve their quality. LOLC is currently considering increasing the loan size of the TPL and SGL.

The Individual Loans (IL) account for 68% of the GLP and 29% of clients. With a larger loan size, the IL is intended for entrepreneurs whose growing businesses need working capital. LOLC’s Seasonal Loan (SNL) is intended for clients with agricultural activities who need to finance their inputs and repay the loan once the harvest is sold. The SNL allows for balloon and semi-balloon repayments of loan principal. Small and Medium Enterprise (SME) loan has a maximum loan size of USD 35,000 and provides small and medium sized business owners ample capital to grow their businesses. While their target client segments are different, the success of these products show a positive market reception for an enhanced product offering.

LOLC also offers additional products attached to our core products. This is the case for the Top up Loan introduced in 2013. This product is offered to IL and SME clients who wish to borrow additional funds from LOLC before repayment of their current loan is completed. As part of LOLC’s due diligence and in order to mitigate risks of over indebtedness, the Top up Loan can only be granted to clients who have demonstrated strong repayment discipline and a steady repayment capacity.

The Loan for Agricultural Machinery (LAM) is still one of the main highlights of 2015. This individual loan can be accessed for an amount of USD 1,000 to USD 35,000. This is due to the loan’s purpose, which is primarily for purchasing agricultural machinery for farmers and service providers (machine rental businesses) in order to raise productivity, yield, and ultimately generate more profits. The LAM is currently available at all branches in either USD or THB.

LOLC also offers loan for household improvement. For example, the Home Improvement Loan is a term loan that allows home owners 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. Lastly, the Emergency Loan (EL) is generally for existing group loan clients who face emergencies in their lives demanding money to fund exceptional expenses.

In 2015, LOLC launched the following new individual loan products: Pepper Individual Loan, Solar Loan, and Life Improvement Loan Asset Backed. These loans were designed for productive purposes for people willing to expand their businesses and improve their living standards.

In addition, LOLC has started pilot testing its savings products (savings and fixed deposit accounts) after it was granted a deposit taking license from the National Bank of Cambodia in October 2015. The savings products were designed as easy ways for clients to keep their money safe and gain an interest for return.

**Trend in Product Mix**

LOLC (Cambodia) Plc. 24
Business Performance

Loan Performance

Number of Accounts

<table>
<thead>
<tr>
<th>Nº</th>
<th>BY SECTOR</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>95,426</td>
<td>133,066</td>
<td>120,339</td>
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<td>2</td>
<td>Production</td>
<td>2,703</td>
<td>2,680</td>
<td>2,542</td>
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<td>3</td>
<td>Trade</td>
<td>20,392</td>
<td>22,665</td>
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<td>4</td>
<td>Service</td>
<td>10,612</td>
<td>13,122</td>
<td>17,237</td>
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<td>5</td>
<td>Salary and Wage</td>
<td>-</td>
<td>18,462</td>
<td>52,867</td>
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<td>6</td>
<td>Others</td>
<td>25,134</td>
<td>213</td>
<td>596</td>
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<tr>
<td></td>
<td>Total</td>
<td>154,267</td>
<td>190,208</td>
<td>219,653</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nº</th>
<th>BY PRODUCT</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Group Loan (GL)</td>
<td>120,728</td>
<td>141,729</td>
<td>155,580</td>
</tr>
<tr>
<td>2</td>
<td>Individual Loan (IL)</td>
<td>24,204</td>
<td>33,957</td>
<td>44,358</td>
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<tr>
<td>3</td>
<td>Small and Medium Enterprises Loan (SME)</td>
<td>425</td>
<td>662</td>
<td>1,136</td>
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<tr>
<td>4</td>
<td>Seasonal Loan (SNL)</td>
<td>7,758</td>
<td>11,703</td>
<td>15,373</td>
</tr>
<tr>
<td>5</td>
<td>Home Improvement Loan (HIL)</td>
<td>1,152</td>
<td>2,157</td>
<td>3,206</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>154,267</td>
<td>190,208</td>
<td>219,653</td>
</tr>
</tbody>
</table>

LOLC’s number of accounts keeps increasing from year to year reaching almost 220,000 clients in 2015. The reasons behind this increment are due to our branches network expansion which increased to 67 branches in 2015 (from 54 branches in 2014), product diversification responding to all segments of Cambodians (16 loan products including Individual, SME, Pepper, Home Improvement, and Life Improvement Loans), as well as clients’ trust on our excellent services and good quality loan products. By the end of 2015, LOLC is still the 5th largest MFI in Cambodia in terms of number of borrowers and loan portfolio.

Loan Portfolio

<table>
<thead>
<tr>
<th>Nº</th>
<th>BY SECTOR</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>39,905,183</td>
<td>69,632,799</td>
<td>90,531,913</td>
</tr>
<tr>
<td>2</td>
<td>Production</td>
<td>1,368,950</td>
<td>1,829,603</td>
<td>2,632,574</td>
</tr>
<tr>
<td>3</td>
<td>Trade</td>
<td>14,056,997</td>
<td>19,699,297</td>
<td>31,355,740</td>
</tr>
<tr>
<td>4</td>
<td>Service</td>
<td>7,466,925</td>
<td>12,139,395</td>
<td>21,520,216</td>
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<tr>
<td>5</td>
<td>Salary and Wage</td>
<td>-</td>
<td>11,879,880</td>
<td>41,787,160</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td>12,148,486</td>
<td>191,322</td>
<td>527,231</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>74,946,541</td>
<td>115,372,296</td>
<td>188,354,835</td>
</tr>
</tbody>
</table>

LOLC’s number of accounts keeps increasing from year to year reaching almost 220,000 clients in 2015. The reasons behind this increment are due to our branches network expansion which increased to 67 branches in 2015 (from 54 branches in 2014), product diversification responding to all segments of Cambodians (16 loan products including Individual, SME, Pepper, Home Improvement, and Life Improvement Loans), as well as clients’ trust on our excellent services and good quality loan products. By the end of 2015, LOLC is still the 5th largest MFI in Cambodia in terms of number of borrowers and loan portfolio.
LOLC is one of the fastest growing MFI in Cambodia with loan portfolio growth 63% compared to the previous year, reaching more than USD 188 million by the end of 2015.

In terms of sector, agriculture has the biggest portion shared almost 50% of the total loan portfolio.

In terms of product, Individual Loan (IL) has seen the rapid growth of almost 70% compared to the previous year. This is due to increment of clients’ needs in their business expansion and households improvement. As a fact, SME and HIL loans have doubly increased which reflects clients’ success in business expansion and higher income generation.

Savings Mobilization

LOLC was granted a deposit taking license from the National Bank of Cambodia in October 2015. Since then, LOLC has begun pilot testing its savings products (savings and fixed deposit accounts). By the end of December 2015, LOLC had obtained a deposit balance of more than USD275, 000 from 361 depositors. Though it is not much amount, it is a great start for LOLC to providing more diversified products and services to meet clients’ needs.

Since starting its operations in 1994, LOLC has been trusted by more than 200,000 clients in providing excellent customer services and good quality loan products. And now LOLC is providing clients another good opportunity to place their deposit at LOLC with excellent services and competitive interest rate, giving clients a more convenient way for keeping safe their cash while obtaining a high interest income. Within these challenges, LOLC expects to reach its savings volume as plan in 2016 as well as the year to come.

### Branch Network

In 2015 LOLC opened 13 new branch offices to expand operations and reach more clients who have lacked access to microfinance services. With these new branches, LOLC’s operations cover 24 provinces across Cambodia. In 2016 with its plan to open 6 more new branch offices, aimed at providing financial services to all segments of Cambodians, LOLC’s branch network is reaching 73 offices covering all the 25 provinces in the nationwide.
Risk Management

Risk Philosophy

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 framework is aimed at strengthening the company’s ability to identify, measure and manage risk in order to maximize shareholder value while aligning a necessary level of risk with corporate strategy, assessing the impact of emerging risks 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 Framework

- Board Risk Committee
- Management Risk Committee
- Credit Committee
- Operational Risk and other risk areas
- Assets and Liabilities Committee (ALCO)
- Financial Risk other than Credit Risk
- Management Credit Committee

Board of Directors Risk Committee

The Board of Directors 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.

Management Risk Committee

The Management Risk Committee is chaired by the Chief Executive Officer and meets once per month. The main responsibility of this committee is to ensure that LOLC is operating with a sound, effective, and efficient risk management system, monitoring risk assessment and risk management to safeguard the institution’s assets and financial resources. The Committee also focuses on monitoring and mitigating operational risks that may arise from inadequate information systems, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems that may result in unexpected losses or reputation risk.

Management Credit Committee

The objective of the Credit Committee is to minimize credit loss to an acceptable level. The Committee is chaired by the Chief Operations Officer. The responsibilities of the Committee are to ensure that credit policies are in place, up to date, appropriate to the business and consistent with sound lending practice as well as to monitor portfolio quality, identify any adverse trends and ensure that remedial action is taken. In part because of the Committee’s hard work, the overall portfolio quality was very good by the end of 2015 with a portfolio at risk (PAR) over 30 days of only 0.24%. The good quality of the portfolio is because of both internal and external factors. The Credit Committee normally meets once per month.

Management Assets and Liabilities Committee

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 Finance Officer and normally meets once per month.
Social and Environmental Performance Review
How Do We Translate Our MISSION?

An 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.

- 83.88% are women, 38.37% living below KHR 5,795/day (2012 poverty line)
- Clients: Agri. = 55%, Production = 1%, Trade = 12%, Service = 8%, Salary and Wage = 24%, Other = 0.3%
- We track our clients through the PPI
- We are Client Protection Certified
- OSS* = 278%, FSS** = 150%
- We offer a wide range of loans and non-financial products and services

* Operating Self Sufficiency
** Financial Self Sufficiency
## Measuring LOLC’s Social Goals

<table>
<thead>
<tr>
<th>Relevant Social Goal</th>
<th>Annual Measurable KPIs Aligned to USSPM</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased access to financial services</td>
<td>Number of borrowers in rural areas</td>
<td>99%</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td></td>
<td>Number of borrowers involved in agriculture</td>
<td>62%</td>
<td>60%</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>Percentage of female borrowers</td>
<td>85%</td>
<td>85%</td>
<td>84%</td>
</tr>
<tr>
<td></td>
<td>Number of participants in financial literacy training</td>
<td>553</td>
<td>6,771</td>
<td>7,939</td>
</tr>
<tr>
<td>Poverty reduction</td>
<td>Percentage of new borrowers below 150% of the national poverty line</td>
<td>39%</td>
<td>28%</td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>Number of new borrowers below 150% of the national poverty line</td>
<td>31,451</td>
<td>27,053</td>
<td>30,482</td>
</tr>
<tr>
<td></td>
<td>Tracking client poverty rate against 150% of the national poverty line</td>
<td>7%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Growth of existing businesses (clients)</td>
<td>Number of clients that report improved cash flow for their business</td>
<td>n/a</td>
<td>n/a</td>
<td>(Survey will start in 2016)</td>
</tr>
<tr>
<td>Environmental sustainability</td>
<td>Number of LOLC branch community events contributing to environmental sustainability</td>
<td>29</td>
<td>50</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>Result of environmental assessment in the ‘no action’ quadrant</td>
<td>No action quadrant</td>
<td>No action quadrant</td>
<td>No action quadrant</td>
</tr>
</tbody>
</table>
Starting in 2012, LOLC Cambodia has prioritized complying with the Client Protection Principles, working in a partnership with the Australian NGO, Good Return. Since then, LOLC Cambodia and Good Return have worked together to close identified gaps in consumer protection. In 2013, LOLC Cambodia joined the "Client Protection Enhancement Project" supported by the Agence Française de Développement ("AFD") and implemented by the Cambodian Microfinance Association (CMA) to support 10 MFIs in Cambodia to achieve the Client Protection Certification from the Smart Campaign. In 2014, Good Return and CMA actively supported LOLC Cambodia in strengthening its consumer protection by refining policies to strengthen protection and by conducting several self-assessments to determine readiness for client protection. From there, in 2015 LOLC conducted staff and consumer awareness campaigns on client protection principle. Then, the certification assessment commenced at the beginning of 2015 by M-cril, and in June 2015 LOLC became the first MFI in Cambodia to receive the SMART Campaign’s Client Protection Certification.
Through 90-minute awareness courses, LOLC’s financial literacy education improves client awareness of savings, over indebtedness, cash management, and credit discipline:

- **Credit discipline:** Credit discipline, based on A4 Metacard, is used to improve the transparency and understanding of LOLC’s products, thereby leading to better financial management and use of loans.

- **Awareness Training:** The Client Training Officer delivers training on savings, debt management, and financial management to villagers, youth, and students using a condensed version of the LBL (Learning for a Better Life) curriculum.

Distribution of the FE brochure: The brochure with information about savings, debt management, and cash flow management has been developed, and Client Training Officers will distribute it to villagers during training sessions. The brochure also serves to raise awareness of client protection principles, insurance, sanitation, etc. From the start of the program in 2012 until December 2015, 15,263 participants have attended LOLC’s financial literacy training sessions.
LOLC assesses the side effects’ of its business operations by randomly sampling its clients to assess side effect to environment through its business operation. The assessment covers all LOLC operating regions and interviews 329 clients. The research focuses on pollution, health & safety, and labour.

The survey measures clients’ environmental risks along two axes: the horizontal axis measuring the client’s risk level, and the vertical axis measuring the clients’ risk management quality. On the horizontal axis is the clients risk level, which refers to the potential environmental damage, and is measured by the clients’ size and type of business (i.e. a large farm poses a higher environmental risk than a small grocery shop). On the vertical axis is the clients’ risk management quality, which refers to the ability to identify and ways that mitigate environmental risks, and is measured by the clients’ knowledge of environmental risks and their actions to improve or prevent them.
Measuring Social Outreach Through PPI

The Progress out of Poverty Index (PPI) is used to measure LOLC outreach to poor clients and ability to transform the quality of clients’ lives, also ensure that appropriate products are extended to target poor clients. Moreover, by using the PPI, LOLC categorizes clients as follows:

- **Very Poor**: Those who likely live below the national poverty line.
- **Poor**: Those who likely live below the 150% of national poverty line.
- **Low-income**: Those who likely live below USD5/Day (2005 PPP).

The PPI for Cambodia was updated in 2015 by a taskforce comprising 7 leading MFIs, the Cambodian Microfinance Association, and Good Return. To this update PPI uses in LOLC has been revisited and set up the new training and report figuration in response to the new question changed. The achievement of the Poverty Outreach as per the new uses of PPI are:

**LOLC Poverty Outreach**:
As of December 2015, 51,130 new LOLC clients are classified by poverty level in the PPI. The results indicate that the majority of LOLC clients are poor or low-income.

- **Very Poor**: 8.04%
- **Poor**: 30.33%
- **Low-income**: 49.54%
- **Non-poor**: 12.09%

**Client Poverty Progress**:
Since 2012, randomly selected clients have been surveyed and monitored each year for their poverty likelihood. Thus, LOLC has monitored clients for four consecutive years, the fourth year using the new PPI questions, and clients’ improvement against poverty can be seen in the graphs below.

**Client Poverty Change by Poverty Line**

**Client Poverty Change by Category**
Partnerships

In 2015, LOLC formed new partnerships while strengthening existing partnerships, aiming to offer LOLC’s rural client base with the opportunities to improve their standards of living.

Since 2013, LOLC has been partnered with the Australian NGO, Good Return, to provide financial literacy training not only to its clients, but also non-clients and university-aged students. Good Return and LOLC have collaborated on strengthening social performance (Universal Standards of Social Performance) and client protection in line with the SMART Campaign’s principles, culminating in LOLC becoming the first Cambodian microfinance institution to receive the SMART Campaign’s Client Protection Certification.

USAID’s Development Credit Authority (DCA) has been an important partner for LOLC, as it has supported LOLC in helping farmers and other small business owners involved in agricultural production access micro-loans. Through this partnership, 1,391 clients in Battambang, Kampong Thom, Pursat, and Siem Reap provinces have received loans, representing a portfolio of USD 2.71 million.

LOLC established a partnership with Water.org in the spring of 2015, aiming to improve access to clean water in rural Cambodia. Through this partnership Water.org has assisted LOLC in developing and marketing its WASH loan product, which clients can use to buy products and services that improve their access to water, sanitation, and hygiene.

LOLC and the Agence Française de Developpement (AFD) formed a partnership in October 2014 to work together in rolling out a solar micro-credit product that finances the purchase of solar home systems for rural Cambodians. The three-month pilot program, ending on December 31, 2015, was conducted in selected districts of Kratie, Prey Veng, and Kampong Thom provinces and saw the solar loan portfolio grow to USD 55,000. The solar loan product will be rolled out to more LOLC branch offices over the course of 2016.

To provide a more convenient payment option to clients, LOLC has partnered with WING to pilot its mobile repayment feature. This enables clients with businesses far from home or LOLC branch offices to process repayments from their cell phones, giving clients a more secure and cost effective mode of payment in addition to the traditional, riskier method of sending repayments to MFI branches via moto taxis or other community members. In 2015 LOLC had approximately 20,000 repayment transactions through WING.
Reflecting its vision to provide the best financial services to entrepreneurs and families at the base of the socio-economic pyramid, LOLC has struck a balance between financial operations and social work. While maintaining widespread financial operations, LOLC has also actively participated in social activities through its community events held nationwide. LOLC’s Board of Directors and Management Team have encouraged branches and the Head Office departments to organize community events so that they have opportunities to dedicate themselves to their local communities.

In 2015 LOLC organized 59 community events throughout the country with almost 10,000 participants. The diversity of projects conducted by LOLC staff and local communities included planting trees, improving roads and bridges, installing ground gutters, cleaning schools, collecting garbage, raising awareness on hygiene and the environment, distributing textbooks, and providing hand washing products, benches, and water purifiers to rural schools. For instance, on 18th July 2015, LOLC Head Office staff together with Chamkar Mon and Kien Svay branches prepared a community event called “Good Health, Good Education” at Prek Eng High School located at Tuol Ta Chan village, Sangkat Prek Eng, Khan Chbar Ompov, Phnom Penh. In this community event, LOLC built a hand washing station with six sinks and planted many trees on the school’s campus. Community events generally receive enthusiastic interest from community members as they create unique conditions for village leaders, school principals, and villagers to contribute to a project that will benefit the whole community.

LOLC’s community events have been eagerly welcomed and admired by the public, clients, authorities, and all LOLC staff. LOLC strongly believes that its social mission gives many benefits to Cambodian communities and strives to make the public more aware of this commitment. LOLC hopes that its social work will inspire both citizens and other private companies to participate in social activities.
Mrs. Koeun Somaly, a hardworking middle-aged mother, is a client who has said that she trusts LOLC because of our fast financial services that have always responded to her needs over time, thereby being the key to growing her businesses. Somaly is a grocery seller and a farmer. She lives in Kandal Province with her husband, two sons, and daughter.

She begins her day with a busy schedule. She and her husband spend the early morning at the market buying vegetables and meat to sell in the village. In addition to selling groceries, she and her husband spend their days at home taking care of animals, including pigs, hens, and cows. She also grows rice on a small field.

Before using LOLC’s financial services, she earned her main income from farming, making less than USD 5 per day. At that time she lived in very poor conditions because she had to support her children for school.

Mrs. Somaly first heard about LOLC in 2013 from an LOLC credit officer who worked in her village. She borrowed USD 250 from LOLC to buy fertilizer for her crops and bought piglets that she raised and sold. After paying off the first loan, she took out a second loan for USD 350 to renovate her house, and then after paying off that loan, she took out a third cycle loan for USD 600 in 2015, which she is currently using to run a new small business selling groceries.

Unlike some other farmers and sellers, this busy couple had the means to bring up their living standard. They are now able to raise their children in a new wooden house with adequate food and clothes.

“I will continue to expand my business. I wish to see my sons and my daughter have their own families and businesses with bright futures,” she said.
Mr. Chork Peng, with a smiling face full of hope, Mr. Chork Peng, 39 years old man, told us about his family life both before and after getting loan from LOLC.

“My wife, two daughters and I were living in a small house in Ang Samrorng Village, Kong Pisey district of Kampong Speu Province,” he said.

Before access to LOLC’s loan, Peng worked as a taxi driver and his wife, Suos Naihort, 28 years old, worked for a garment factory. Because of their jobs, they needed to leave their two daughters, Peng Laiseang and Peng Laisorn, with their parents while they were away from home for work. But their incomes were still not enough to support their family’s demands and they worried that they would not be able to support their children enough to go to school.

“The expenses were too much, sometimes more than what I earned,” he said.

Peng was introduced to LOLC in 2011 by the Chief Villager. His first loan was US$1,500, for growing rice and cassava. He bought fertilizers, cassava trees, and hired a tractor for plowing the field. The income from selling rice and cassava was enough to easily repay the loan, so Peng and his wife decided to get a second loan, US$4,500 to run a new business, selling ice to people in their village in order to generate another source of income in addition to farming and cassava. Peng began making profit from this business and at the end of the second cycle he bought an ice-breaking machine to further meet the needs of costumer. As a result of strong profits, Peng paid back this loan successfully and got a third, US$12,000 loan. It was mainly to buy a small-truck van delivering ice to grocery stores or household within and nearby the village to increase sale amount.

Peng had such great success with LOLC’s loans that he now has a farmland for growing seasonal crops, a new house, a motorbike, a bicycle and a radio. He now earns more than US$15 per day as profit from his business and has enough money for his two daughters to receive higher education.

“I’m happy and thankful to LOLC for offering loans,” he said. “LOLC enables people to do business. Their good customer service is so easy. Their staffs are very friendly; they smile. It is not intimidating to speak with them.”
Mrs. Khlouk Chhengpor, I would love to thank LOLC for capital that enables me to diversify my sources of income.
Corporate Governance
Overview of Good Governance

Sound corporate governance practices are at the heart of our success at LOLC (Cambodia) Plc. LOLC operates within an integrated governance framework formulated after taking into consideration the corporate governance regulations issued by the National Bank of Cambodia and other corporate governance best practices.

The Board of Directors, composed of five members and led by the Chairperson, is responsible for the high level governance of LOLC and for developing effective governance frameworks to meet challenges, both in the short and long term. Three Board Committees – Audit, Risk, and Appointment and Remuneration – provide oversight and guidance to LOLC management. The Board has established an on-going mechanism for identifying, evaluating, and managing LOLC’s significant risks, and this mechanism includes improving the system of internal controls when there are changes to the business environment and regulatory guidelines. Importantly, LOLC’s Internal Audit Department is independent from Management and reports directly to the Board Audit Committee.

At the Management level, the Chief Executive Officer oversees the Finance, Credit, Operations, Human Resources, Risk and Compliance, Administration and Procurement, and IT departments. Four management committees – Credit, Assets and Liabilities, Risk, and Executive – meet monthly to help Management remain focused on accomplishing LOLC’s medium and long term goals and objectives.

The LOLC Board and Management understand the importance of having clear governance guidelines to maintain a free, fair, and transparent environment at all levels of the organization. We are committed to reviewing and improving our systems to provide transparency and accountability to ensure that best practices are maintained and enhanced according to good corporate governance principles.

LOLC’s approach to governance is predicated on the belief that there is a link between high quality governance and the creation of long term stakeholder value. In pursuing our corporate objectives, we have committed ourselves to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and mutual respect.
Ownership Structure

Currently, LOLC (Cambodia) Plc. has three shareholders including LOLC Micro Investment Ltd. ("LOMI"), Developing World Markets ("DWM"), and TPC Employee Stock Ownership Plan ("TPC-ESOP") with their shareholding structure as the following:

**Shareholders by Percentage**

- **LOLC Micro Investment Ltd. ("LOMI"):** was established in 2011 with its purpose of exploiting investment opportunities available in the micro finance sector in homeland and the Asia Pacific region. In 2013, LOMI began microfinance operations in Myanmar. LOMI is wholly owned by Lanka Orix Leasing Company Plc., a publicly listed company in Sri Lanka. Lanka Orix Leasing Company Plc. was established in 1980 as a pioneering provider of leasing products in Sri Lanka and has since expanded to offer a range of financial and non-financial products and services. As of 31 March 2014, Lanka Orix Leasing Company Plc. reported total assets of approximately USD 1.3 billion. One of its subsidiaries has become an industry leader and was recognized in February 2014 as the first Sri Lankan microfinance institution to receive Client Protection Certification from the Smart Campaign. Lanka Orix Leasing Company Plc. also holds a minority stake in another top MFI in Cambodia.

- **Developing World Markets ("DWM"):** is a US-based socially responsible financial services group that primarily invests in microfinance institutions to promote economic and social development. It has close to USD 800 million in assets under management. For more information, see www.dwmarkets.com. DWM has brought a fresh outlook and additional expertise, as well as a continued commitment to LOLC (Cambodia) Plc.’s social mission, enabling LOLC (Cambodia) Plc. to expand with confidence and further broaden its outreach.

- **TPC-ESOP:** is a company held by LOLC staff through the TPC Employee Stock Ownership Plan (TPC-ESOP). The exclusive objective of TPC-ESOP is to provide eligible employees of LOLC (Cambodia) Plc. ("LOLC") a benefit associated with their employment and to serve as a vehicle through which the eligible employees of LOLC may share in the long term future of LOLC.
Board of Directors

Mr. Brindley de Zylva
Chairperson

Ms. Fernanda Lima
Board Member

Mr. Ravindra Dhammika Tissera (Ravi)
Board Member

Mr. Indrajith Wijesiriwardana
Independent Board Member

Mr. Michael Moormann
Independent Board Member
Mr. Brindley de Zylva
Chairperson

Mr. Brindley de Zylva is the Chairperson of the Board of LOLC (Cambodia) Plc. He is also a managing director of LOLC Myanmar Microfinance Ltd. Prior to joining the company, he served as the Managing Director and Chief Executive Officer of LOLC Finance Plc. (“LOFC”), Sri Lanka. He has served the Non-Bank Financial Services Industry (“NBFI”) during the past 31 years in both Licensed Finance Companies and Specialized Leasing Companies holding Board & General Management positions prior to taking over as the Chairperson of LOLC (Cambodia) Plc. He has a wide range of expertise and experience in the NBFI sector; covering Marketing & Sales, Credit & Recovery Management, and Finance. Mr. de Zylva, who is a Fellow of the Sri Lanka Institute of Credit Management; 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 as one of its Vice Chairpersons. As a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited, he provided guidance for the benefit of NBFI’s in Sri Lanka. These positions were relinquished in 2015 to take over a regional assignment for the LOLC Group in Myanmar & Cambodia. He also served (2006-2015) in an honorary capacity as a Vice Chairperson of Kabul Bank which is a Non-Governmental Organization serving the disabled. Mr. Brindley has been working at LOLC (Cambodia) Plc. as a Chairperson since October 2015.

Ms. Fernanda Lima
Board Member

Ms. Fernanda Lima is currently a Board Member at LOLC (Cambodia) Plc. and a Board Member at Microcred China in Sichuan, China. Working for DWM since 2008, she manages an equity portfolio of approximately USD30 million, takes the lead on equity investments in East Asia, Southeast Asia and Brazil and has a combined fifteen years of experience with major private equity firms and financial services in the US, Europe, and South America. Earlier, Fernanda worked for AIG Global Investment Group in London, conducting equity transactions in Scandinavia and Eastern and Southern Europe, and with AFLA/Citicorp Venture Capital in Sao Paulo, Brazil. She started her career with Brazil-based Unibanco/ITAU, where her first assignment after completing a leadership trainee program was as a relationship manager for mid-cap companies, moving on to assume several analytical and project management roles, including the launch of two direct sales units to distribute insurance and investment products to Brazil’s emerging middle class. Fernanda has a MSc in Environment and Development from the London School of Economics and an MBA from the University of London. She is also a British Chevening Scholar, with funding by UK’s Foreign & Commonwealth Office, and speaks fluent Portuguese and Spanish. Ms. Fernanda has been working at LOLC (Cambodia) Plc. since 2010.

Mr. Ravindra Dhammika Tissera (Ravi)
Board Member

Mr. Ravindra Dhammika Tissera (Ravi) is a Board Member of LOLC (Cambodia) Plc. He is also the Director and Chief Executive Officer of LOLC Microcredit Limited, Director of Sundaya Lanka (Pvt) Ltd., Director of LOLC Micro Investment Ltd., Director of BRAC Lanka Finance PLC, and Director of LOLC Myanmar Micro Finance PLC. He has more than 22 years of experience in SME banking, leasing and asset financing, microfinance and social enterprise. He conceptualized and introduced microfinance to the LOLC Group and he played a central role in setting up LOLC Microcredit Ltd., Sri Lanka’s first private sector microfinance institution. As the CEO of LOMC since its inception in 2009, he has managed LOMC as a double bottom line enterprise to become one of the most admired MFI’s in Asia. Moreover, under his supervision, LOMC was certified in Client Protection Principles (CPP) by the Smart Campaign in 2013. Mr. Ravi holds a Post-Graduate Diploma in Marketing from the Chartered Institute of Marketing UK and is currently reading for a Masters at the University of Leicester, UK. Mr. Ravi has been working at LOLC (Cambodia) Plc. since September 2014.
Mr. Michael Moormann  
*Independent Board Member*

Mr. Michael Moormann is an Independent Board Member 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 starting in 1994 served as Country Manager for the same bank in several countries including the Philippines, Sri Lanka and Vietnam. Since 2005 Mr Moormann completed several consulting assignments in microfinance and presently serves as a director on the board of two microfinance institutions. His professional strengths include internal audit, human resource management and change management. Mr. Michael has been working at LOLC (Cambodia) Plc. since February 2013.

Mr. Indrajith Wijesiriwardana  
*Independent Board Member*

Mr. Indrajith Wijesiriwardana is currently an Independent Board Member of LOLC (Cambodia) Plc. Indrajith is a highly skilled consultant in international development finance with over 18 year’s 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 focused on MSME, institutional transformations and product design and process improvements. During his career in the banking sector, prior to 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. Indrajith Wijesiriwardana has been working at LOLC (Cambodia) Plc. since the 1st of January 2015.
Loan Agriculture Machinery enables me to increase my productivity and income generation.
Management Team

Mr. Sok Voeun
Chief Executive Officer

Miss. Try Sola
Head of Treasury Department

Mr. Neak Niporn
Head of Finance Department

Mr. Sok Sophal
Chief Finance Officer

Mr. Sean Thorninn
Chief Operations Officer

Mr. Eng Bunthach
Chief Information Officer

Mr. Teng Pheap
Head of Internal Audit Department

Mrs. Svoeuy Sodyna
Head of Risk & Compliance Department

Mrs. Leng Thavy
Head of Human Resources Department

Mr. Muth Pisey
Head of Admin. and Procurement Department
Mr. Loy Long  
Deputy Head of Business Development Department

Mr. Hul Sovutha  
Deputy Head of Business Development Department

Mr. Ban Phalleng  
Head of Social Performance Management Department

Mr. Phon Sampha  
Head of Credit Department

Mr. Tun Korng  
Deputy Head of Credit Department and Advisor of Executive Committee

Mrs. Chheang Kagna  
Head of Deposit & Financial Services Department

Mr. Chhuon Sokcheth  
Head of Marketing Department

Mr. Chhoeun Kuncheat  
Deputy Head of Branch Support Department

Mr. Loy Long  
Deputy Head of Business Development Department

Mrs. Kheng Navy  
Company Secretary
Mr. Sok Voeun
Chief Executive Officer

Mr. 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 at ACLEDA Bank Plc. as a Credit Officer from 2000 to 2001 and served as the Head of Credit Control Unit in the 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, including managing loans, savings, money transfer transactions, and market expansion. He started working at LOLC (Cambodia) Plc. as Chief Operations Officer in April 2010 and was promoted to Deputy Chief Executive Officer in December 2012. Currently, he is the Chief Executive Officer as appointed by the Board of Directors effective from June 1st, 2014.

Mr. Sok Sophal
Chief Finance Officer

Mr. Sok Sophal, Chief Finance Officer, obtained his Master’s of Finance at the National University of Management in 2007. He received 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 in the areas of Securities Markets, Financial Analysis, Accounting and Marketing. He served in ACLEDA Bank Plc. as an Assistant Manager of the Management Accounting Unit (2003 – 2007) and Manager of the Management Accounting Unit (2007 – 2008). He was promoted to the Assistant Senior Vice President (responsible for investment) of the Legal and Corporate Affairs Division in ACLEDA Bank Plc. in 2008. Hereafter January 2009, he was the Deputy Head of Capital Market Division of ACLEDA Bank Plc. He has been working at LOLC (Cambodia) Plc. since August 2010.

Mr. Sean Thorninn
Chief Operations Officer

Mr. Sean Thorninn, LOLC Chief Operations Officer, has about 10 years of banking and microfinance experience covering Corporate Banking Relationship, Product Development, Payment Business, and Business Development. Prior to joining LOLC (Cambodia) Plc., he spent about 5 years in Corporate Banking Relationship, managing Product Development and Payment Business in two foreign banks, and about 5 years in managing the Financial Services in one of the leading micro-finance institutions in Cambodia. Thorninn obtained his Master of Risk Management in Finance, Banking and Insurance from Université de Nantes, France in 2015, Master of Business Administration in Business Management from University of Cambodia in 2006, and Bachelor of Economic Science in Finance and Banking from Institute of Technology and Management (currently University of Puthisastra) in 2004. Beside that he also has attended several courses locally and internationally in the areas of Retail Banking Operation, Credit Analysis, Project Management, Microfinance Management, Product Development, Professional Selling and Customer Services. He joined LOLC in Dec 2015 as the Chief Operations Officer.

Mr. Eng Bunthach
Chief Information Officer

Mr. Eng Bunthach, Chief Information Officer, obtained his Master’s Degree of Information Technology from Norton University, Cambodia. He leads the IT Department, which is responsible for overall day-to-day IT operations to support the whole business’s operations. He has more than 10 years of work experience within the banking and microfinance sector. He has attended IT related trainings and workshops in various countries including Cambodia, Singapore, Sri Lanka, Malaysia, Thailand and Vietnam. Before joining LOLC, he served in ACLEDA Bank Plc. as programmer and he was promoted to AVP and Manager of the Software Development Unit in the IT Division. During his period with ACLEDA Bank Plc, he worked on IT project management, Core Banking, database design, application development and support, IT security & compliance and IT BCP. He started working at LOLC as Head of Information Technology Department in July 2010 and he was promoted to Chief Information Officer directly accountable to the Chief Executive Officer effective from June 2015. He also served as TPC-ESOP shareholder representative.
Mr. Teng Pheap  
**Head of Internal Audit Department**

Mr. 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 the Philippines, effective internal control in Mongolia, bank experience sharing in Sri Lanka, and other training courses in Cambodia on risk management, advanced internal auditing, report writing and leadership skills. Pheap has more than 13 years of experience working with microfinance institutions and non-government organizations (NGOs) in Cambodia, including for Catholic Relief Services in 1999-2003 as an internal auditor and as Branch Manager in 2004 after CRS incorporated as LOLC; for Angkor Microfinance Kampuchea (2004-2008) as an audit team leader and Regional Manager. He has been working at LOLC (Cambodia) Plc. as Head of Internal Audit Department since December 2008.

Mrs. Svoeuy Sodyna  
**Head of Risk & Compliance Department**

Mrs. Svoeuy Sodyna, Head of Risk & Compliance Department, is pursuing the ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor’s Degree of Business Administration majoring in Accounting at the National University of Management in 2006. In addition to her academic qualification, she obtained an Advanced 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 firms as Audit Senior for nearly 4 years in which the responsibility included leading the audit teams and completing the statutory and compliances audit for companies in various industries including banks and MFI’s, commercial companies, NGOs, and others. She joined LOLC in May 2011 as Senior Risk Officer and was promoted to Head of Risk & Compliance Department effective from November 2013.

Mrs. Leng Thavy  
**Head of Human Resources Department**

Mrs. 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’s of Business Administration from National Institute of Management in 2002. She has attended numerous human resource related trainings and workshops in various countries such as Thailand, Singapore, Sri Lanka, the Philippines, Malaysia, the United Kingdom and Australia. She started her first job as Secretary to HR Director in World Vision Cambodia from 2003 to 2004 and then was promoted to Human Resource Coordinator from 2004 to 2005 where she was given an opportunity to take up a three-month international assignment as Human Resource Coordinator with World Vision Sri Lanka, Sri Lanka. From 2005 to 2009, she was the Human Resource Manager at VisionFund Cambodia (MFI) and then moved to work with CARE Cambodia as Human Resource Manager in 2010. In 2012, Mrs. Thavy departed CARE to pursue her Master’s degree in Australia. While studying she also worked part-time as Human Resource Operations staff at Monash University, Australia until she returned back to Cambodia in 2014. She has been working at LOLC (Cambodia) Plc. as Head of Human Resource Department since August 2014.

Mr. Neak Niporn  
**Head of Finance Department**

Mr. Neak Niporn, Head of Finance Department, is pursuing for ACCA Qualification from the largest professional accounting institute in the United Kingdom. He has obtained a Master’s Degree of Business Administration, majoring in Financial Management, from Royal University of Law and Economics in 2013 and a Bachelor’s Degree of Business Administration in Banking and Finance from Cambodian University for Specialities in 2011. He has attended numerous professional courses on topics such as Cambodian taxation law, assets and liabilities management, financial planning, International Financial Reporting Standards (IFRS) and other microfinance-related courses. He served as Accountant at Village Development Association (VDA) from 2009 to 2010 and worked at LOLC as Head Office Accountant from 2010 to 2013, being promoted to Management Accounting Unit Manager in 2014 and then promoted to Head of Finance Department in Sep 2015. He plays a
significant role in the overall financial management of LOLC, working extensively with the BOD Chairman, Chief Executive Officer, Chief Operations Officer, Chief Finance Officer, Department Managers, all LOLC staffs and other relevant stakeholders. He is very able to cope with changes in government laws and regulations.

Miss Try Sola  
Head of Treasury Department
Ms. Try Sola, Head of Treasury Department, is pursuing for ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor’s Degree of Business Administration, majoring in Accounting at National University of Management in 2011. She attended numerous professional courses on topics including financial management, anti-money laundering and other microfinance-related topics. She worked with one of the “big four” international accounting firms as Audit Senior for nearly 4 years in which her responsibilities included leading the audit teams and completing the statutory and compliance audits for companies in various industries including banks and MFIs, private companies, NGOs and companies in other sectors. She has been working at LOLC (Cambodia) Plc. as Head of Treasury Department since June 2015.

Mr. Muth Pisey  
Head of Administrative and Procurement Department
Mr. Muth Pisey, Head of Administrative and Procurement 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 trainings in Cambodia on real estate & property valuation, workplace conflict resolution and negotiation, practical branch management, capacity building for internal auditors, employment and labor law, and empowering leadership, among others. He served at SATHAPANA Ltd. as Credit Officer from 2006-2008 and Chief of Credit Officers in Ang Snoul District Branch from February 2008 to December 2008. From 2009 to 2010, he was the Provincial Branch Manager of the Kampot branch at SATHAPANA Limited (MFI). He started working for LOLC as Branch Management Trainee in May 2010 and was appointed to be Branch Manager of Suong branch in July 2010. In May 2014, he was promoted to be the Head of Administrative and Procurement Department at the Head Office.

Mr. Phon Sampha  
Head of Credit Department
Mr. Phon Sampha, LOLC Head of Credit Department, has over 17 years of successful experience with microfinance institutions and NGOs in credit management, risk and quality assurance management, operations and branch management, corporate strategy, organizational development and capacity building, research and evaluation, planning (strategic and business plans), and project management. Previously, he worked as an East Asia Regional Program Coordinator at Oxfam America, and a Head of Corporate Strategy, an Operations Manager, Risk and Quality Assurance Manager, Provincial Branch Manager and Provincial Micro Enterprise Development Supervisor for VisionFund Cambodia and World Vision Cambodia. Sampha holds a MBA from Chamroeun University of Poly-technology and a BA from National University of Management. In addition, he has also attended more than 50 short courses in different countries such as Cambodia, Singapore, Malaysia, the United Kingdom, the Philippines, Sri Lanka, India, Mali, Tanzania, Vietnam, and Thailand. Now, Mr. Sampha has been serving LOLC as Head of Credit Department since December 2015.
Mr. Tun Korng  
*Deputy Head of Credit Department and Advisor of Executive Committee*

Mr. Tun Korng, Deputy Head of Credit Department, obtained his Master's Degree of Business Administration majoring in Finance and Banking in 2014 and 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 both in 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. Currently, he has served as Deputy Head of Credit Department since June 1st, 2014. Additionally, he served as TPC-ESOP shareholder representative and advisor to the Executive Committee.

Mrs. Chheang Kagna  
*Head of Deposit and Financial Services Department*

Ms. Chheang Kagna, Head of Deposit and Financial Service Department, obtained her Master's Degree in Business Administration at Pannasastra University of Cambodia (PUC) in 2012. She graduated with a Bachelor's Degree of English Literature from PUC in 2010 and Bachelor's Degree of Business Administration from Royal University of Law and Economic (RULE) in 2000; she has attended various local and international training courses and workshops including relevant courses on microfinance growth and impact, business model building, customer relationship management and managing product diversification. She has 16 years of experience with banks and microfinance institutions. In 2000, she started her career at ACLEDA Bank Plc. in Treasury and Finance. In 2007, she joined SATHAPANA Ltd. as Senior Deposit Officer and was promoted to Deputy Head of Deposit Department in 2009 and Head of Deposit Department in 2012. Kagna has been working for LOLC (Cambodia) Plc. since January 2016.

Mr. Ban Phalleng  
*Head of Social Performance Management Department*

Mr. Phalleng, Head of Social Performance, obtained a Bachelor's Degree in Business Economics from the National University of Management and a Bachelor's Degree in English Literature from IIC University of Technology. After joining LOLC (Cambodia) Plc. at the end of 2012 as Social Performance Specialist, Mr. Phalleng became Social Performance Unit Manager and was promoted to Head of the Social Performance Department in 2015. Before joining LOLC, he worked as Microfinance Technical Officer with the Cambodia Microfinance Institute until 2012, and before that he worked as Project Officer at VisionFund until 2010. He has attended numerous professional short courses locally and overseas on topics such as advanced statistics, microfinance management, project management, client protection principles, and social performance. His experience includes business plan development for transforming NGOs and family businesses into standard businesses, analytical research, microfinance policy development, and project management.

Mr. Chhuon Sokcheth  
*Head of Marketing Department*

Mr. Chhuon Sokcheth, Head of Marketing Department, obtained a Master's Degree of Business Administration from Norton University in 2012, obtained a Bachelor's Degree of Economics Science majoring in Management of Enterprise from Royal University of Law and Economics in 2003, and received a Diploma in Economic Planning from the Planning and Statistics Training Center in 2001. He has also attended numerous training courses in Cambodia, the Philippines and Japan. In his 11 years of work experience, Sokcheth has served for multiple institutions including ACLEDA Bank Plc., SEILANITHIH MFI, and TOYOTA (CAMBODIA) Co. in a variety of positions such as Credit Officer, Chief Credit Officer, Marketing Manager and Parts Sales Leader. He started working at LOLC in September 2010 as Brand and Promotion Unit Manager and was promoted to Head of Marketing Department in August 2015.

Mr. Chhoeun Kuncheat  
*Deputy Head of Branch Support Department*

Mr. Chhoeun Kuncheat, Deputy Head of Branch Support Department, obtained a Master's Degree of Business Administration from National University of Management (NUM) in 2007, a Pedagogy Diploma in High School Teaching in 1998, and a Bachelor's Degree of Biology from Royal University of Phnom Penh in 1997. He has also attended numerous training courses in Cambodia. In his 15 years of work experience, Mr. Kuncheat has served for many institutions including Khmer Student Association,
Mr. Loy Long
Deputy Head of Business Development Department

Mr. Loy Long, Deputy Head of Business Development Department, obtained his Bachelor’s Degree of Business Administration majoring in Marketing from the former Maharishi Vedic University in 2005 and Bachelor’s Degree of English Literature from Khemarak University in 2014. He has also attended numerous training courses in Cambodia and abroad. He began his career in sales and marketing in 2005 at consumer goods companies including NCX Co. Ltd and Cementhai SCT (Cambodia) Ltd. From 2007 to 2011 he has worked for Kredit MFI in various positions, including Product Development Officer, Senior Marketing Officer and Senior Research Officer. From 2011 to 2012 he worked for SEILANITHIH MFI as Marketing Manager. In August of 2012 he began working at LOLC as a Senior Marketing Officer and in July of 2013 he was appointed to be Research and Product Development Unit Manager. Since August 2015, he has been working as Deputy Head of Business Development Department.

Mrs. Kheng Navy
Company Secretary

Ms. Kheng Navy, LOLC’s Company Secretary, has obtained a Bachelor’s of Economics in Enterprise Management at Royal University of Law and Economics (RULE) in 2010, a Bachelor’s of Arts in Professional Communication at Institute of Foreign Languages (IFL), Royal University of Phnom Penh in 2012, and completed research at SOK KONG IMPORT EXPORT CO., LTD (SOKIMEX). She also obtained a Diploma of Intensive English for Academic Purposes (IEAP) at Paññāsāstra Institute of Foreign Languages and attended some short courses and training sessions, including Principles of Accounting from Student Resource Development Organization and Report Writing Skills from Action Learning for Development Organization. Before joining 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.
LOLC’s Thaneakea Phum Loan helps my crops grow well.
Board Risk Committee

The Risk Committee is a standing committee of the Board of Directors. The purpose of the Committee is to monitor the implementation of risk management policies as defined by the Board. This includes continuously assessing the effects of changes in operations and the business environment for LOLC, formulating risk strategies to respond to changes and aligning risk strategies with overall LOLC strategies.

The Committee is chaired by an independent board member with expertise in finance, accounting, legal issues and/or banking. The Risk Committee consists of the following:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
<th>Role in Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Indrajith Wijesiriwardana</td>
<td>Independent Board Member</td>
<td>Chair</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Brindley de Zylva</td>
<td>Chairperson</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Ms. Fernanda Lima</td>
<td>Board Member</td>
<td>Member</td>
</tr>
</tbody>
</table>

Duties and Responsibilities

- Monitors the system of risk assessment and risk management to safeguard the institution's assets and financial resources;
- Manages the identification, assessment and prioritization of risks to LOLC, and supervises Management's approach to developing strategies to measure and manage risk;
- Oversees the company's internal control structure to assure operational effectiveness and efficiency, reducing the risk of unreliable financial reporting, protecting the company's assets from misappropriation, and encouraging legal and regulatory compliance;
- Reviews tests and evaluations of risk management policies and procedures by Management, the Internal Audit Department and independent auditors;
- Discusses any reported weaknesses in the internal control structure with the internal and independent auditors and reviews Management's actions taken in response to the auditors' recommendations as presented in the management letter;
- Provides Management with recommendations and guidance on how to remedy internal and external audit findings to mitigate risks;
- Communicates regularly with the MFI's senior financial officer, especially to understand the corporate environment and culture and to evaluate top management's "corporate mentality";
- Is prepared to discuss any risk of fraud brought to the Committee's attention by the independent auditors and the auditors' recommendations for timely action;
- Reviews the proposed budget carefully and, in some cases, may make budget suggestions to staff before the budget is considered by the full Board.
Board Audit Committee

The Audit Committee is a standing Committee of the Board of Directors. The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility relating to (i) the integrity of financial statements, the financial reporting process, and systems of internal accounting and financial controls; (ii) performance of the internal auditing services function; (iii) annual independent audit of financial statements and the engagement of the Company’s external auditors; and (iv) compliance with legal and regulatory requirements.

The Committee is chaired by an independent board member with expertise in finance, accounting, legal issues and/or banking. Currently, the Audit Committee is composed of:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
<th>Role in Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Michael Moormann</td>
<td>Independent Board Member</td>
<td>Chair</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Brindley de Zylva</td>
<td>Chairperson</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Mr. Indrajith Wijesiriwardana</td>
<td>Independent Board Member</td>
<td>Member</td>
</tr>
</tbody>
</table>

Duties and Responsibilities

- Reviews interim and annual financial statements to ensure the integrity and credibility of the company’s financial reporting system and process; assists the Board in the development of financial policies and the internal control structure, and facilitates communication of these matters between the Board, Management, the independent auditors, and the internal auditors;

- Assesses the company's internal control structure to assure operational effectiveness and efficiency, reduce the risk of unreliable financial reporting, protect the company's assets from misappropriation, and encourage legal and regulatory compliance;

- Acts as the primary liaison between the company's financial management and the independent auditors and serves as an intermediary when views differ on accounting treatment;

- Meets privately with Management, the internal auditors, and the independent auditors at least once a year and also holds an executive session to discuss Management's performance;

- Makes recommendations to the Board of Directors for the selection of the company's independent auditors;

- Knows the scope of procedures performed by the independent auditors and their results, including a clear understanding of disclosure requirements;

- Exercises an active oversight role over internal auditors, including reviewing their mandate, staffing, budgets, and audit results and demanding a detailed annual presentation, plus ongoing updates;

- Acts as a "watchdog" by establishing procedures for receiving and investigating whistle-blowers’ complaints and protecting them from reprisals—a key deterrent to corporate improprieties;

- Communicates regularly with the MFI's senior financial officer, especially to understand the corporate environment and culture and to evaluate top management's "corporate mentality";

- Reviews the proposed budget carefully and, in some cases, may make budget suggestions to the staff before the budget is considered by the full Board.
Board Appointment and Remunerations Committee

The Appointments and Remunerations Committee provides guidance to the Board of Directors on human resource management at LOLC. The purpose of the Committee is to ensure an effective organizational structure in operations and competitive human resources and compensation policies and practices.

The Appointments and Remunerations Committee shall be chaired by an independent member of the Board of Directors with expertise in human resource management. Currently, the Committee is composed by:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
<th>Role in Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Michael Moormann</td>
<td>Independent Board Member</td>
<td>Chair</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Ravindra Tissera</td>
<td>Board Member</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Ms. Fernanda Lima</td>
<td>Board Member</td>
<td>Member</td>
</tr>
</tbody>
</table>

Duties and Responsibilities

- Ensures that HR’s policies, procedures and strategies are consistent with LOLC’s business plan, long term goals and strategies;
- Recommends approval for appointment of senior management to the Board of Directors;
- Recommends remuneration of members of the BOD and senior management for Board of Directors approval;
- Reviews, monitors and makes recommendations to the Board of Directors on LOLC’s human resources strategy and policies covering but not limited to recruitment, staffing, development, retention, compensation, and benefits;
- Guides LOLC Management on types of reports and information required to monitor effective implementation of HR policies and procedures;
- Reviews any external evaluations of LOLC’s human resources strategy and policies and report to the Board its findings and recommendations;
- Reviews other Board and Management recommendations and plans, and determines how they will affect LOLC’s human resources strategy and policies, reporting to the Board its findings and recommendations;
- Provides recommendations to the Board of Directors on recruiting and changing Board Members;
- Provides recommendations to the Board of Directors on individuals who shall become members of the Committee.
We move forward to reach our goals.
Financial Statements and Independent Audit Reports

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Independent Auditor’s Report ........................................................................................................ 63
Balance Sheet .................................................................................................................................. 64
Income Statement ............................................................................................................................ 65
Statement of Changes In Equity ...................................................................................................... 66
Cash Flow Statement ....................................................................................................................... 67

* The Appendix does not form part of the audited financial statements.
Directors’ Report

The Board of Directors (“the Directors”) hereby submits their report together with the audited financial statements of LOLC Cambodia Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) ("the Company") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population and micro-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.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2015 is set out in the income statement on page 7.

BAD AND DOUBTFUL LOANS

Before the Company’s financial statements were drawn up, the Directors took reasonable steps to ascertain that appropriate action had been taken in relation to the writing off of bad loans or making provision for bad and doubtful loans. The Directors have satisfied itself that all known bad loans have been written off and that adequate provisions have been made for bad and doubtful loans.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount of the provision for bad and doubtful loans 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 that were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, 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 that has arisen since the end of the year that secures the liabilities of any other person; or
(b) no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the year that, 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

There were no items, transactions or events of a material and unusual nature that, in the opinion of the Directors, materially affected the financial performance of the Company for the year end 31 December 2015.

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the current year.
THE BOARD OF DIRECTORS

The members of the Board of Directors during the year and as at the date of this report are:

- Mr. Brindley de Zylva
- Mr. Kithsiri Gunawardena
- Mr. Ravindra Tissera
- Mrs. Fernanda Pecanha Lacerda De Lima
- Mr. Indrajith Wijesiriwardana
- Mr. Hans Michael Theodor Moormann

Chairperson (appointed on 15 October 2015)
Chairperson (resigned on 14 October 2015)
Member
Member
Member
Member

RESPONSIBILITIES OF THE BOARD OF DIRECTORS
IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year ended. In preparing these financial statements, the Directors are required to:

(i) adopt appropriate accounting policies that are supported by reasonable and prudent judgements and estimates, and then apply them consistently;

(ii) comply with the disclosure requirements of the Cambodian Accounting Standards and the guidelines of the Central Bank or, if there has been any departure from such standards in the interest of fair presentation, ensure that this has 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 a 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 and be involved in all material decisions affecting its operations and performance and ascertain that such matters 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, present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year ended in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank, 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
Date: 15 March 2016
Independent Auditor’s Report

To the shareholders of LOLC Cambodia Plc.

We have audited the accompanying financial statements of LOLC Cambodia Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) (“the Company”), which comprise the balance sheet as at 31 December 2015 and the income statement, the statement of changes in equity and the cash flow statement for the year ended 31 December 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management’s responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Cambodian Accounting Standards and guidelines of the Central Bank, 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.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year ended 31 December 2015 in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank.

For PricewaterhouseCoopers (Cambodia) Ltd.

By Lang Hy
Director

Phnom Penh, Kingdom of Cambodia
Date: 15 March 2016
# BALANCE SHEET

AS AT 31 DECEMBER 2015

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>KHR '000</th>
<th>USD</th>
<th>KHR '000</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>3,881,625</td>
<td>958,426</td>
<td>1,660,618</td>
<td>407,514</td>
</tr>
<tr>
<td>Balances with the Central Bank</td>
<td>34,040,692</td>
<td>8,405,109</td>
<td>1,207,278</td>
<td>296,265</td>
</tr>
<tr>
<td>Balances with banks</td>
<td>70,717,376</td>
<td>17,461,080</td>
<td>56,654,593</td>
<td>13,902,968</td>
</tr>
<tr>
<td>Loan to customers</td>
<td>760,988,930</td>
<td>187,898,501</td>
<td>469,678,255</td>
<td>115,258,467</td>
</tr>
<tr>
<td>Investment</td>
<td>60,750</td>
<td>15,000</td>
<td>61,125</td>
<td>15,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>23,366,207</td>
<td>5,769,434</td>
<td>12,289,851</td>
<td>3,015,914</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>6,335,578</td>
<td>1,564,340</td>
<td>4,948,881</td>
<td>1,214,449</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>74,042</td>
<td>18,282</td>
<td>83,069</td>
<td>20,385</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>1,270,200</td>
<td>313,630</td>
<td>719,288</td>
<td>176,512</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>900,735,400</td>
<td>222,403,802</td>
<td>547,302,958</td>
<td>134,307,474</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND EQUITY</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>1,114,636</td>
<td>275,219</td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>3,980,411</td>
<td>982,818</td>
</tr>
<tr>
<td>Borrowings</td>
<td>717,145,414</td>
<td>177,072,942</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>21,385,635</td>
<td>5,280,403</td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>11,308,037</td>
<td>2,792,108</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>754,934,133</td>
<td>186,403,490</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>23,368,200</td>
<td>5,769,926</td>
</tr>
<tr>
<td>Reserves</td>
<td>4,279,558</td>
<td>1,056,681</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>118,153,509</td>
<td>29,173,705</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>145,801,267</td>
<td>36,000,312</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td>900,735,400</td>
<td>222,403,802</td>
</tr>
</tbody>
</table>
# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KHR '000</td>
<td>USD</td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>168,416,754</td>
<td>41,584,384</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(49,092,922)</td>
<td>(12,121,709)</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>119,323,832</td>
<td>29,462,675</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>5,443,633</td>
<td>1,344,107</td>
</tr>
<tr>
<td><strong>Commission expenses</strong></td>
<td>(2,753,366)</td>
<td>(679,843)</td>
</tr>
<tr>
<td><strong>Personnel expenses</strong></td>
<td>(37,369,599)</td>
<td>(9,227,061)</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation charges</strong></td>
<td>(2,242,655)</td>
<td>(553,744)</td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td>(18,843,924)</td>
<td>(4,652,821)</td>
</tr>
<tr>
<td><strong>Net foreign exchange loss</strong></td>
<td>(460,539)</td>
<td>(113,713)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>63,097,382</td>
<td>15,579,600</td>
</tr>
<tr>
<td><strong>Provision for bad and doubtful loans</strong></td>
<td>(1,952,391)</td>
<td>(482,072)</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>61,144,991</td>
<td>15,097,528</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(12,335,420)</td>
<td>(3,045,782)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>48,809,571</td>
<td>12,051,746</td>
</tr>
</tbody>
</table>

**Attributable to:**

<table>
<thead>
<tr>
<th></th>
<th>Equity holders of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td>48,809,571</td>
</tr>
</tbody>
</table>
# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

<table>
<thead>
<tr>
<th></th>
<th>Share capital KHR'000</th>
<th>Reserves KHR'000</th>
<th>Retained earnings KHR'000</th>
<th>Total KHR'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 01 January 2014</strong></td>
<td>23,368,200</td>
<td>3,107,877</td>
<td>41,792,553</td>
<td>68,268,630</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-</td>
<td>-</td>
<td>(1,711,720)</td>
<td>(1,711,720)</td>
</tr>
<tr>
<td>Transfers to reserves</td>
<td>-</td>
<td>587,643</td>
<td>(587,643)</td>
<td>-</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>30,434,786</td>
<td>30,434,786</td>
</tr>
<tr>
<td><strong>As at 31 December 2014</strong></td>
<td>23,368,200</td>
<td>3,695,520</td>
<td>69,927,976</td>
<td>96,991,696</td>
</tr>
<tr>
<td>Equivalent in US$</td>
<td>5,734,528</td>
<td>906,876</td>
<td>17,160,240</td>
<td>23,801,644</td>
</tr>
<tr>
<td><strong>As at 01 January 2015</strong></td>
<td>23,368,200</td>
<td>3,695,520</td>
<td>69,927,976</td>
<td>96,991,696</td>
</tr>
<tr>
<td>Transfers to reserves</td>
<td>-</td>
<td>584,038</td>
<td>(584,038)</td>
<td>-</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>48,809,571</td>
<td>48,809,571</td>
</tr>
<tr>
<td><strong>As at 31 December 2015</strong></td>
<td>23,368,200</td>
<td>4,279,558</td>
<td>118,153,509</td>
<td>145,801,267</td>
</tr>
<tr>
<td>Equivalent in US$</td>
<td>5,769,926</td>
<td>1,056,681</td>
<td>29,173,705</td>
<td>36,000,312</td>
</tr>
</tbody>
</table>
# Cash Flow Statement

For the Year Ended 31 December 2015

<table>
<thead>
<tr>
<th></th>
<th>KHR ’000</th>
<th>USD</th>
<th>KHR ’000</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>61,144,991</td>
<td>15,097,528</td>
<td>38,148,147</td>
<td>9,361,508</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation charges</td>
<td>2,242,655</td>
<td>553,742</td>
<td>1,620,709</td>
<td>397,720</td>
</tr>
<tr>
<td>Deferred grant income</td>
<td>-</td>
<td>-</td>
<td>(6,876)</td>
<td>(1,687)</td>
</tr>
<tr>
<td>Provision for bad and doubtful loans</td>
<td>1,952,391</td>
<td>482,072</td>
<td>422,803</td>
<td>103,755</td>
</tr>
<tr>
<td>Other accruals</td>
<td>1,149,086</td>
<td>283,725</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposals of property and equipment</td>
<td>(28,427)</td>
<td>(7,019)</td>
<td>(14,628)</td>
<td>(3,590)</td>
</tr>
<tr>
<td>Net interest income</td>
<td>(119,323,832)</td>
<td>(29,462,675)</td>
<td>(79,964,935)</td>
<td>(19,623,297)</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve deposits with the Central Bank</td>
<td>(1,266,441)</td>
<td>(312,701)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balances with the Central Bank</td>
<td>(2,450,051)</td>
<td>(604,951)</td>
<td>11,785,250</td>
<td>2,892,086</td>
</tr>
<tr>
<td>Balances with banks</td>
<td>6,028,306</td>
<td>1,488,471</td>
<td>(18,720,132)</td>
<td>(4,593,897)</td>
</tr>
<tr>
<td>Loans to customers</td>
<td>(293,900,606)</td>
<td>(72,568,051)</td>
<td>(171,135,759)</td>
<td>(41,996,505)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(7,002,331)</td>
<td>(1,728,971)</td>
<td>(1,427,346)</td>
<td>(350,289)</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>1,114,636</td>
<td>275,219</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>5,051,473</td>
<td>1,247,277</td>
<td>4,170,208</td>
<td>1,023,364</td>
</tr>
<tr>
<td>Cash used in operations</td>
<td>(345,288,150)</td>
<td>(85,256,334)</td>
<td>(215,122,559)</td>
<td>(52,790,812)</td>
</tr>
</tbody>
</table>

Interest income received          | 164,343,104 | 40,578,544 | 109,295,235 | 26,820,917 |
Interest expense paid              | (45,489,323) | (11,231,932) | (33,608,742) | (8,247,544) |
Income tax paid                    | (8,255,882)  | (2,038,489) | (5,207,235) | (1,277,849) |
Cash used in operating activities   | (234,690,251) | (57,948,211) | (144,643,301) | (35,495,288) |

<table>
<thead>
<tr>
<th></th>
<th>KHR ’000</th>
<th>USD</th>
<th>KHR ’000</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(3,619,131)</td>
<td>(893,613)</td>
<td>(3,396,352)</td>
<td>(833,461)</td>
</tr>
<tr>
<td>Purchases of intangible assets</td>
<td>(10,283)</td>
<td>(2,539)</td>
<td>(81,434)</td>
<td>(19,984)</td>
</tr>
<tr>
<td>Proceeds from disposals of property and equipment</td>
<td>37,515</td>
<td>9,263</td>
<td>59,763</td>
<td>14,666</td>
</tr>
<tr>
<td>Cash used in investing activities</td>
<td>(3,591,899)</td>
<td>(886,889)</td>
<td>(3,418,023)</td>
<td>(838,779)</td>
</tr>
</tbody>
</table>
## Cash flows from financing activities

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from borrowings</td>
<td>573,768,811</td>
<td>141,671,311</td>
<td>75,660,990</td>
<td>18,567,114</td>
</tr>
<tr>
<td>Repayments of borrowings</td>
<td>(275,598,477)</td>
<td>(68,049,007)</td>
<td>47,351,073</td>
<td>11,619,895</td>
</tr>
<tr>
<td>Dividend paid out</td>
<td>-</td>
<td>-</td>
<td>(1,711,720)</td>
<td>(420,054)</td>
</tr>
<tr>
<td>Cash generated from financing activities</td>
<td>298,170,334</td>
<td>73,622,304</td>
<td>121,300,343</td>
<td>29,766,955</td>
</tr>
</tbody>
</table>

## Net increase / (decrease) in cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>59,888,184</td>
<td>14,787,204</td>
<td>(26,760,981)</td>
<td>(6,567,112)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>1,119,246</td>
<td>274,662</td>
<td>27,880,227</td>
<td>6,978,780</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>-</td>
<td>1,696</td>
<td>-</td>
<td>(137,006)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>61,007,430</td>
<td>15,063,562</td>
<td>1,119,246</td>
<td>274,662</td>
</tr>
</tbody>
</table>
Ideas for Growth