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LOLC (Cambodia) Plc.

# ANNUAL REPORT 2017

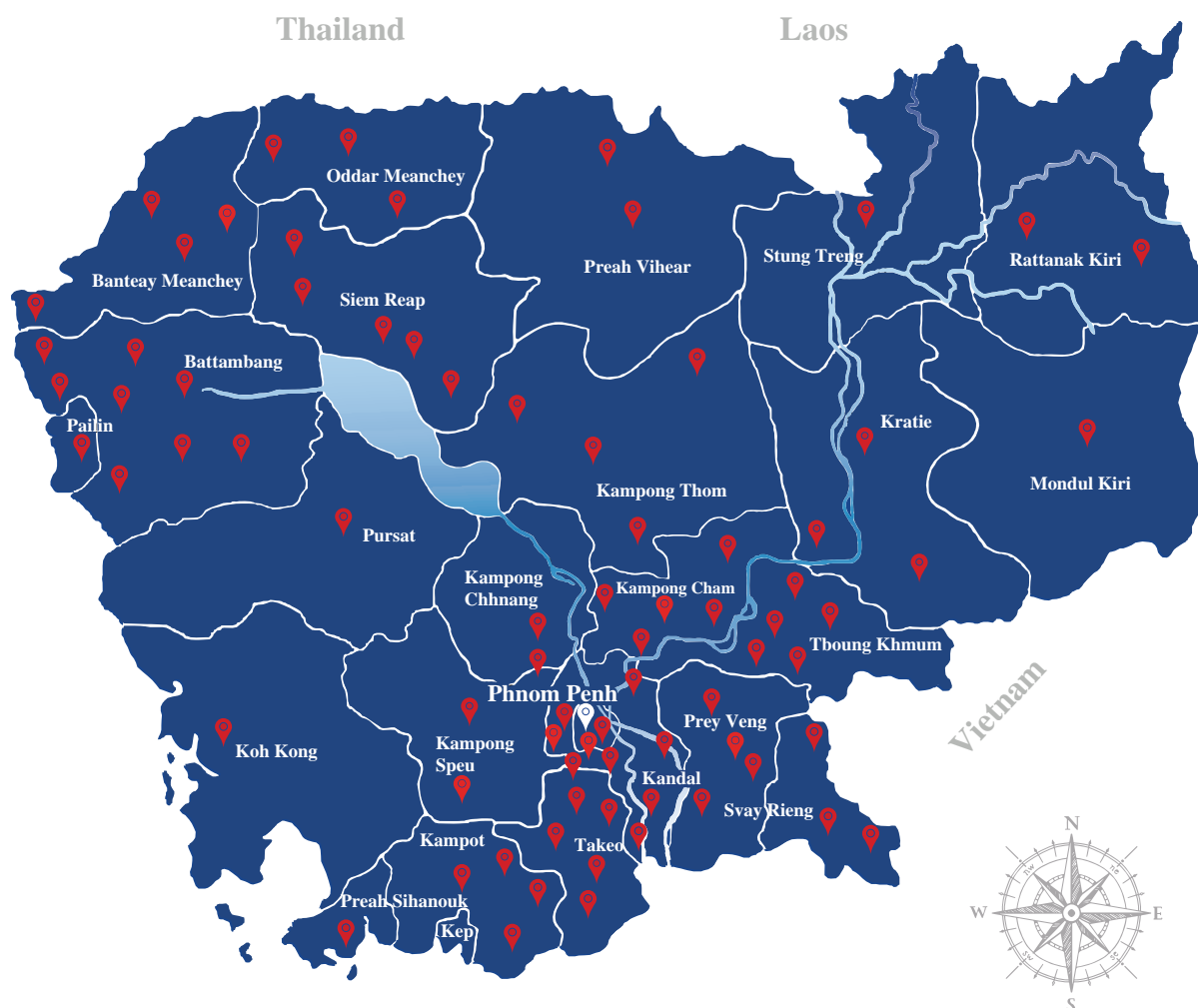


**TEMENOS**  
The Banking Software Company





## Map of Business Operating Areas



### Note

- LOLC operating offices
- Office opening in 2018
- LOLC operating areas

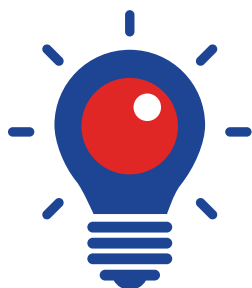
### Number of branches

76

### Number of operating provinces

25

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



### Vision Statement

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

















### Mission Statement

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

## Core Values



## Lenders and Partners

	Foreign Trade Bank of Cambodia
	Industrial and Commercial Bank of China Limited
	Sathapana Bank
	Phillip Bank
	Advanced Bank of Asia Limited
	Phnom Penh Commercial Bank
	Vattanac Bank
	responsAbility
	Oikocredit
	Cyrano-Management
	Overseas Private Investment Corporation
	Syntotics SA
	Incofin Invesment Management
	Instituto de Crédito Oficial
	BlueOrchard
	PPB (People's Bank)

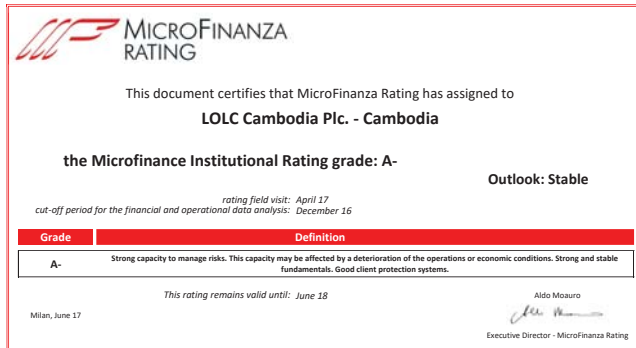
	Cambodia Microfinance Association
	Good Return
	Credit Bureau Cambodia
	The Smart Campaign
	Agence Française de Développement
	Water.org

	MicroVest
	Fonds Desjardins
	KCD-Mikrofinanzfonds
	Developing World Markets
	Grameen Crédit Agricole
	Agence Française de Développement
	FMO
	Good Return
	MCE Social Capital
	Triple Jump BV
	Hatton National Bank
	Deutsche Bank
	Alterfin c.v.b.a.
	BRED Bank (Cambodia) Plc.
	PG Impact
	Union Commercial Bank Plc.

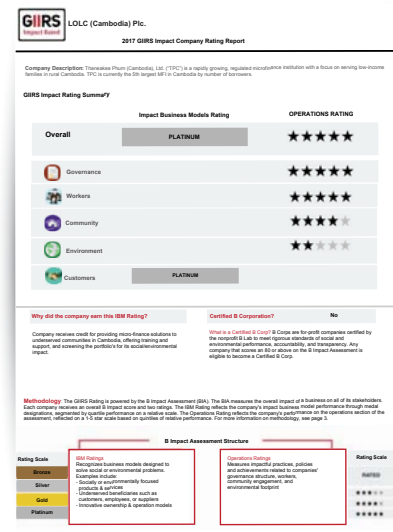
	Banking With The Poor Network
	Microcredit Summit Campaign
	USAID
	Wing Cambodia Limited Specialised Bank
	MIX Market

# Awards, Recognitions and Achievements

1



2



3



4



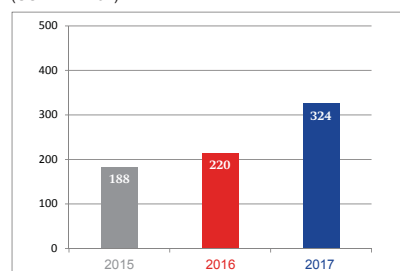
1. Microfinance Institution Rating "A-" Microfinanza
2. Social Impact Report GIIRS
3. Client Protection Principle Check-in Validation
4. Gold Certificate from General Department of Taxation



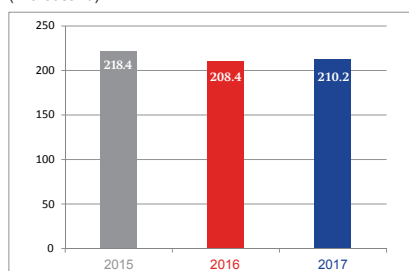
## Key Performance Highlights

	2015	2016	2017
Total Assets	\$222,403,802	\$252,851,899	\$371,418,103
Gross Loan Portfolio	\$188,354,835	\$219,538,796	\$323,644,822
Equity	\$36,000,313	\$48,529,747	\$62,324,980
Net Income	\$12,051,746	\$13,622,724	\$15,157,500
Number of Active Borrowers	218,411	208,393	210,227
Deposit Balance	\$275,219	\$19,351,702	\$90,314,398
Deposit Account	418	27,307	72,705
Depositors	361	25,974	65,694
Number of Offices (Including Head Office)	67	73	77
Number of Personnel	1,498	1,873	2,065
Operating Expense/Loan Portfolio	9.85%	9.25%	8.50%
PAR≥30 Days	0.24%	1.37%	1.40%
Gross Write-offs	0.07%	0.52%	0.40%
Capital Adequacy Ratio (CAR)	18.75%	24.45%	20.68%
Debt-to-Equity Ratio	5.2x	4.2x	5.0x
Cost-to-Income Ratio (Including Provisions)	64.91%	70.85%	71.84%
Return On Assets	6.96%	5.61%	4.83%
Return On Equity	40.92%	31.98%	27.51%

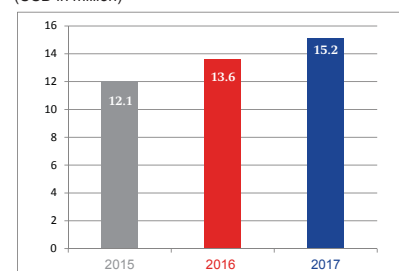
Gross Loan Portfolio  
(USD in million)



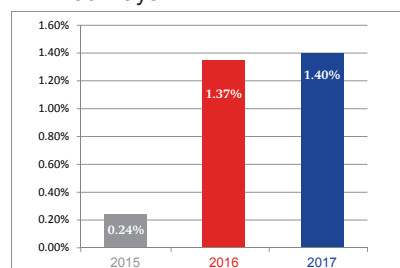
Active Borrowers  
(in thousand)



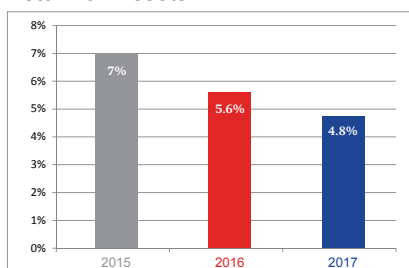
Net Income  
(USD in million)



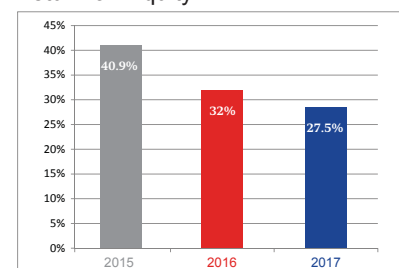
PAR≥30 Days



Return on Assets



Return on Equity





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## Chairman's Statement



I take pleasure in presenting the Annual Report and Audited Financial Statements for the year ended on the 31<sup>st</sup> December, 2017. Prior to commenting on the performance of the company, I wish to take this opportunity to thank Ms. Fernanda Lima, a former Chairperson and outgoing director, for her valued leadership and guidance, resulting in LOLC Cambodia reaching this point of great potential. To the incoming director, Mr. Conrad Dias, an IT professional who was awarded Sri Lanka's CIO of the year in 2016, a big welcome.

The management and staff of the company have shown resilience and the ability to adjust to macroeconomic changes, paving the way for the company to successfully weather the storm of the interest rate cap imposed during the year, recording a 47% growth in gross loan portfolio; 11% growth in profit after tax; and an ROE of over 27%.

The launch of the Leasing & Asset-Backed financial products catering to the fast growing SME Sector and Middle Income Earners have started showing results and new opportunities. With technical assistance from the LOLC Group in Sri Lanka, the company has expanded its product offering to include leasing and asset-backed finance catering to the missing middle in Cambodia's Banking and Financial Sector.

**GLOBAL GROWTH** is expected to edge up to 3.1% in 2018 after a stronger than expected 2017, as the recovery in investment, manufacturing and trade continues. Growth in advanced economies is expected to moderate slightly to 2.2% in 2018, as central banks gradually remove their post-crisis accommodation and the upturn in investment growth stabilizes. Emerging markets and developing economies as a whole are projected to strengthen growth to 4.5% in 2018, as activity in commodity exports continue to recover amid

firming prices.

**IN CAMBODIA**, it's rapidly rising skyline gives testimony to economic success. Cambodia has been highly successful in attracting foreign direct investment, creating employment and alleviating poverty for millions. World Bank announced Cambodia's transition from a low-income to a lower middle-income country in 2016. However, Cambodia still holds 'Least Developed Country' status and hence is likely to retain the preferential trade agreements and donor payments that the country has enjoyed for decades. The current political uncertainty is expected to have only limited, short-term effects.

The economy is expected to grow by 6.9% this year, spurred by the robust performance of the tourism, construction and garment sectors and strong regional growth supporting investment, exports and tourism. Garment exports are supported by access to preferential treatment from the European Union (EU) and the US, as well as an increase in exports to Japan and Canada, reducing reliance on a few markets. The country has diversified its manufacturing and production and is now making electronics and auto parts.

**THE COMPANY** continued to maintain its outstanding financial performance and social results during 2017. The branch network expanded from 72 to 76 spanning 25 provinces, while staff numbers saw a 10% growth, reaching 2,065. With Cambodia's transition to a lower middle-income country, the demand for larger loans from Small and Medium Businesses and middle income households grew, resulting in the average loan size increasing to USD 1,540.

Leasing and Asset-Backed Finance products are being structured to accommodate the demand for the purchase of vehicles in the transport sector, purchase of tractors in the agricultural sector and assets for life improvement purposes. Continuing with the social aspect of our business, Wash Individual Loan products continue to provide water and sanitation to the estimated 25% of Cambodian households that do not have access to clean water. As of December 2017, LOLC Cambodia has provided water and sanitation loan to almost 8,000 clients with a GLP of more than USD 4 million.

With a return on assets of 4.8%, the company has outperformed all its peers and the ROE of 27.5% is only second compared to the largest MDI in the country. It has consolidated its position as the country's 4<sup>th</sup> largest MDI in terms of total assets, gross loan portfolio and net profit. The PAR<sub>≥30</sub> days of 1.4% is better than the industry average. The deposit balance has greatly increased by 367% to reach more than USD 90 million within two years.

We can look forward to 2018 as the year for Digital Financial Services (DFS), during which the company is expected to lay the foundation to shift from a cash-based business model to the digital world capable of providing financial inclusion to all sectors of the economy efficiently.

Finally, a big thank you to all of our stakeholders including our customers, investors, regulators, banking and funding partners-both local and foreign-for their trust, confidence and cooperation in supporting our growth over the years. Once again, I extend my appreciation to my colleagues on the board, for their advice and guidance, and to the entire team at LOLC Cambodia, led by a very capable and committed management team, for their commendable performance. With LOLC Cambodia consolidating its position as one of Cambodia's leading microfinance deposit-taking institutions, I look forward to being an integral part in its quest to provide endless opportunities to its clients in particular and all Cambodians in general.



**Brindley de Zylva**  
Chairman



Despite a marginal slowdown in 2016, Cambodia's microfinance sector saw resilient growth in 2017, with average loan portfolio growth of 39% and the sector overall having outstanding loans totaling USD 4.3 billion (data calculated includes 61 MFIs and 7 NGOs) at the end of 2017, up from USD 3.1 billion at the end of 2016.

Improved weather supported farm and fishery output during the year, so the agricultural sector saw better conditions, with prices increased and stable. Cambodia could achieve its GDP growth of 6.9% in 2017, anchored by continued growth in the garment and footwear sector and construction. Cambodia's GDP is projected to maintain its growth rate by 6.9% in 2018 (source: World Bank).

### LOLC Performance in 2017

#### Loan Portfolio

LOLC maintained quality growth in 2017, increasing its loan portfolio by 47% to reach USD 323.6 million, and its number of borrowers increased by 0.88% to 210,227. The portfolio consists of group and individual loans, representing 14% and 86%, respectively. 2% of the portfolio is in Life Improvement Asset Backed and 1% of the portfolio is in Wash Individual Loan, which was rolled out in the last quarter of 2016. To meet demand, management expanded LOLC's employee base while maintaining high productivity standards and strong risk control.

#### Active Borrowers

As of December 31, 2017, LOLC served more than 210,000 active borrowers. The borrowers consist of groups and individuals, representing 49% and 51%, respectively. The vast majority of loans outstanding are individual and group loans going to low-income clients, reflecting LOLC's mission to serve rural entrepreneurs and families at the base of the socio-economic pyramid.

#### Loan Portfolio Quality

LOLC maintained its loan portfolio growth with quality and strong internal control and achieved a better performance than the industry average. LOLC's Board of Directors and management team have worked

together closely to strengthen credit risk management and internal control, including:

- Strengthening credit process and internal controls;
- Embedding risk management culture throughout LOLC;
- Strengthening the credit quality assurance team to ensure the implementation of internal control;
- Structuring incentive for credit officers and other field staff to be based on credit quality;
- Requiring that the Credit Bureau of Cambodia checks 100% of borrowers and co-borrowers before disbursement to supplement rigorous in-person loan evaluations;
- Conducting training and retaining sessions to strengthen staff productivity;
- Integrating Client Protection Principles as a core part of risk management;
- Effectively implementing the Financial Literacy Training Program with Good Return Australia to provide clients, university students and other community members with the skills to manage their finances;

#### Deposit Collection

LOLC was granted a deposit-taking license from the National Bank of Cambodia and started pilot testing deposit products at some branches in October 2015. In 2016, LOLC rolled out deposit products to all branches

nationwide, greatly achieving a deposit growth of 367% to reach a deposit balance more than USD 90 million in December 2017, in 2 years, up from USD 19 million at the end of 2016. The fast growth of deposit balance indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products. LOLC has the objective to almost double its deposit balance to catch up with peers by the end of 2018.

Recently, LOLC also rolled out a new service for clients, i.e. local fund transfer, to meet clients' needs. With this new service, clients are able to transfer money in the same branch or across any LOLC branches, as well as repay their loan at any branch office throughout the country.

#### Return on Assets and Return on Equity

LOLC's ROA and ROE slightly decreased compared to last year, which was 4.8% and 27.5%, respectively, as of December 2017. However, compared with peers, LOLC's ROA is the leading among the top 7 MDIs, while ROE was ranked 2<sup>nd</sup> both in 2016 and 2017. LOLC has consolidated its position as the country's 4<sup>th</sup> largest MDI in terms of total assets, gross loan portfolio and net profit.

#### Social Performance

LOLC is committed to providing inclusive, responsible and environmental friendly financial services for rural families and active entrepreneurs. Almost 80% of clients are women; about 33.15% of new clients live below 150% of the national poverty line and 55% of clients work in agriculture. LOLC's social performance achievements for 2017 were formalized by the implementation of environmental footprint, environment and social assessment for SME loans, Universal Standard of Social Performance (USSPM) and self-assessment SPI4 to determine the next steps of social performance best practices in the company. In last several years, LOLC has achieved many milestones, such as Progress Out of Poverty Index certificates, SMART Client Protection Certificate, GIIRS ratings and Microfinance Institutional Rating Grade A- from Microfinanza, which assessed the company through various criteria such as: external context; governance and strategy; financial profile; loan portfolio quality; systems and control; and client protection. Furthermore,

LOLC has successfully completed Client Protection Principle version 2.0 check-in review by M-Cril.

Additionally, our financial literacy training-given to 14,202 Cambodians in 2017 and 43,167 since 2013-is a social activity LOLC provides free-of-charge to improve clients' understandings of financial services. In 2017, LOLC also established a radio program "Idea for Growth" which was dedicated to providing financial literacy (savings, cash management, debt management, client protection principle), sharing ideas/experiences and tips on small business management for the listeners. With support from Cambodia Microfinance Association (CMA) and AFD, this radio program has become more well-known and is participated in by top management from microfinance institutions who are CMA members to share their great experiences for financial management with listeners.

LOLC Cambodia fully commits to aligning with the universal standard of social performance management, translating its mission into practice, and aims to grow its business together with its clients by helping them improve their lives and businesses.

#### Strategic Priorities for 2018

- Micro loan, asset backed lending, leasing and SME loans are the core business of LOLC.
- Provide new and diversified products and services to meet clients' needs, including planned savings account, kid savings account and bill payment services.
- Use technology-oriented delivery channels that will improve customer services and increase efficiency, such as tablet, ATM, and mobile banking applications and third-party connection.
- Build strategic partnerships with reputable counterparts to develop new capabilities and financial services.
- Study market demand for financial services, broadening LOLC's products and services to reach underserved segments of urban and rural populations.
- Implement the next phase of social performance improvements by integrating better practices with business operations, by using the USSPM and SPI4. With the alignment on USSPM integration, LOLC is deepening its client-centric approach by strengthening the client protection principle, consumer protection,

market opportunities and quality of services etc.

- Continue providing financial literacy training program and initiatives to improve Cambodians' awareness and understanding of financial literacy, economic and financial sectors.
- Promote planet conservation through awareness campaigns to become the most environmentally friendly financial institution within its institution and loans to clients.
- Continue focusing on social activities to meet LOLC's core values: "LOLC values the vision of a balanced social and profit organizational agenda."

We will continue to grow and diversify our operations by expanding to new villages in Cambodia with some new and innovative products. We will continue investing in technology, human resources, branding and enhancement of products and services to improve our customer experience. Additionally, we plan on focusing in 2018 on making LOLC a strong microfinance deposit taking institution.

Finally, I would like to express my sincere thanks to our shareholders, the chairman, directors and committee members for their leadership, support and guidance throughout the year. I would also like to express my sincere gratitude to all LOLC staff who have been working very hard and highly committed to performing their work with integrity, ethics, professionalism and utmost responsibility. Additionally, I would like to express my sincere thanks to all of LOLC's clients and business partners for supporting LOLC by being a part of its achievements. To the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks — both for your support in 2017 and in anticipation of a happy and prosperous 2018.



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**Sok Voeun**  
Chief Executive Officer



## ABOUT LOLC



- Cambodia at a Glance
- Microfinance Sector
- Brief Overview of LOLC
- Brief History of LOLC



### Geography & Demographic

A tropical country, the Kingdom of Cambodia—the descendant of the Khmer Empire—is a member of the Greater Mekong Sub-region, a member state of ASEAN since 1999 and a member of WTO since 2004. Cambodia geographically is a favorable country in terms of water, natural resources, eco-tourism (mountains, beaches, forests, and wildlife) and cultural tourism (temples).

Overall, in the Human Development Index, it is ranked 143 out of 188 countries, categorized as a medium human development country. It has an estimated 16 million population and keeps growing at a rate of about 1.56%, but more importantly, it is one of the youngest populations in the world, with over half of its inhabitants under 25 years of age.

### Macroeconomic

The National Bank of Cambodia has concluded that GDP growth was at annual rate of 6.9% in 2017, while inflation rate was reported at about 2.9% by the National Institute of Statistics. Projecting in 2018, World Bank has forecasted growth of 6.9%, IMF forecasted 6.8%, while ADB projected 7.1%. Reported in the National Institute of Statistics, Cambodia's GDP is composed of industry (29.46%), services (39.9%) and agriculture (24.75%). Subsections of the industry sector including garments and textiles make up 10.6%, and real estate and business are 6.4% of GDP volume, respectively.

GDP per capita has grown to about USD 1,420, making Cambodia a the lower middle-income country, above the bank's threshold of USD 1,045 per capita. And because of this achievement, Cambodia will be flagged to be excluded from the full duty-free and quota-free access to the EU market on garment exports, with a generous transition period of three years (International Labor Organization, 2017).

Cambodia is known as a dollarized economy. However, the exchange rate remains stable through a managed float, the exchange rate between KHR and USD for the last decades. As of December 2017, it stood at KHR 4030 per USD 1.

### National Strategy

Despite impressive growth, Cambodia still has a lot of development milestones to achieve by implementing its 3<sup>rd</sup> phase rectangular strategy, such as becoming an upper-middle-income country by 2030, staying competitive in ASEAN integration and rural development, etc. 14% of the population is still living below the poverty line (2014 statistics) and 80% of people are living in the countryside. Moreover, the agriculture production sector is still the least developed comparing to other ASEAN except Myanmar and Lao.

## Microfinance Sector

The portfolio of the microfinance sector has grown 39% in 2017, reaching about USD 4.3 billion in lending to roughly 1.8 million borrowers. The deposit product performance of microfinance deposit-taking institutions stood at USD 2 billion among 1.95 million depositors (34% growth in deposit value). According to a CMA report, the portfolio at risk in the sector remains low, at 1.32% in 2017.

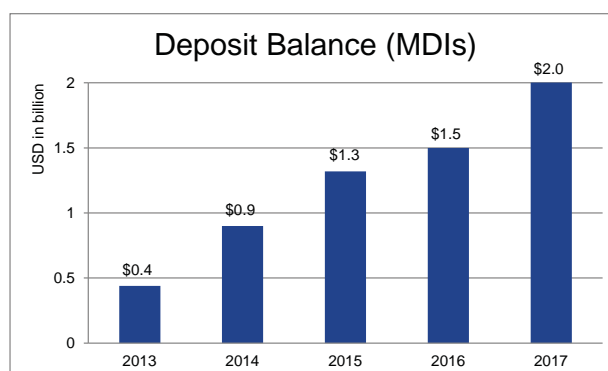
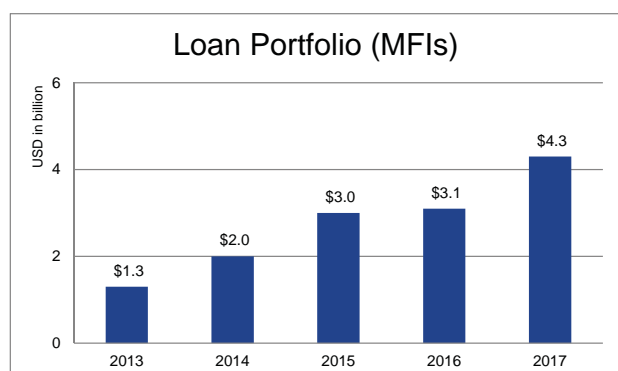
In 2017, there were 7 microfinance deposit-taking institutions, 76 licensed microfinances and 11 leasing company operating nationwide. However, top 10 MFIs alone possess 89% of the market share (portfolio) and have operational networks across the country, while other, smaller microfinances are mostly operating in urban and downtown areas.

Besides traditional loan and savings, financial services in Cambodia have become quite diversified, innovative products, and risk management such as insurance, leasing, payment and digital finance are now available to rural people. For example, borrowers can obtain credit

for life insurance through loan products or motor insurance through leasing, using mobile apps or agent to repay loans etc.

Additionally, the Credit Bureau of Cambodia (CBC) and Cambodia Microfinance Association (CMA) play a significant role in preventing systemic risk to ensure healthy growth of the microfinance industry. All licensed microfinance and leasing institutes are required to share information to CBC at least monthly and check client's credit history with CBC before lending. CMA has introduced lending guidelines to ensure the signatories provide services with professionalism, ethics and systemic risk prevention.

The National Bank of Cambodia is the sole regulator of the microfinance and banking industry providing/revoking licenses, conducting on-site visits to microfinance institutions, monitoring their banking practices and the quality of their loan portfolio, setting prudential regulation and taking steps to stabilize Cambodia's financial sector.



## 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 economic opportunities to transform the quality of their lives. Currently, LOLC Micro Investment Ltd. ("LOMI") owns 60% of LOLC, Developing World Market ("DWM") owns 36.97%, and LOLC staff own the remainder through an Employee Stock Ownership Plan (TPC-ESOP).

LOLC was established by the Catholic Relief Services ("CRS") in 1994 and incorporated as Thaneakea Phum (Cambodia) Ltd. ("TPC") in 2002. The National Bank of Cambodia then licensed TPC as a microfinance institution in 2003. With two strong shareholders, DWM and LOMI, in 2015 Thaneakea Phum (Cambodia) Ltd. changed its name to a more international name, LOLC (Cambodia) Plc. ("LOLC"), and obtained a microfinance deposit-taking license from the National Bank of Cambodia at the same time.

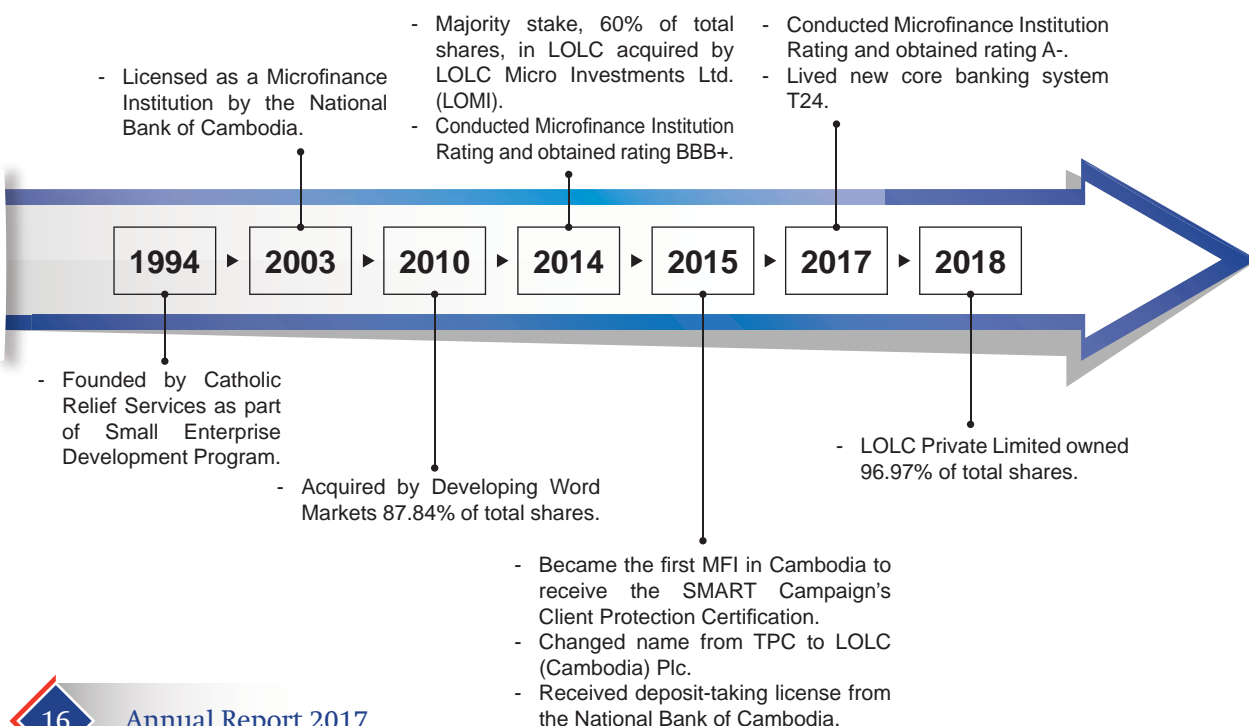
Currently, LOLC is the 4<sup>th</sup> largest MDI/MFI in Cambodia by GLP and assets. Through its network of 76 branches

nationwide, LOLC serves more than 210,000 clients with loan portfolio of more than USD 323 million. Since receiving a deposit-taking license in 2015, LOLC has broadened its financial products and services to include savings and fixed deposit products. In 2016, LOLC rolled out deposit products to all branches nationwide, achieving great deposit growth to reach a balance more than USD 90 million in December 2017, in just of 2 years, up from USD 19 million at the end of 2016. The fast growth of deposit balance indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

Going forward, LOLC will continue its expansion in rural and urban areas, developing new and innovative financial products and services for its clients. With an 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

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



# BUSINESS REVIEW



- Responsible Growth
- Trends in Product Mix
- Business Performance
- Risk Management

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 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 4<sup>th</sup> largest MDI/MFI in Cambodia by total assets and GLP. Due to its commitment to serving clients responsibly, focusing on customer service, innovative products, and maintaining fair and transparent pricing, LOLC has become a trusted provider of financial services for Cambodians. Our long-term commitment to empowering entrepreneurs and families at the base of the socio-economic pyramid in Cambodia was realized through the development of new products tailored to meet our clients' needs, sound internal control policies and financial literacy training programs aimed at enhancing clients' financial management and experience.

LOLC's gross loan portfolio grew by 47% from USD 219.5 million at the end of 2016 to USD 323.6 million at the end of 2017. LOLC maintained its loan portfolio growth with quality and risk control and achieved a better performance than the industry average. LOLC's deposit product performed very well, achieving a great deposit growth of 367% to reach a deposit balance of more than USD 90 million in December 2017, in just 2 years, up from USD 19 million at the end of 2016. The fast growth of deposit balance and loan portfolio indicates that LOLC is a trusted microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

LOLC's ROA and ROE slightly decreased compared to last year, at 4.8% and 27.5% respectively as of December 2017. However, compared with peers, LOLC's ROA is leading among the top 7 MDIs, while ROE was ranked 2<sup>nd</sup> both in 2016 and 2017. LOLC has consolidated its position as the country's 4<sup>th</sup> largest MDI/MFI in terms of total asset and gross loan portfolio.

LOLC's long-term commitment to preventing over-indebtedness among its clients and to generate fair customer outcomes, illustrated by its strict credit and multiple loan policies, is pushed forward by its implementation of Client Protection Principles in the day-to-day operations. LOLC Cambodia also took steps toward effective social performance management, such as the implementation of its environmental footprint, environment and social assessment for SME loans, Universal Standard of Social Performance (USSPM) and self-assessment SPI4 to determine the next steps of social performance best practices in the company. In the last several years, LOLC has achieved many milestones, such as its Progress Out of Poverty Index certificates, SMART Client Protection Certificate, GIIRS ratings and a Microfinance Institutional Rating Grade A- from Microfinanza, which assessed the company through various criteria such as; external context; governance and strategy; financial profile; loan portfolio quality; systems and control; and client protection. Furthermore, LOLC has successfully completed a Client Protection Principle version 2.0 check-in review by M-Cril. Additionally, our financial literacy training, given to 14,202 Cambodians in 2017 and 43,176 since 2013, is a social activity LOLC provides free-of-charge to improve clients' understandings of financial services. These initiatives and their derived processes contribute to the reduction of all client-related risks and ensure that LOLC treats its clients fairly.

Finally, our operations and projects have been supported by growing our number of staff from 1,873 in 2016 to 2,065 in 2017. LOLC opened 4 new branches in 2017 – up to a total of 76 branches – and operates in 25 provinces throughout the country. Our staff members all receive extensive training on LOLC's credit process, internal controls and credit policies, as LOLC is dedicated to aligning our growth path with the quality of our loan portfolio.

## Trends in Product Mix

LOLC has been improving and diversifying 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 lending and designed new products aimed at meeting clients' needs.

LOLC's group loan is still LOLC's most well established loan product. Group loan accounts for 14% of total gross loan portfolio and represents 49% of LOLC borrowers. Although this product is well functioning and satisfies clients, we are always looking for new ways to improve the quality. LOLC increased the loan size of its group loan in 2017 in order to further fit the growth of communities' economies.

Individual loans account for 86% of the GLP and 51% of clients. With a larger loan size, the Individual Loan (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. The Small and Medium Enterprise (SME) loan has a maximum loan size of USD 50,000 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 offers loans for household improvement. 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 the opportunity to finance further consumption against an affordable interest rate and loan term. Asset-backed lending/financial leases are offered to clients who wish to purchase a brand new or second-hand motorbike, tricycle, car or agricultural machinery for their daily business or personal activities, with long-term financing periods, without investing their own capital or using working capital.

LOLC also offers additional products attached to our core products. This is the case for the Water, Sanitation and Hygiene Loan (WASH Loan) and Home Appliance Loan (HAL) introduced in 2016. These two products are offered to clients who wish to borrow additional funds from LOLC to improve their lives, as well as to improve sanitation and hygiene in the family. As part of LOLC's due diligence and in order to mitigate risks of over-indebtedness, these loan products can only be granted to clients who have demonstrated strong repayment discipline and a steady repayment capacity.

The Loan for Agricultural Machinery (LAM) 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 profit. The LAM is available at all branches in either USD or THB.

LOLC was granted a deposit-taking license from the National Bank of Cambodia and started pilot testing deposit products at some branches in October 2015. In 2016, LOLC rolled out its deposit products to all branches nationwide, achieving a great deposit growth of 367% to reach a deposit balance of more than USD 90 million in December 2017, in just 2 years, up from USD 19 million at the end of 2016. LOLC provides two types of deposit products; savings accounts and fixed deposit accounts. With savings accounts, customers can deposit and withdraw at any time in business hour with limiting its amount. Fixed deposit accounts aim to help save and increase income for customers, using high interest rates and safety, unlike keeping cash at home. Interest rate can be withdrawn monthly or at maturity.

In 2017, LOLC launched the financial lease product as the National Bank of Cambodia (NBC) granted the company a permission to offer leasing products on January 09<sup>th</sup>. LOLC became the first MDI in Cambodia to obtain such leasing product permission, which allowed the company to penetrate a market previously exclusive to leasing companies. Furthermore, LOLC has been implementing a new core banking system which enable LOLC to use technology-oriented delivery channels that will improve customer services and increase efficiency.



## Loan Performance by Sectors

### Number of Accounts

No.	Sectors	2015	2016	2017
1	Agriculture	120,339	125,597	120,679
2	Production	2,542	2,225	1,479
3	Trade	26,072	27,157	26,454
4	Service	17,237	17,105	19,324
5	Salary and Wage	52,867	37,863	48,678
6	Others	596	62	1,406
<b>Total</b>		<b>219,653</b>	<b>210,009</b>	<b>218,020</b>

### Loan Portfolio

No.	Sectors	2015	2016	2017
1	Agriculture	\$ 90,531,913	\$ 114,221,443	\$ 151,914,200
2	Production	\$ 2,632,574	\$ 2,892,210	\$ 3,184,721
3	Trade	\$ 31,355,740	\$ 37,558,873	\$ 53,333,972
4	Service	\$ 21,520,216	\$ 26,378,054	\$ 41,598,600
5	Salary and Wage	\$ 41,787,160	\$ 38,395,446	\$ 71,756,839
6	Others	\$ 527,231	\$ 92,769	\$ 1,856,491
<b>Total</b>		<b>\$ 188,354,835</b>	<b>\$ 219,538,796</b>	<b>\$ 323,644,822</b>

LOLC has grown its loan portfolio by 47% compared to the previous year, reaching almost USD 324 million by the end of 2017.

In terms of sector, agriculture has the biggest portion of the loan portfolio at around 47%, of the total loan portfolio; followed by salary and wage, trade and service, respectively.

## Loan Performance by Products

### Number of Borrowers

No.	Products	2015	2016	2017
1	Group Loan (GL)	155,580	131,824	107,500
2	Individual Loan (IL)	39,103	46,460	62,947
3	Small and Medium Enterprise (SME)	1,136	1,195	2,661
4	Seasonal Loan (SNL)	15,373	17,596	18,931
5	Home Improvement Loan (HIL)	3,119	4,292	7,156
6	Life Improvement Loan (LIL)	5,342	7,291	10,825
7	WASH Individual Loan (WIL)	-	1,351	7,795
8	Financial Lease (FL)	-	-	205
<b>Total</b>		<b>219,653</b>	<b>210,009</b>	<b>218,020</b>

The client base of LOLC Cambodia remained large in 2017, with more than 210,000 clients. Product diversification has responded to all segments of Cambodians. The majority of clients are engaged in group loan products, followed by individual loan products and seasonal loan products, respectively.



## Loan Portfolio

No.	Products	2015	2016	2017
1	Group Loan (GL)	\$ 60,077,282	\$ 53,113,470	\$ 45,008,308
2	Individual Loan (IL)	\$ 71,090,075	\$ 93,791,823	\$ 149,184,307
3	Small and Medium Enterprise (SME)	\$ 10,993,830	\$ 14,811,931	\$ 40,194,002
4	Seasonal Loan (SNL)	\$ 31,579,211	\$ 36,715,066	\$ 46,084,135
5	Home Improvement Loan (HIL)	\$ 8,048,190	\$ 11,469,359	\$ 23,611,974
6	Life Improvement Loan (LIL)	\$ 6,566,247	\$ 8,876,367	\$ 15,157,042
7	WASH Individual Loan (WIL)	-	\$ 760,780	\$ 4,056,673
8	Financial Lease (FL)	-	-	\$ 348,380
<b>Total</b>		<b>\$ 188,354,835</b>	<b>\$ 219,538,796</b>	<b>\$ 323,644,822</b>

In the case of classifying the loan products into three main categories:

No.	Products	2016	2017	Variance	
				Amount	Growth %
1	Micro-business Loan	\$ 195,850,498	\$ 267,945,398	\$ 72,094,900	37%
2	Small and Medium Enterprise (SME)	\$ 14,811,931	\$ 40,194,002	\$ 25,382,071	171%
3	Asset-Backed/Financial Lease	\$ 8,876,367	\$ 15,505,422	\$ 6,629,055	75%
<b>Total</b>		<b>\$ 219,538,796</b>	<b>\$ 323,644,822</b>	<b>\$ 104,106,026</b>	<b>47%</b>

In 2017, SME loans grew significantly compared to the previous year, with a growth rate of 171%, followed by asset-backed/financial leases with a growth rate of 75%. LOLC focused on providing loans to small and medium entrepreneurs, who fall in a gap to access loans from banks/microfinance institutions, to support their needs in business expansion and increase income in the family. The asset-backed/financial lease has also grown rapidly, with strong support from its parent company, LOLC Group, which is a pioneering provider of leasing products in Sri Lanka. Micro-business loans have seen gradual growth to ensure loan quality.

## Deposit Product

With strong support from customers, the deposit has been increasing year-by-year. As a result at the end of 2017, LOLC had received a total balance deposit amount of USD 90.31 million, with 72,705 accounts. At the same time, LOLC's deposits increased by 367% for balance and 166% for account growth compared to 2016.

## Savings Account

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

## Summary of Savings Account:

Currency	KHR, USD & THB
Minimum Balance	0
Term	Unlimited
Yearly Interest Rate	5%
Savings Account Passbook	No fee when first opening account

## Fixed Deposit

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

## Summary of Fixed Deposit

Currency	KHR, USD & THB
Minimum Balance	KHR200,000, USD50, THB200
Term	1, 3, 6, 9, 12, 24, 36, 60 months
Highest Yearly Interest Rate	9.5%

## Local Money Transfer

Customers are able to transfer their money to relatives, friends or business partners who have savings accounts with LOLC very fast and at an appropriated price.

No	Description	Fee		Remark
		KHR	USD	
1	Transfer within branch	No fee		Account to Account, deposit, withdraw across branches
	Loan payment across branch	No fee		
	Transfer across branch	0.12% Min. KHR5,000	0.10% Min. USD1	

## Inter-Bank Transfer (FAST)

Customers are able to transfer money conveniently between financial institution (Bank and MDI). This service can be made with Khmer Riel.



Save

for your  
family  
future

# 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 frameworks 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

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

### 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.

### 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. The Credit Committee normally meets once per month.

### 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.

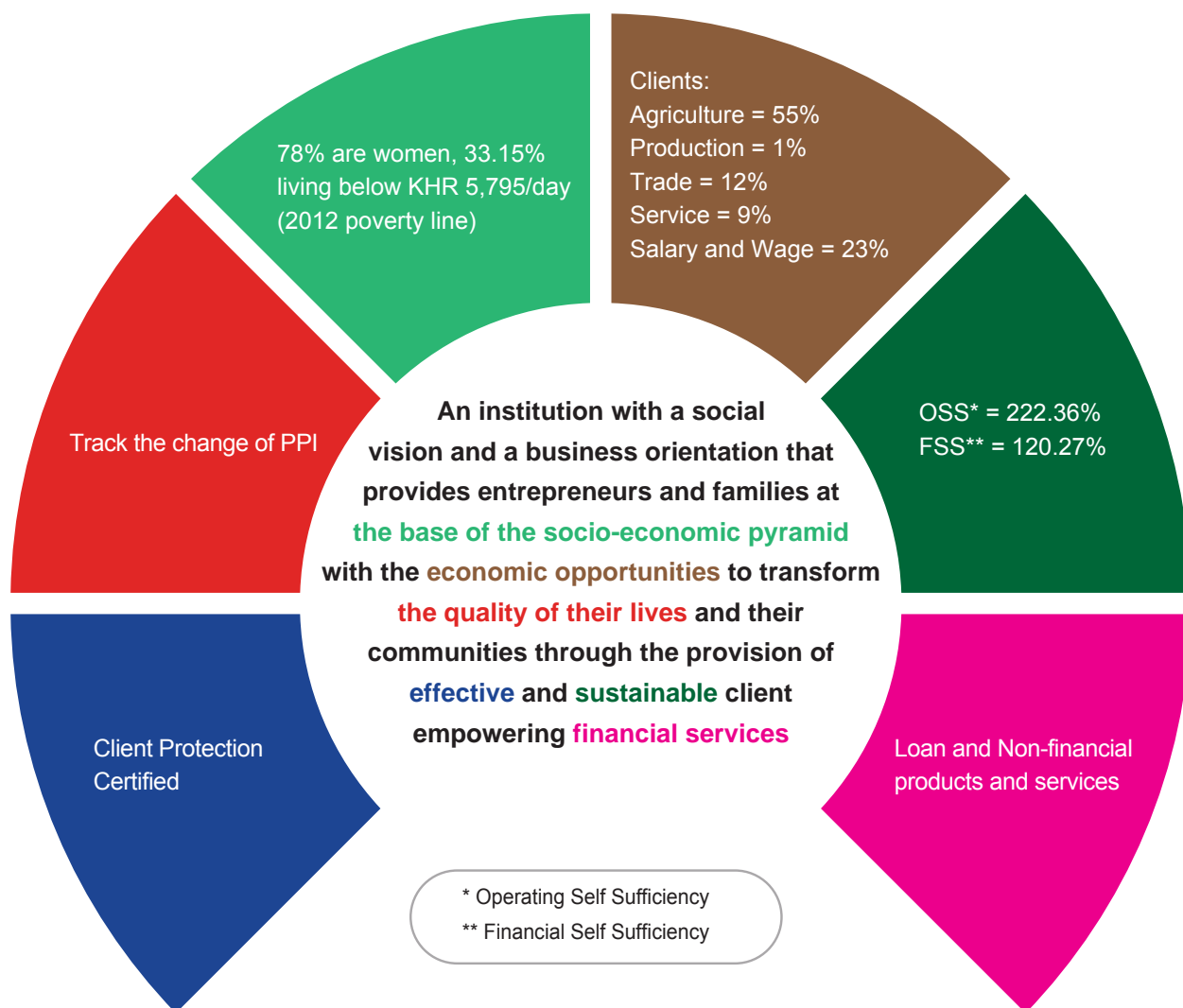


## SOCIAL AND ENVIRONMENTAL PERFORMANCE REVIEW



- How Do We Translate Our Mission as of December 2017?
- Measuring LOLC's Social Goals
- Implementing Universal Standard of Social Performance Management
- Financial Literacy
- Environmental and Social Assessment
- Measuring Social Outreach Through PPI
- Partnerships
- Client Stories

## How Do We Translate Our Mission as of December 2017?

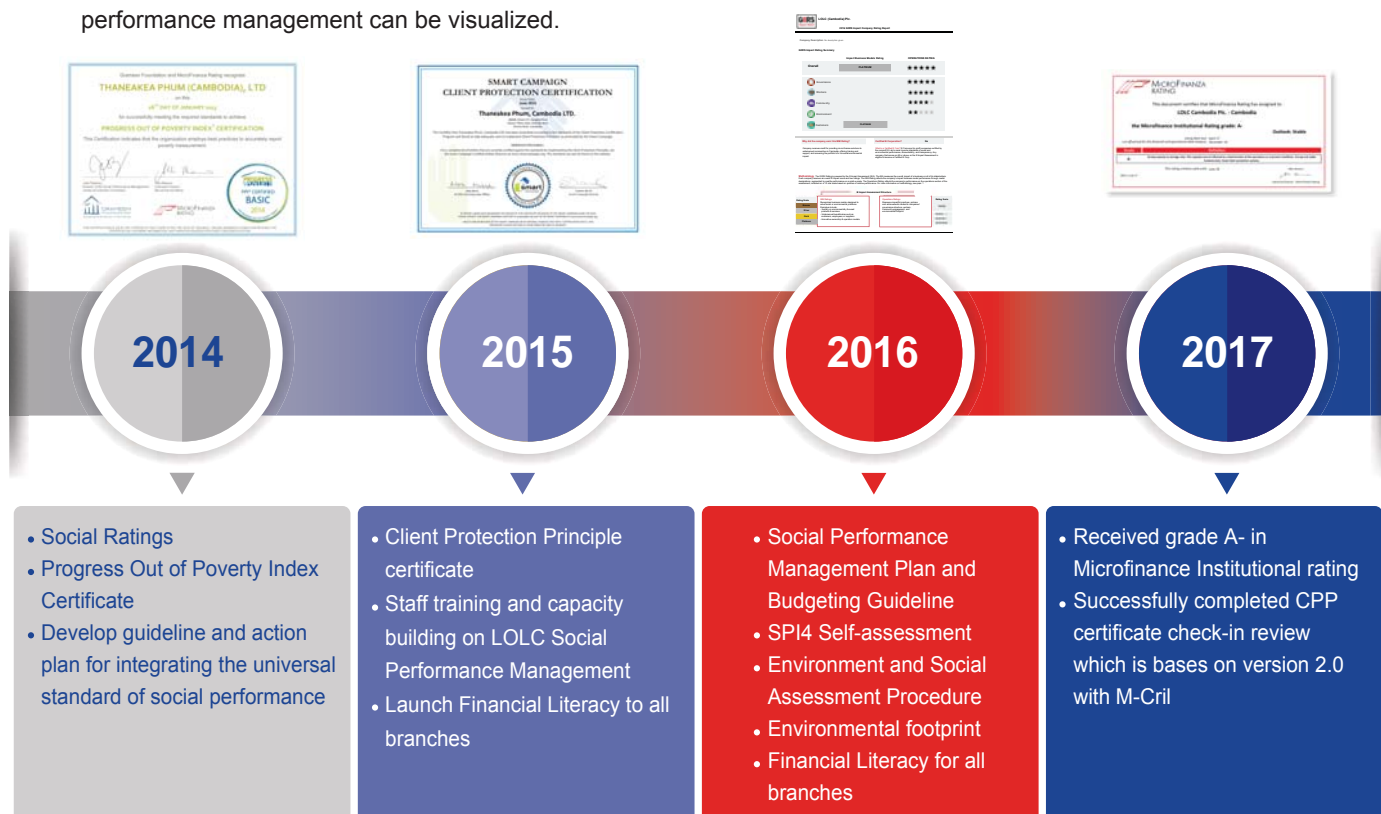


## Measuring LOLC's Social Goals

Relevant Social Goal	Annual Measurable KPIs Aligned to USSPM	2014	2015	2016	2017
Increased access to financial services	Percentage of borrowers in rural areas	99%	99%	95%	94%
	Percentage of borrowers involved in agriculture	60%	55%	60%	55%
	Percentage of female borrowers	85%	84%	81%	78%
	Number of participants in financial literacy training	2,000	7,939	13,616	14,202
Poverty reduction	Percentage of new borrowers below 150% National Poverty Line	28%	38.37%	36%	33%
	Number of new borrowers below 150% National Poverty Line	27,053	30,482	25,392	15,113
	Tracking client poverty rate against 150% national poverty line	10%	7%	6.5%	0.5%
Environmental sustainability	Result of environmental assessment in the 'no action' quadrant.	No Action quadrant	No Action quadrant	'Medium' Monitoring	'Medium' Monitoring

## Implementing Universal Standard of Social Performance Management

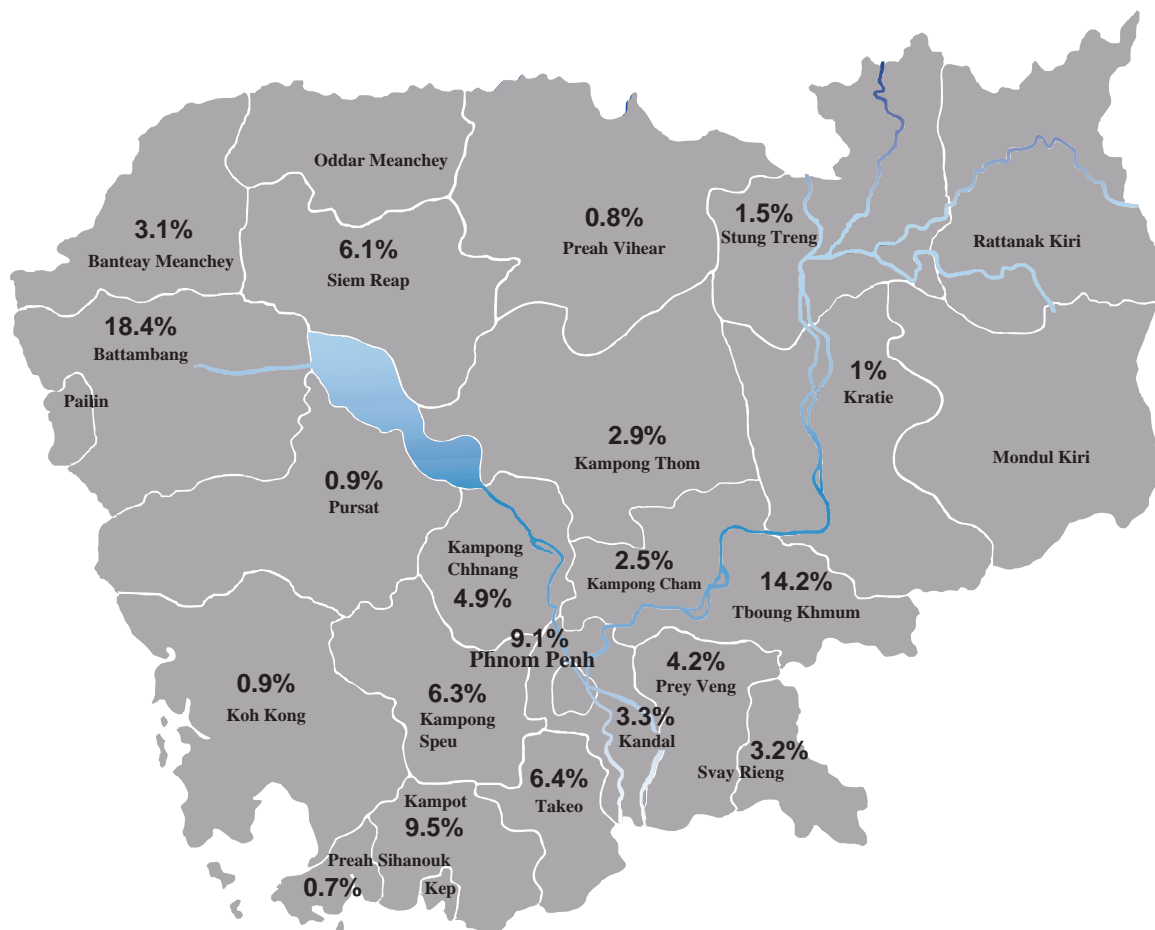
LOLC's milestones of integrating the best practices of social performance management or universal standard of social performance management can be visualized.





From January to December 2017, 14,202 participants (78% or 11,043 females), including 5,018 clients, participated in financial education training. The program provides awareness training on cash management; savings; debt management; and small business management to participants.

To date (since the start of the project in 2013), there have been 43,176 participants in the training courses.



*Percentage of participants in financial literacy training in each province (since the start of the project in 2013).*

### Radio Program

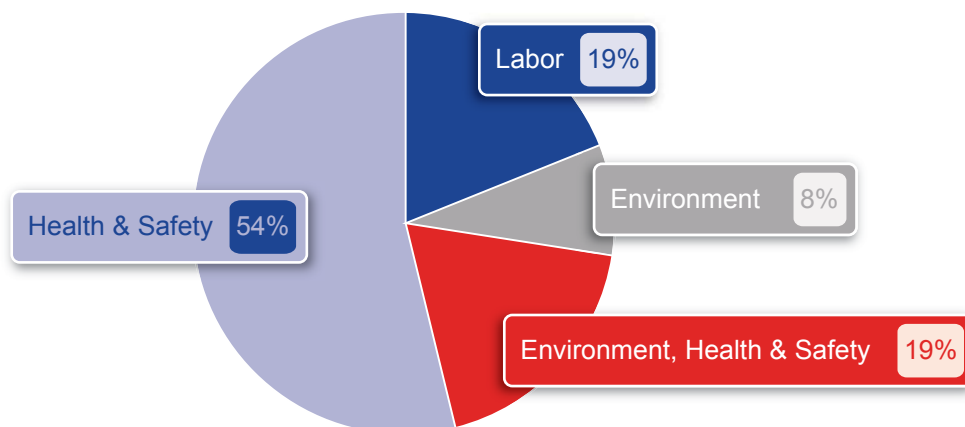
Through media, LOLC, lead by its staff, produces a radio program named “Ideas for Growth” which is broadcast every Friday from 9:10am – 10:00am through Woman Media Center FM 102, which reaches 18 provinces. The education program aims to deliver the financial literacy message, consumer protection, self-motivation and small business management to rural people.

As a result, since the program’s launch back in June 2016, around one hundred people have called in to our program to ask question and share ideas.

## Environmental and Social Assessment

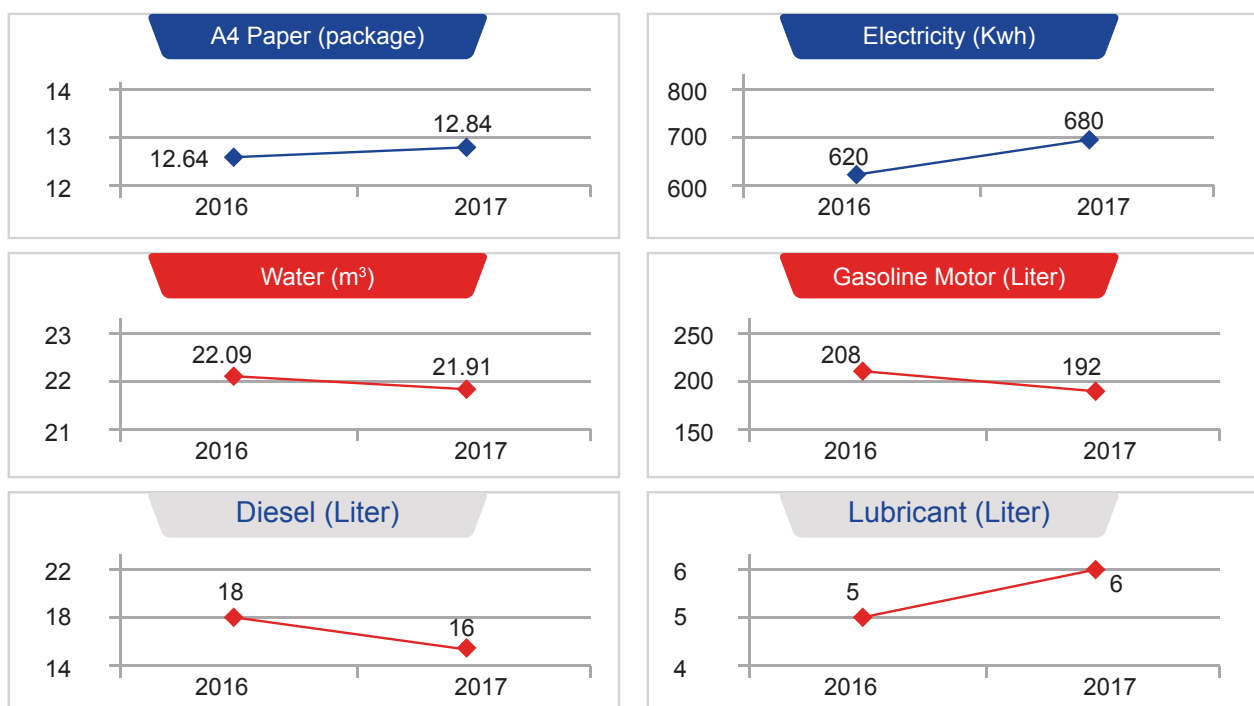
Recently, the Social and Environmental Assessment has been fully integrated into the SME loan lending process. As a result, from January to December 2017, 1,959 SME loans were assessed.

Environment and Social Assessment	# of loans	Remarks
Low	284	- Client risk management quality is high - Client risk level is low Therefore, no action is required
Medium	1,675	- Client risk management quality is ranged from medium to high - Client risk level is ranged from low to medium Therefore, monitoring should be tracked to see the progress of the risks
Total	1,959	



### Environmental Footprint Report

The graph below is the environmental footprint report per full-time-employee in 2016 and 2017.



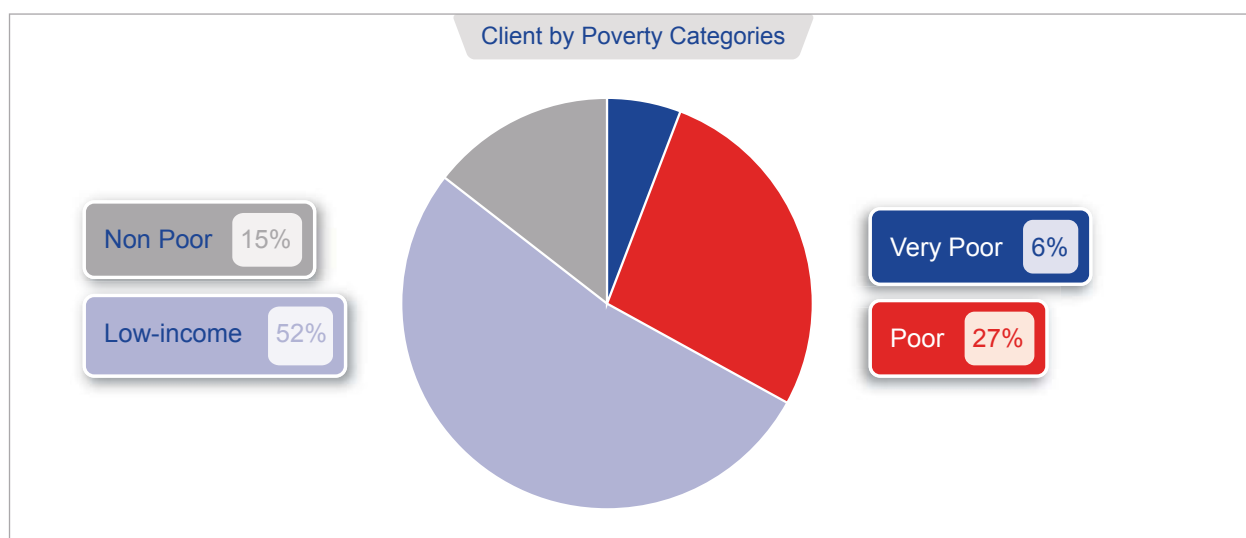
## Measuring Social Outreach Through PPI

Progress out of poverty index is used to measure LOLC Cambodia's outreach to poor clients, determine the transformation of the quality of clients' lives, and ensure that appropriate products are extended to the right clients. Moreover, using PPI, LOLC can determine its categories of client as below:

- Very Poor:** Those who are living below the national poverty line  
**Poor:** Those who are living below 150% of national poverty line  
**Low-income:** Those who are living below USD5/Day 2005 PPP  
**Non Poor:** Those who are living above USD5/Day 2005 PPP

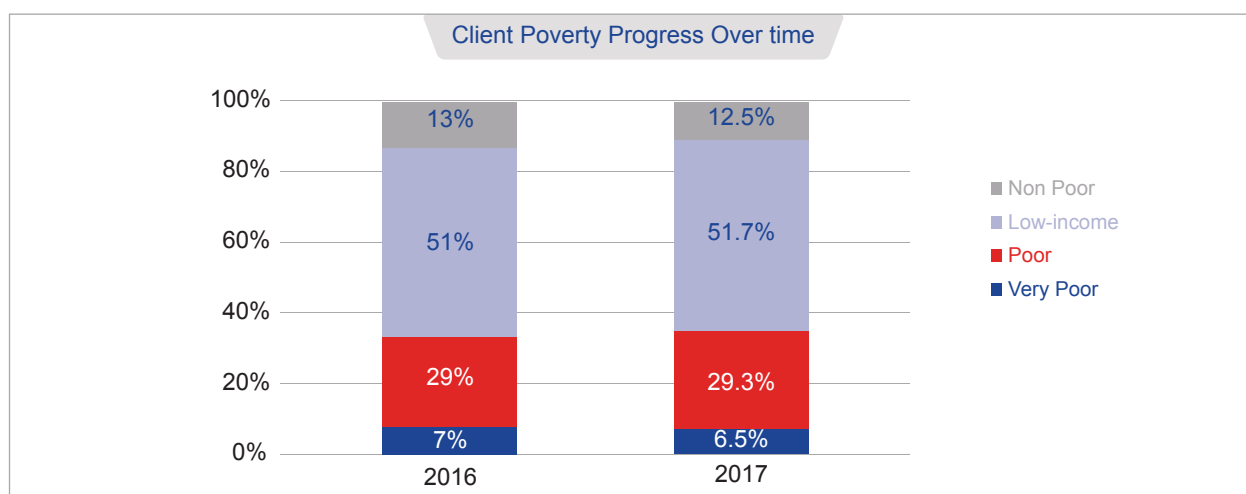
### LOLC Poverty Outreach

As of December 2017, 45,589 new clients have had their poverty likelihood estimated through PPI. The result indicates that the majority of LOLC clients are in poor and low-income categories.



### Client Poverty Progress

The PPI questionnaire has been revised to be more readable and to compare coming years. LOLC has restarted the sample client for progress monitoring starting from 2016 as the base year. Here is the distribution of the selected clients in the monitoring list.



## Partnerships

In 2017, LOLC established new partnerships and strengthened existing partnerships, aimed at offering LOLC's rural client base the opportunities to improve their standards of living.



Since 2013, LOLC has partnered with the Australian NGO, Good Return, to provide micro loans on its website, financial literacy training to clients, non-clients, and university-aged students. Good Return and LOLC have also collaborated on strengthening social performance (universal standards of social performance) and client protection in line with the SMART Campaign until LOLC becomes the first microfinance receiving Client Protection Principle certificate.

USAID – DCA have also been an important partner for LOLC, as they have provided LOLC with the means to assist farmers and other small business owners involved in agriculture value chains to access micro-loans. On October 17<sup>th</sup>, 2017, LOLC signed a USD 4 million Guarantee Agreement with USAID to provide loans to agriculture activities in Siem Reap, Battambang, Kampong Thom and Pursat provinces.



LOLC established partnership with Water.org in 2015, aiming to deliver clean water to rural Cambodia. Under the partnership scheme, Water.org supports LOLC in terms of capacity building, promotion, development of water loan policy and marketing strategies. Overall, the project objective is to make sanitation loans available to all rural people. As of December 2017, there are more than 7,795 active loans with a portfolio of more than USD 4 million.

LOLC and Agence Française de Développement signed a partnership to roll out a Solar PV micro-credit product, to offer rural households not connected to the grid with improved electrification. It is estimated to have daily energy generation of about 95.67Kwh/ day in total from 4 certified supplier partners.



## Client Stories



Ms. Long Davy, 25, a mother of two daughters, and her husband, Pov Piseth, 24, are living in Koh Chin village, Koh Chin commune, Kandal Province. The young couple has a sculptor and carving family business as the main income source for their family.

Ms. Davy became a new client for LOLC early 2017 so she could buy a motor bike as a means of transportation. After a very convenient experiences with LOLC's product and services, the couple got a second loan to expand their business in late 2017.

"Currently, I am using a USD 7,500 loan for business needs such as buying copper and working capital in the business. Having more copper in stock, I can increase production output", Ms. Davy said.

The couple has had this business for 5 years and is skillful in artistic carving. "There is a gradual increase of sales. I can earn about USD 2,500 per month in revenue, which is enough to repay my loan and cover family expenses. We also had the idea to expand the business further by hiring more workers, increasing the stock of sculpted items and silver-made items. Currently, having more capital, I can produce items and store them as stock for sale during high season." she said.

Ms. Davy's business is running very well and has quite a lot of potential to grow. Both wife and husband, together with another two workers at home, do everything from melting the copper to molding, and carving. They distribute the products to wholesalers and distributors, and also sell from home. They hope this enables macroeconomic growth and business opportunities to continue until they have enough capital and capacity to expand business and machinery. Aside from business expansion, the young couple have big future plan for their kids.

"I want to support my daughters to have a high quality education. I hope they become doctors one day." she said. "Lastly, I would like to thank LOLC for providing convenient services and reminding us how to use loans properly for business and family." she concluded.



Ms. Van Yorn, a 56-year-old widow in Chet Dey Thmey village of Vihear Suong Commune, Penhaleu District in Kandal Province, has enabled her two-member family to live a decent life using micro loans from LOLC over the past four years.

The family has seen an increase in household income as they have more goods to sell in front of their house, transforming their lives as they become micro business owners.

"Before the loans from LOLC, my family's life was terrible because my daughter, Van Vong Rody, 22 years old, and I sold only Khmer noodles (a kind of traditional Khmer food) in the morning for our daily income," recounts Ms. Van Yorn, whose husband left her to marry a new woman in 1996. "We rarely had fish, pork or meat to eat, or proper clothes because I earned only 20,000 Riel (USD 5) profit per day."

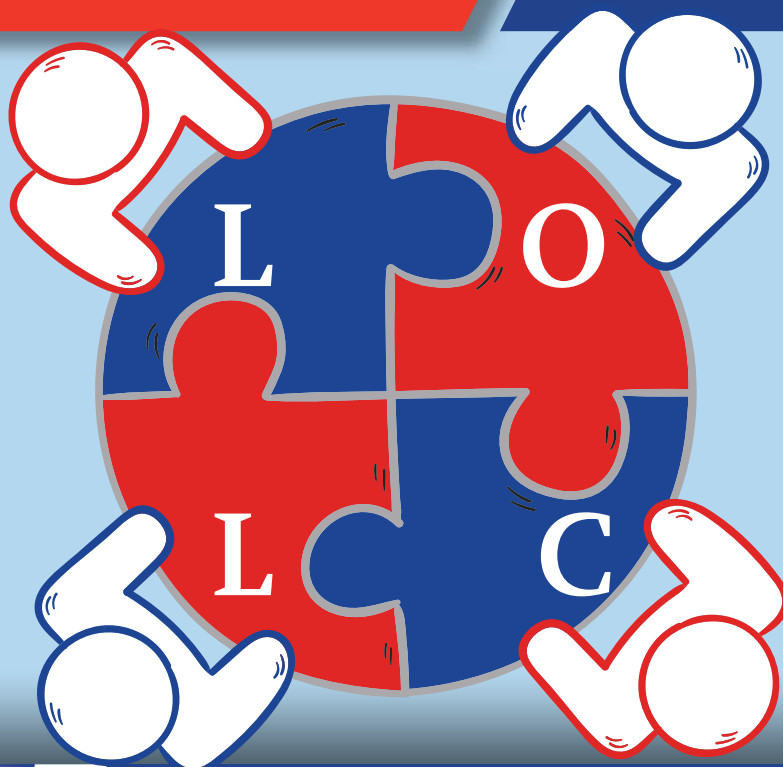
Ms. Van Yorn borrowed USD 250 from LOLC in 2014 as working capital to make Khmer noodles to sell from her stall in front of the house. In 2015, she used a second loan of USD 250 to start her family's grocery selling business. Her profit increased to USD 12.5 per day from her grocery and Khmer noodle selling. Then, she received her third and fourth loans of USD 500 each in 2017 and 2018 for her new micro business, selling soup in the evening. As a result, she can earn a profit totally of USD 20 a day.

"I am happier and I have more household assets such as a TV and CD player, which we bought from our increased household income."

Ms. Van Yorn plans to fill the soil on free land behind her house to serve more clients in order to expand her soup selling for additional income-generation in the future.

"Hopefully, LOLC will continue to assist me in pursuing my final goals in life. I am aging now. I just want a better life for beloved daughter," she says with hope in her eyes.

## CORPORATE GOVERNANCE



- Overview of Good Governance
- Organizational Chart
- Ownership Structure
- Board of Directors
- Management Team
- Board Risk Committee
- Board Audit Committee
- Board Appointment  
and Remunerations Committee

## 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 Chairman, 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 and Compliance Officer are independent from management and report directly to the Board Audit Committee and Independent Director, respectively.

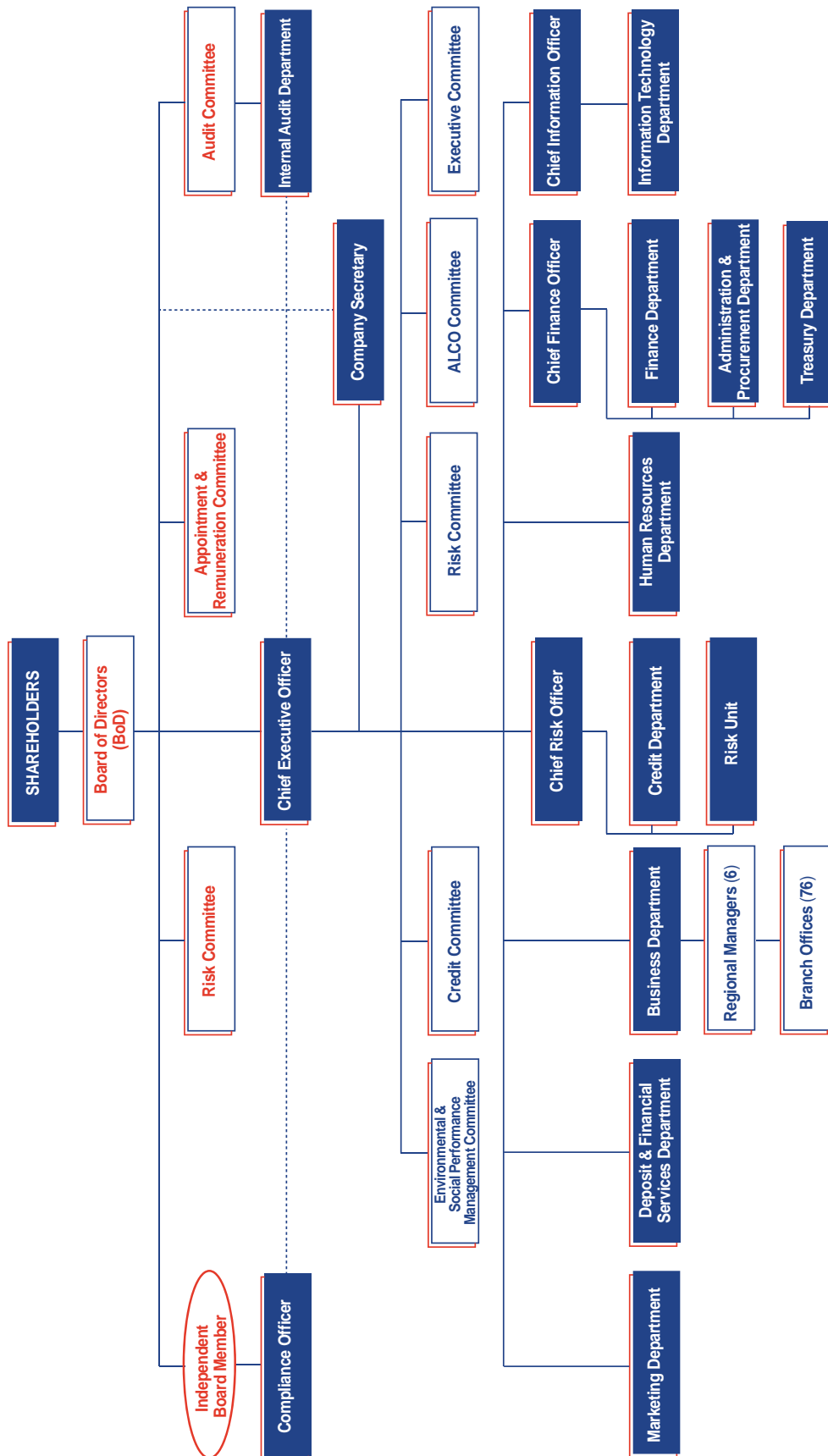
At the Management level, the Chief Executive Officer oversees all departments. Four management committees - Credit, Assets and Liabilities, Risk, and Executive - meet monthly to help management remain focused on accomplishing LOLC's medium and long-term goals and objectives.

The LOLC Board of Directors and management team 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.



# Organizational Chart

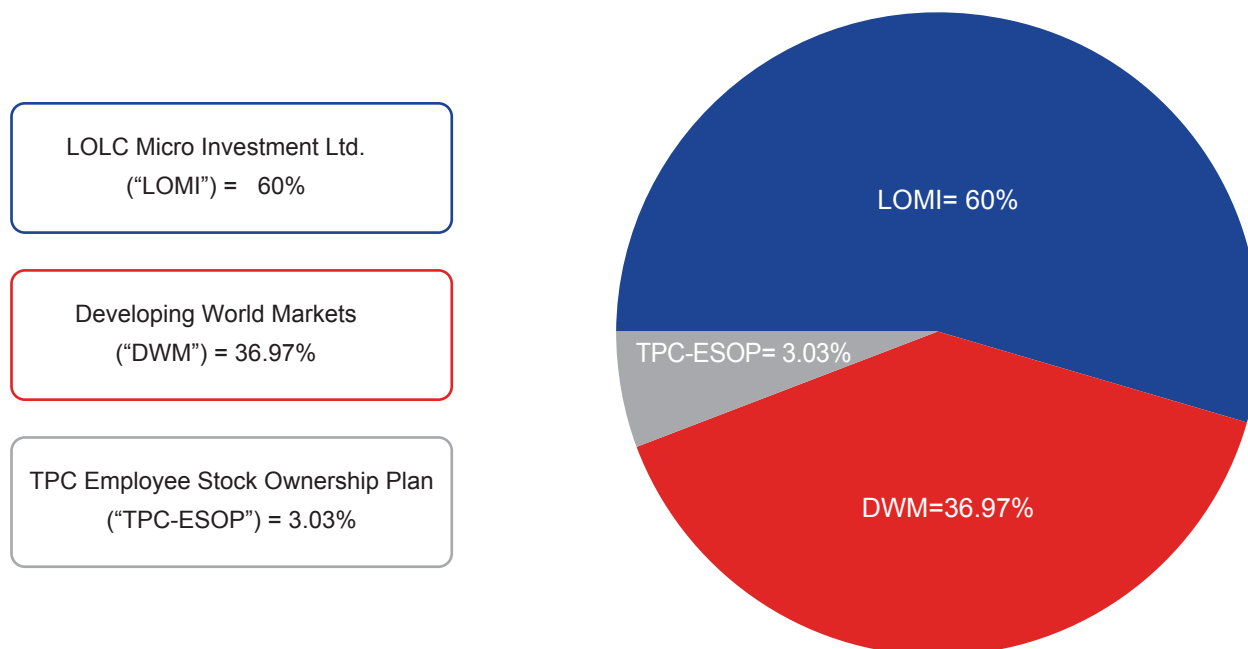


Notice

--- Communication line — Direct supervision line

## Ownership Structure

LOLC (Cambodia) Plc. currently has three shareholders, including LOLC Micro Investment Ltd. (“LOMI”), Developing World Markets (“DWM”) and TPC Employee Stock Ownership Plan (“TPC-ESOP”). The shareholding structure of LOLC (Cambodia) Plc. is organized as follows:



**LOLC Micro Investment Ltd. (“LOMI”)** was established in 2011 with a purpose of exploiting investment opportunities available in the microfinance sector in Sri Lanka and in 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. In 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. 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 Employee Stock Ownership Plan (“TPC-ESOP”)** is a company held by LOLC staff through the TPC Employee Ownership Plan. The exclusive objective of TPC-ESOP is to provide eligible employees of LOLC (Cambodia) Plc. 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.

## Board of Directors



**Mr. Brindley de Zylva**  
Chairman

Mr. Brindley de Zylva is the Chairman 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 33 years in both licensed finance companies and specialized leasing companies, holding Board & General Management positions prior to taking over as the Chairman of LOLC (Cambodia) Plc. He has a wide range of expertise and experience in the NBFI sector covering Marketing & 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 Chairmen, and as a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited, he provided guidance for the benefit of the NBFIs in Sri Lanka. These positions were relinquished in 2015 to take over a regional assignment for the LOLC Group in Myanmar & Cambodia. He also serves in an honorary capacity as a non-executive director of Navajeevana Rehabilitation – Tangalle, Sri Lanka, which is a non-governmental organization serving the disabled.



**Ms. Fernanda Lima**  
Director

Ms. Fernanda Lima is currently a director at LOLC (Cambodia) Plc. and a director at Microcred China in Sichuan, China. Working for DWM since 2008, she manages an equity portfolio of approximately USD 30 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 investments products to Brazil's emerging middle class. Fernanda has an 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. Mrs. Fernanda Joined LOLC (Cambodia) Plc. in 2010.



**Mr. Ravindra Dhammika  
Tissera (Ravi)**  
Director

Mr. Ravindra Dhammika Tissera (Ravi) is a director 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 24 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 joined LOLC (Cambodia) Plc. in September 2014.



**Mr. Michael Moormann**  
Independent Director

Mr. Michael Moormann is an Independent director of LOLC (Cambodia) Plc. He started his career in the Netherlands within the foreign division of ABN AMRO Bank in 1971 and was transferred to Indonesia in 1973. He gained much experience serving in a variety of positions and working in many different countries before taking up senior management positions. In 1992, he became the Regional Manager of private banking in Latin America for AB AMRO, and 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 joined LOLC (Cambodia) Plc. in February 2013.



**Mr. Indrajith Wijesiriwardana**  
Independent Director

Mr. Indrajith Wijesiriwardana is currently an Independent director of LOLC (Cambodia) Plc. Indrajith is a highly skilled consultant in international development finance with over 20 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 focusing 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 joined LOLC (Cambodia) Plc. in January 2015.

## Management Team



**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 in ACLEDA Bank Plc. as Credit Officer from 2000-2001 and he was promoted to Head of Credit Control Unit in Head Office from 2001 to 2005. From 2005 to 2010, he was the Operations Manager in SATHAPANA Ltd. (MFI) in charge of day-to-day operations, which included managing loans, savings, money transfer transactions and market expansion. He started working for LOLC as Chief Operations Officer in April 2010 and he was promoted to be Deputy Chief Executive Officer in December 2012. Currently, he is Chief Executive Officer, as appointed by the Board of Directors effective from June 2014.



**Mr. Sok Sophal**  
Chief Finance Officer

Mr. Sok Sophal, Chief Finance Officer, obtained his Master of Finance at the National University of Management in 2007. He received his Bachelor of Arts in English, majoring in International Business at the Institute of Foreign Languages (IFL) in 2005 and his Bachelor's Degree of Economics Science, majoring in Management of Enterprise at the former Faculty of Law and Economics in 2000. He has attended numerous training courses such as leadership and diversity for Innovation Program by Women World Banking with the support from Wharton University of Pennsylvania (USA), Advance Management Program by Cornell University at Colombo (Sri Lanka), Syndication Loan Pricing & Structuring by Universal Network Intelligence (Malaysia), and several other workshops and training courses in the areas of impact investing, microfinance forum, 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 starts working for LOLC in August 2010.



**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 operations. He has 15 years of working experience within the banking and microfinance sector. He has attended IT related trainings and workshops in various countries such as 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 Software Development Unit in IT Division. During his period with ACLEDA Bank Plc, he has worked on IT project management, core banking, database design, application development and support, IT security & compliance and IT BCP etc. He started working at LOLC as the Head of Information Technology Department in July 2010 and he was promoted to Chief Information Officer directly accountable to the Chief Executive Officer in 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, pursuing his Master's Degree of Business Administration, majoring in Accounting and Finance at Western University in 2008. He obtained his Bachelor's Degree of Business Administration in Accounting from National Institute of Business in 2004. He has attended numerous training courses in the areas of internal professional practice framework in Malaysia, business planning and managing growth in Philippines, effective internal control in Mongolia, bank experience sharing in Sri Lanka, and other training courses in Cambodia on risk management, advance internal auditing, report writing and leadership skill. Pheap has more than 15 years of experience working with microfinance institutions and non-government organizations in Cambodia, including Catholic Relief Services in 1999-2003 as an internal auditor and as branch manager in 2004 after CRS incorporated as LOLC, Angkor Microfinance Kampuchea (2004 -2008) as an audit team leader and regional manager. He starts working at LOLC as Head of Internal Audit Department in December 2008.



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

Mrs. Svoeuy Sodyna, Head of Risk & Compliance Department, has qualified for ACCA Qualification from the largest professional accounting institute in the United Kingdom since June 2017. She received her Bachelor's Degree of Business Administration, majoring in Accounting at National University of Management in 2006. In addition to her academic qualification, she obtained an advance diploma in Accounting from CamEd Business School in early 2013. She attended numerous professional courses including risk management, financial management, strategic planning and other microfinance-related courses. She worked with one of the "big four" international accounting firm as Audit Senior for nearly 4 years, in which the responsibility included leading the audit teams and completing the statutory and compliances audit for various industries, including Banks and MFIs. She joined LOLC in May 2011 as Senior Risk Officer and was promoted to be Head of Risk & Compliance Department in November 2013.



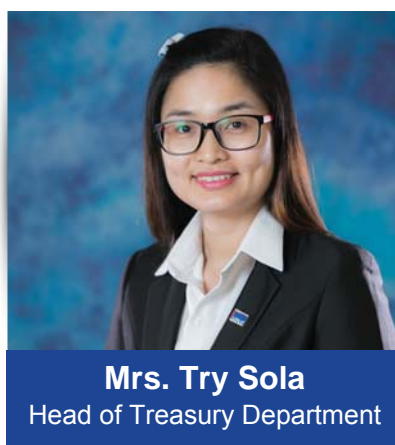
**Mrs. Leng Thavy**  
Head of Human Resources  
Department

Mrs. Leng Thavy, Head of Human Resources Department, was awarded her Master's degree (fully sponsored by Australian Development Scholarship) in the field of Human Resource Management from Monash University, Australia, in late 2013. She obtained a Bachelor of Business Administration from National Institute of Management in Cambodia 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, 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), 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 joined LOLC in August 2014.





Mr. Kong Sovannak, Deputy Head of Finance Department, is pursuing for Master's Degree of Business Administration in Finance at Royal University of Law and Economics (RULE). He has obtained Bachelor's Degree of Business Administration in Accounting from Chea Sim University of Kamchaymear (CSUK), formerly Maharishi Vedic University (MVU), in 2012. He attended numerous professional courses including workshop on CIFRS 9: Financial Instruments for Financial Institutions by PricewaterhouseCoopers (PwC), Digitalization of Accounting by Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA) with the ASEAN Federation of Accountants (AFA), Security Market by Securities and Exchange Commission of Cambodia (SECC), Training of Trainer and Practical Customer Service by Cambodia Management Academy (CamMA), Personnel Development, Cambodian Taxation Law, Credit Management, Leadership and other microfinance-related courses. He served as Logistics Admin Staff at N.C.X. Co., Ltd (2013). In October 2013, he began working at LOLC as an Accountant based at Kratie Branch and in May 2015 he was appointed to be Management Accounting Officer based at Head Office and then promoted to be Financial Budgeting Unit Manager in April 2016. Currently, He is a Deputy Head of Finance Department effective from October 2017.



Mrs. Try Sola, Head of Treasury Department, is pursuing ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree of Business Administration, majoring in Accounting at the National University of Management in 2011. She attended numerous professional courses including financial management, anti-money laundering and other microfinance-related courses. She worked with one of the "big four" international accounting firm as Audit Senior for nearly 4 years, during which her responsibility included leading the audit teams and completing the statutory and compliances audit for various industries including banks and MFIs, companies, NGOs and other sectors. She joined LOLC in June 2015 as Head of Treasury Department.



Mr. Hul Sovutha, Head of Information Technology Department, obtained his Bachelor's Degree of Information Technology from the Royal University of Phnom Penh in 2003. He has more than 12 years working experience with local and foreign banks. He has attended IT related and E-banking training and workshops in Cambodia, Singapore and Malaysia. He served in ACLEDA Bank Plc. as Programmer in 2005 and he was promoted to Assistant Manager of Software Development Unit in 2008. He served in Maybank Cambodia Plc. as ATM Executive in 2008 and he was promoted to Senior Information Technology and ATM Executive in 2010. In 2014, he was promoted to Information Technology Manager. He started working with LOLC in October 2015 as Head of Information Technology Department.



**Mr. Muth Pisey**  
Deputy Head of Business  
Department

Mr. Muth Pisey, Deputy Head of Business 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 and property valuation, workplace conflict resolution and negotiation, practical branch management, capacity building for internal auditors, employment and labor law, empowering leadership, among others. He served in SATHAPANA Limited, as Credit Officer from 2006-2008 and he was promoted to Chief of Credit Officer in Ang Snoul District Branch from February 2008 to December 2008. From 2009 to 2010, he was the Provincial Branch Manager of the Kampot branch in SATHAPANA Limited (MFI). He started working for LOLC as Branch Management Trainee in May 2010 and he was appointed to be Branch Manager of Suong branch in July 2010. In May 2014, he was promoted to be Head of Administrative and Procurement Department. In March 2017, he moved to the Credit Department as a Deputy Head of Credit Department, and now he has been a Deputy Head of Business Department since November 2017.



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

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



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

Mrs. Chheang Kagna, Head of Deposit and Financial Services Department, obtained her master 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 Business Administration from Royal University of Law and Economic (RULE) in 2000. She has also attended various local and international trainings, workshops and relevant courses on microfinance, managing growth and impact, sale and relationship, customer service, product development, retail banking operation and leadership. She has gained experiences in banking and microfinance for 18 years. In 2000, she started her career with ACLEDA Bank in Treasury and Finance. From 2007 to 2016, as Head of Deposit Department at SATHAPANA Limited, she conceptualized, introduced and mobilized the success of SATHAPANA's deposit product and financial services. She was also involved in the merging of MAHUHAN Japan Bank with SATHAPANA Limited and transforming it to become a commercial bank. She has been working for LOLC since January 2016 as Head of Deposit and Financial Services Department.



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

Mr. Ban Phalleng, Head of Social Performance Management Department, obtained a Bachelor's Degree in Business Economics from the National University of Management, and a Bachelor's Degree in English Literature from the IIC University of Technology. After joining LOLC (Cambodia) Plc. at the end of 2012 as a social performance management specialist, Mr. Phalleng became social performance management unit manager, and was appointed as head of the social performance management department in 2015. Before joining LOLC, he worked as the microfinance technical officer with Cambodia Microfinance Institute until 2012 and previously worked as project officer at VisionFund until 2010. He has attended numerous professional short courses, such as advanced statistics, microfinance management, project management, client protection principles and social performance, both locally and overseas. His experiences include business plan development for transforming NGOs/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 his 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 the Royal University of Law and Economic 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, Japan and Thailand. In his 14 years of working experience, Sokcheth has worked for many institutions such as ACLEDA Bank Plc., SEILANITHIH MFI, and TOYOTA (CAMBODIA) Co., LTD. 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 he was promoted to be Head of Marketing Department in August 2015.



**Mrs. Kheng Navy**  
Company Secretary

Mrs. Kheng Navy, LOLC's Company Secretary, obtained a Bachelor of Economics in Enterprise Management at the Royal University of Law and Economics (RULE) in 2010, a Bachelor of Arts in Professional Communication at the 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 trainings such as the principle of accounting from Student Resource Development Organization and Report Writing Skill 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.

## 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 is composed of:

Name	Position	Role in Committee
Mr. Michael Moormann	Independent Board Member	Chair
Ms. Fernanda Lima	Board Member	Member
Mr. Brindley de Zylva	Chairman of the Board	Member

Members by invitation: Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, and Head of Risk & Compliant Department.

## 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 by:

Name	Position	Role in Committee
Mr. Michael Moormann	Independent Board Member	Chair
Mr. Brindley de Zylva	Chairman of the Board	Member
Mr. Indrajith Wijesiriwardana	Board Member	Member

Members by invitation: Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, and Head of Internal Audit Department.

## Board Appointment and Remunerations Committee

The Appointments and Remunerations Committee provides guidance to the Board of Directors on human resources 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 resources management. Currently, the committee is composed by:

Name	Position	Role in Committee
Mr. Indrajith Wijesiriwardana	Independent Board Member	Chair
Ms. Fernanda Lima	Board Member	Member
Mr. Ravindra Tissera	Board Member	Member

Members by invitation: Chief Executive Officer, Chief Finance Officer, Chief Operations Officer and Head of Human Resources Department.



## FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORTS



- Report of the Board of Directors
- Report of the Independent Auditors
- Balance Sheet
- Income Statement
- Statement of Changes in Equity
- Statement of Cash Flows

# Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of LOLC (Cambodia) Plc. ("the Company" or "LOLC") for the year ended 31 December 2017.

## Principal activity

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 results

The financial results of the Company for the year ended 31 December 2017 were as follows:

	Year ended 31 December 2017		Year ended 31 December 2016	
	KHR'000	USD	KHR'000	USD
<b>Profit before income tax</b>	76,700,350	18,999,343	68,931,021	17,074,813
Income tax expense	(15,509,521)	(3,841,843)	(13,936,083)	(3,452,089)
<b>Net profit for the year</b>	<u>61,190,829</u>	<u>15,157,500</u>	<u>54,994,938</u>	<u>13,622,724</u>

## Dividends

During the year, the Company declared and paid dividends amounting to KHR5,499,472 thousand (equivalent to USD1,362,267) in respect of the profit for the year ended 31 December 2016 (2016: KHR4,881,617 thousand in respect of the profit for the year ended 31 December 2015).

## Share capital

On 3 November 2016, the Board of Directors resolved to increase the share capital of the Company from KHR23,368,200 thousand (equivalent to USD5,788,506) to KHR120,000,000 thousand (equivalent to USD29,725,043) by increasing the number of shares from 233,682 shares to 1,200,000 shares.

The share capital is planned to be paid by way of converting the retained earnings into the registered capital in 2 tranches, 50% of the first tranche amounting to KHR48,315,900 thousand (equivalent to USD11,968,269) converted by January 2017 and another 50% of the second tranche amounting to KHR48,315,900 thousand (equivalent to USD11,968,269) was to be converted by January 2018.

On 13 March 2017, the Company made a request to the National Bank of Cambodia ("NBC") to increase the first tranche share capital amounting to KHR48,315,900

thousand (equivalent to USD11,968,269) by converting the retained earnings into the registered capital according to the Company's prior notification to the NBC No. អក្សណ-2017/140 dated 28 February 2017. The share capital of the Company was increased from KHR23,368,200 thousand (equivalent to USD5,788,506) to KHR71,684,100 thousand (equivalent to USD17,756,775) following the approval from the NBC on 28 June 2017 and acknowledged by the Ministry of Commerce ("MoC") on 24 July 2017.

On 2 March 2018, the Company sent the request to the NBC to increase the second tranche share capital amounting from KHR71,684,100 thousand (equivalent to USD17,756,775) to KHR120,000,000 thousand (equivalent to USD29,725,043). Up to the date of this report, the Company has not yet obtained the approval from the NBC.

On 16 September 2017, LOLC Micro investments Asia Ltd. and DWM Investment Asia Ltd, transferred/sold all their shareholding to LOLC Private Limited. The transaction was approved by NBC on 28 November 2017. The revised Memorandum of articles and association ("MAA") was approved by the NBC on 14 March 2018, but pending endorsement from the MoC.



## Reserves and provisions

There were no material movements to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

## Bad and doubtful loans

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that management action had been taken (or that 'the Company had taken action') in relation to the writing off of bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans had been written off and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances which would render the amount written off for bad loans or the amount of allowance for doubtful loans in the financial statements of the Company inadequate to any material extent.

## Current assets

Before the financial statements of the Company were prepared, the Board of Directors ascertained that management (or 'the Company') took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts which they might be expected to realise.

## Valuation methods

At the date of this report, the Board of Directors is not aware of any circumstances that have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate.

## Contingent and other liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (b) any contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Board of Directors, will or may have a material effect on the ability

of the Company to meet its obligations as and when they fall due.

## Change of circumstances

At the date of this report, the Board of Directors is 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.

## Items of an unusual nature

The results of the operations of the Company for the year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, which affect substantially the financial performance of the Company for the current financial year in which this report is made.

## The Board of Directors

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

Mr. Brindley Chrisantha Gajanayake de Zylva	Chairman
Mr. Ravindra Dhammika Tissera	Member
Mrs. Fernanda Pecanha Lacerda de Lima	Member
Mr. Indrajith Wijesiriwardana	Member
Mr. Hans Michael Theodor Moormann	Member

## Audit committee

The members of the Audit committee during the year and at the date of this report are:

Mr. Hans Michael Theodor Moormann	Chairman
Mr. Brindley Chrisantha Gajanayake de Zylva	Member
Mr. Indrajith Wijesiriwardana	Member

## Risk committee

The members of the Risk committee during the year and at the date of this report are:

Mr. Hans Michael Theodor Moormann	Chairman
Mrs. Fernanda Pecanha Lacerda de Lima	Member
Mr. Brindley Chrisantha Gajanayake de Zylva	Member

## Appointment and remuneration committee

The members of the Appointment and remuneration committee during the year and at the date of this report are:

Mr. Indrajith Wijesiriwardana	Chairman
Mr. Ravindra Dhammika Tissera	Member
Mrs. Fernanda Pecanha Lacerda de Lima	Member

## Responsibilities of the Board of Directors in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors ensures that the Company:

- adopts appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- complies with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- oversee the Company's financial reporting process and maintains adequate accounting records and an effective system of internal controls;
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and

- control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have fulfilled and complied with the above responsibilities in preparing the financial statements.

## Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 9 to 60 which, in our opinion, present fairly, in all material respects, the financial position of LOLC (Cambodia) Plc. as at 31 December 2017, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

On behalf of the Board of Directors



**Sok Voeun**  
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia  
Date: 15 March 2018

# Report of the Independent Auditors

To the shareholders LOLC (Cambodia) Plc.

## Opinion

We have audited the accompanying financial statements of LOLC (Cambodia) Plc. ("the Company"), which comprise the balance sheet as at 31 December 2017, and the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 60.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

## Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises the report of the Board of Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## Other Matter

The financial statements of the Company as at 31 December 2016 was audited by another auditor who expressed an unmodified opinion on those financial statements on 5 April 2017.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's

use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd



Nge Huy  
Partner

Phnom Penh, Kingdom of Cambodia  
Date: 15 March 2018

# Balance Sheet

AS AT 31 DECEMBER 2017

	As at 31 December 2017		As at 31 December 2016	
	KHR' 000	USD	KHR' 000	USD
<b>ASSETS</b>				
Cash on hand	18,201,556	4,508,684	8,198,053	2,030,729
Balances with the National Bank of Cambodia	62,103,582	15,383,597	13,289,293	3,291,873
Balances with banks	95,936,028	23,764,188	89,398,093	22,144,685
Loans to customers – net	1,283,839,747	318,018,268	874,171,085	216,539,778
Other assets	23,979,171	5,939,849	20,564,216	5,093,935
Investment	60,555	15,000	60,555	15,000
Property and equipment	7,500,099	1,857,840	9,285,666	2,300,140
Intangible assets	3,389,764	839,674	2,351,921	582,592
Deferred tax assets, net	4,404,379	1,091,003	3,444,234	853,167
<b>TOTAL ASSETS</b>	<b>1,499,414,881</b>	<b>371,418,103</b>	<b>1,020,763,116</b>	<b>252,851,899</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from banks and other financial institutions	42,003,796	10,404,705	24,222,052	6,000,014
Deposits from customers	322,595,429	79,909,693	53,900,768	13,351,689
Other liabilities	38,400,976	9,512,255	24,490,968	6,066,625
Bank overdraft	963,916	238,770	-	-
Borrowings	830,007,983	205,600,195	708,288,413	175,449,198
Current income tax liabilities	13,836,836	3,427,505	13,946,327	3,454,626
<b>TOTAL LIABILITIES</b>	<b>1,247,808,936</b>	<b>309,093,123</b>	<b>824,848,528</b>	<b>204,322,152</b>
<b>EQUITY</b>				
Share capital	71,684,100	17,756,775	23,368,200	5,788,506
Reserves	7,168,410	1,775,677	4,861,722	1,204,291
Retained earnings	172,753,435	42,792,528	167,684,666	41,536,950
<b>TOTAL EQUITY</b>	<b>251,605,945</b>	<b>62,324,980</b>	<b>195,914,588</b>	<b>48,529,747</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,499,414,881</b>	<b>371,418,103</b>	<b>1,020,763,116</b>	<b>252,851,899</b>

# Income Statement

For the year ended 31 December 2017

	As at 31 December 2017		As at 31 December 2016	
	KHR' 000	USD	KHR' 000	USD
Interest income	235,190,188	58,258,654	225,733,566	55,916,167
Interest expense	(85,834,577)	(21,261,971)	(71,261,995)	(17,652,216)
<b>Net interest income</b>	<b>149,355,611</b>	<b>36,996,683</b>	<b>154,471,571</b>	<b>38,263,951</b>
Other income	35,729,664	8,850,548	9,945,178	2,463,507
Commission expenses	(1,701,056)	(421,366)	(1,347,679)	(333,832)
Personnel expenses	(58,032,093)	(14,375,054)	(48,559,704)	(12,028,661)
Depreciation	(3,757,136)	(930,675)	(3,584,159)	(887,827)
Amortisation	(130,353)	(32,290)	(20,699)	(5,128)
General and administrative expenses	(30,224,374)	(7,486,840)	(27,458,553)	(6,801,722)
Gain on foreign exchange	1,335,467	330,807	474,778	117,607
<b>Operating profit</b>	<b>92,575,730</b>	<b>22,931,813</b>	<b>83,920,733</b>	<b>20,787,895</b>
Allowance for bad and doubtful loans	(15,875,380)	(3,932,470)	(14,989,712)	(3,713,082)
<b>Profit before income tax</b>	<b>76,700,350</b>	<b>18,999,343</b>	<b>68,931,021</b>	<b>17,074,813</b>
Income tax expense	(15,509,521)	(3,841,843)	(13,936,083)	(3,452,089)
<b>Net profit for the year</b>	<b>61,190,829</b>	<b>15,157,500</b>	<b>54,994,938</b>	<b>13,622,724</b>



## Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital KHR' 000	Reserves KHR' 000	Retained earnings KHR' 000	Total KHR' 000
At 1 January 2016	23,368,200	4,279,558	118,153,509	145,801,267
Dividends paid	-	-	(4,881,617)	(4,881,617)
Transfer to reserve	-	582,164	(582,164)	-
Net profit for the year	-	-	54,994,938	54,994,938
<b>As at 31 December 2016</b>	<b><u>23,368,200</u></b>	<b><u>4,861,722</u></b>	<b><u>167,684,666</u></b>	<b><u>195,914,588</u></b>
<b>(USD equivalents)</b>	<b><u>5,788,506</u></b>	<b><u>1,204,291</u></b>	<b><u>41,536,950</u></b>	<b><u>48,529,747</u></b>
At 1 January 2017	23,368,200	4,861,722	167,684,666	195,914,588
Transfer from retained earnings	48,315,900	-	(48,315,900)	-
Dividends paid	-	-	(5,499,472)	(5,499,472)
Transfer to reserve	-	2,306,688	(2,306,688)	-
Net profit for the year	-	-	61,190,829	61,190,829
<b>As at 31 December 2017</b>	<b><u>71,684,100</u></b>	<b><u>7,168,410</u></b>	<b><u>172,753,435</u></b>	<b><u>251,605,945</u></b>
<b>(USD equivalents)</b>	<b><u>17,756,775</u></b>	<b><u>1,775,677</u></b>	<b><u>42,792,528</u></b>	<b><u>62,324,980</u></b>

# Statement of Cash Flows

For the year ended 31 December 2017

	As at 31 December 2017		As at 31 December 2016	
	KHR '000	USD	KHR '000	USD
<b>Cash flows from operating activities</b>				
Profit before income tax	76,700,350	18,999,343	68,931,021	17,074,813
<i>Adjustments for:</i>				
Depreciation	3,757,136	930,675	3,584,159	887,827
Amortisation	130,353	32,290	20,699	5,128
Allowance for bad and doubtful loans	15,875,380	3,932,470	14,989,712	3,713,082
Disposals and written-off of property and equipment	(53,255)	(13,192)	(50,391)	(12,482)
Other accruals	-	-	3,416,578	846,316
Net interest income	(149,355,611)	(36,996,683)	(154,471,571)	(38,263,951)
	(52,945,647)	(13,115,097)	(63,579,793)	(15,749,267)
<b>Changes in:</b>				
Reserve requirements with the NBC	(28,733,526)	(7,117,545)	2,450,051	606,899
Balances with banks	(4,844,400)	(1,200,000)	24,222,052	6,000,014
Loans to customers	(430,069,682)	(106,532,000)	(131,292,591)	(32,522,316)
Other receivables	(4,422,745)	(1,095,553)	2,476,652	613,488
Deposits from customers	268,694,661	66,558,004	52,786,132	13,075,584
Deposits from banks and other financial institutions	17,781,744	4,404,693	38,751,750	9,599,145
Other liabilities	12,734,188	3,154,369	695,915	172,384
<b>Cash used in operations</b>	<b>(221,805,407)</b>	<b>(54,943,129)</b>	<b>(73,489,832)</b>	<b>(18,204,069)</b>
Interest income received	236,197,978	58,508,293	225,476,321	55,852,445
Interest expense paid	(80,133,117)	(19,849,670)	(69,148,431)	(17,128,668)
Income tax paid	(16,579,157)	(4,106,800)	(12,889,230)	(3,192,774)
<b>Net cash (used in)/generated</b>				
<b>from operating activities</b>	<b>(82,319,703)</b>	<b>(20,391,306)</b>	<b>69,948,828</b>	<b>17,326,934</b>

## Statement of Cash Flows (continued)

For the year ended 31 December 2017

	Year ended 31 December 2017		Year ended 31 December 2016	
	KHR' 000	USD	KHR' 000	USD
<b>Cash flows from investing activities</b>				
Capital guaranteed deposit with the NBC	(4,831,590)	(1,196,827)	(7,865,169)	(1,948,271)
Acquisition of property and equipment	(1,985,018)	(491,706)	(6,554,761)	(1,623,671)
Acquisition of intangible assets	(1,168,196)	(289,373)	(2,298,578)	(569,378)
Proceeds from disposals of property and equipment	66,704	16,523	71,087	17,609
<b>Net cash used in investing activities</b>	<b>(7,918,100)</b>	<b>(1,961,383)</b>	<b>(16,647,421)</b>	<b>(4,123,711)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	466,832,214	115,638,399	312,374,435	77,377,864
Repayments of borrowings	(345,112,644)	(85,487,402)	(321,231,436)	(79,571,820)
Dividend paid	(5,499,472)	(1,362,267)	(4,881,617)	(1,209,219)
<b>Net cash generated from/(used in) financing activities</b>	<b>116,220,098</b>	<b>28,788,730</b>	<b>(13,738,618)</b>	<b>(3,403,175)</b>
Net increase in cash and cash equivalents	25,982,295	6,436,041	39,562,789	9,800,048
Cash and cash equivalents at 1 January	100,570,219	24,912,117	61,007,430	15,063,562
Currency translation differences	-	-	-	48,507
<b>Cash and cash equivalents at 31 December</b>	<b>126,552,514</b>	<b>31,348,158</b>	<b>100,570,219</b>	<b>24,912,117</b>

Significant non-cash transaction:

During the year there was the following significant non-cash transaction:

	Year ended 31 December 2017		Year ended 31 December 2016	
	KHR' 000	USD	KHR' 000	USD
Conversion of the retained earnings to the share capital	48,315,900	11,968,268	-	-





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# *Ideas for Growth*

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