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LOLC (Cambodia) Plc.

# The Fourth Quarterly Report

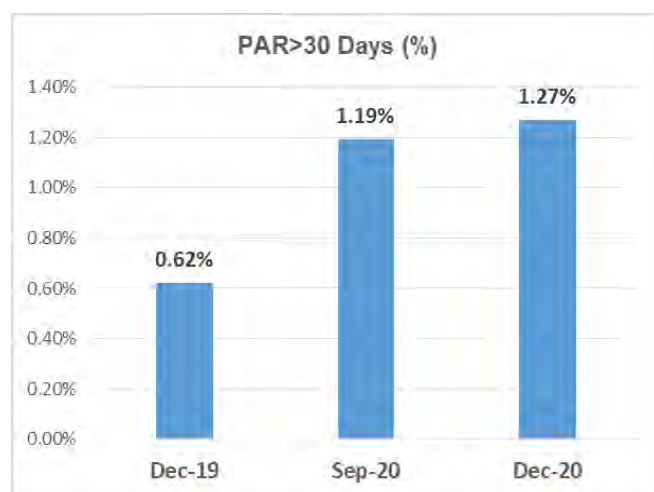
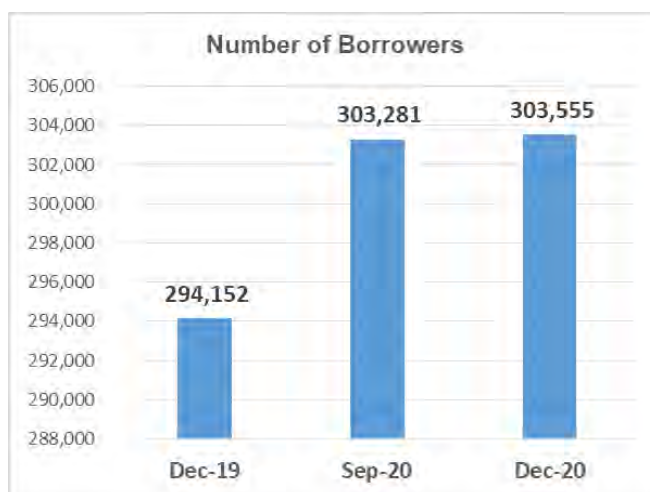
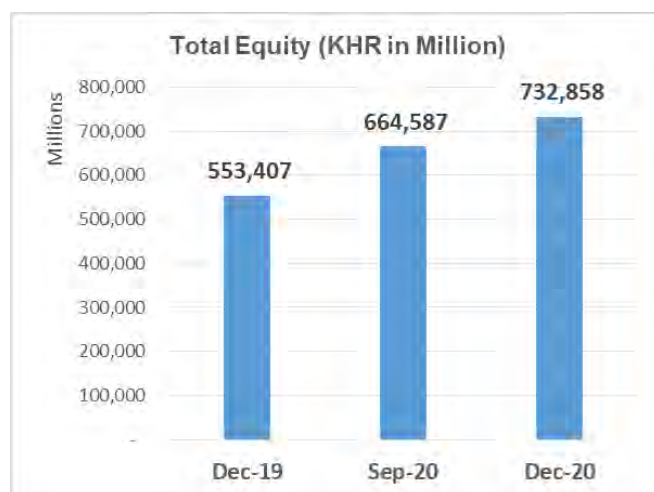
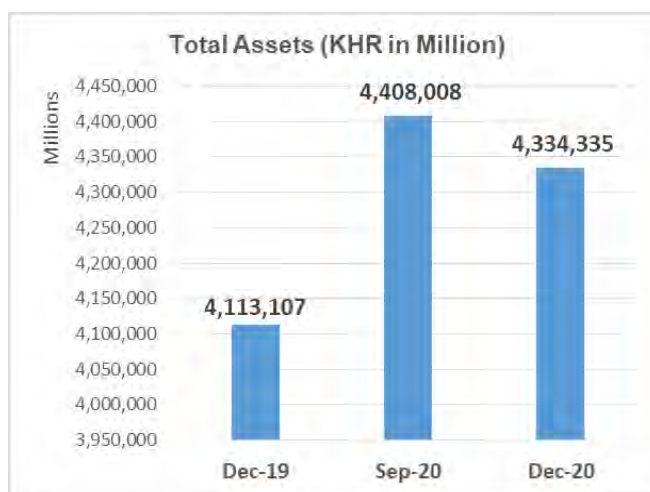
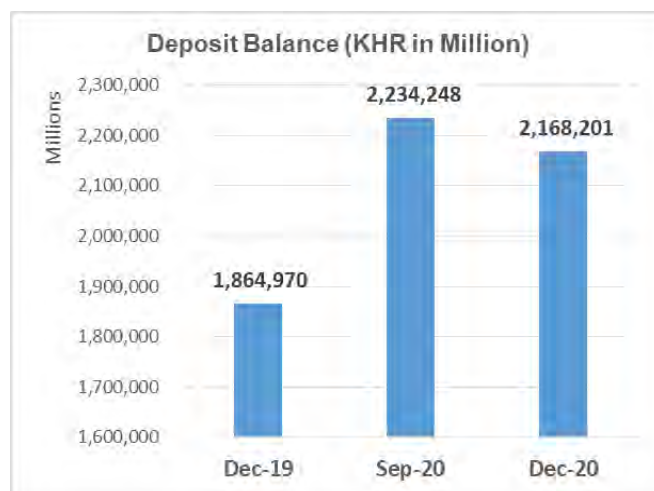
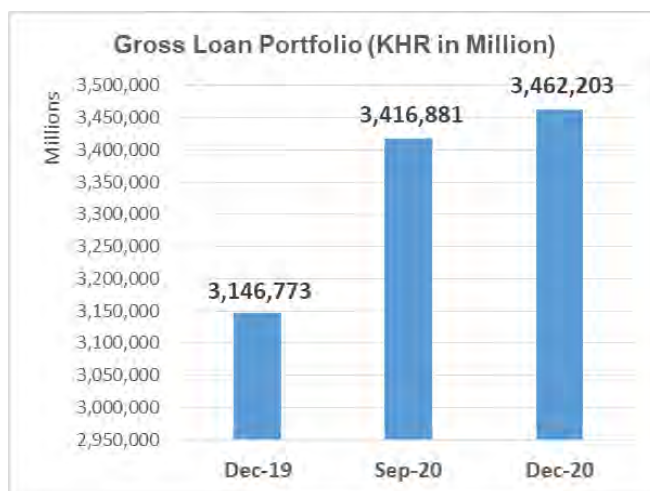
December 31<sup>st</sup>, 2020

## Financial Highlight

Financial Situation	Q4-2020	2019
Total Assets (KHR in Million)	4,334,335	4,113,107
Total Liabilities (KHR in Million)	3,601,477	3,559,700
Total Equities (KHR in Million)	732,858	553,407
Financial Results	Q4-2020	Q4-2019
Interest Income (KHR in Million)	167,573	150,119
Profit/(Loss) before Tax (KHR in Million)	72,852	37,947
Net Profit/(Loss) During the Quarter (KHR in Million)	68,270	32,659

Financial Ratio (For Banking and Financial Institutions)	Q4-2020	2019
Solvency Ratio	19.60%	20.05%
Debt to Equity Ratio	4.91	6.43
Liquidity Ratio	201.63%	281.90%
Non-Performing Loan Ratio	1.27%	0.61%
Deposit to Gross Loan Portfolio Ratio	62.62%	59.27%
	Q4-2020	Q4-2019
Return on Assets	1.56%	0.84%
Return on Equity	9.77%	6.08%
Interest Coverage Ratio	215.70%	156.35%
Profit per Share (in case listed as stock)	N/A	N/A
Dividend per Share (In case listed as stock)	N/A	N/A
Other Key Financial Ratio (If any)	N/A	N/A

## Graphs of Summary Financial Highlight



## Composition of the Board of Directors



Mr. Brindley de Zylva  
Chairman



Mr. Conrad Dias  
Director



Dulip Rasika Samaraweera  
Director



Mr. Indrajith Wijesiriwardana  
Independent Director



Mr. Michael Moormann  
Independent Director

## Chairman Statement

The COVID-19 pandemic has caused an unprecedented global challenge. Fortunately, Cambodia has been spared a health crisis. With the spread of the pandemic worldwide, major global finance authorities, including the Asian Development Bank (ADB), World Bank and the international Monetary Fund, adjusted their forecasts to reflect an economic contraction in 2020 followed by a sharp rebound in 2021. The ADB has revised its 2020 growth forecast for Cambodia upward to -4.0% in 2020 compared to its June forecast of -5.5%, while the World Bank has also revised Cambodia's growth forecast to -2% in 2020 compared to -2.9% in its May 2020 report, thanks to the country's improved agricultural performance and an increase in volume in non-garment manufacturing exports such as bicycles and electronics. ADB and the World Bank expect growth to rebound to 5.9% and 4% in 2021 respectively, boosted by supportive government policies, social assistance for the poor, and financing support for small and medium-sized enterprises.

With the onset of the pandemic in Cambodia, LOLC Cambodia implemented measures to safeguard its staff and customers whilst fast forwarding the uptake of Digital Financial Services (DFS). With the support from LOLC Group, as of Q4 2020, LOLC Cambodia rolled out the Bakong Project with the National Bank of Cambodia to enable customers to transfer their money between banks and MDIs who are Bakong members. LOLC Cambodia expanded its internet banking service to all branches, which allow customers to do banking transactions by themselves at any time without having to visit branch offices. LOLC is currently piloting the use of tablet to improve customer service and increase efficiency. LOLC has also been expanding its partnerships to include more distribution channels and provide superior customer experience.

I take this opportunity to thank my fellow directors for their guidance, our management team and all employees for their commitment and contribution in sustaining the growth trajectory of the Company despite the constraints impacting business through lock-downs and travel restrictions in some countries. Most importantly their commitment to maintain a good governance structure and the capacity to conduct business in a socially responsible manner has earned the respect of regulators, development financial institutions and customers alike.

To the National Bank of Cambodia and Securities and Exchange Commission of Cambodia, a big thank you for all the support and advice.

A big thank you to our shareholders, customers, investors, and all other stakeholders for their support, trust and confidence placed in the company and look forward to their continued support.

Phnom Penh, 12<sup>th</sup> February 2021

Signature, Stamp and Name of Chairman



LOLC (CAMBODIA) Pte. Ltd.  
KINGDOM OF CAMBODIA  
Brendley de Zylva  
Chairman



## CEO Statement

While the Cambodian economy continues to suffer from the impacts of the COVID-19 pandemic, there are signs that economic activity is beginning to pick up. The economy is projected to contract by 2% in 2020, but is expected to bounce back and grow by 4% in 2021 according to the World Bank. Although total manufacturing exports have been hit by the pandemic, exports of bicycles, electrical parts, and vehicle parts and accessories are rising, and exports of rice and other agricultural commodities have surged. Domestic tourists have supported a partial recovery of the travel and tourism industry.

Responding to the Covid-19 impacts, LOLC has given concessions to its customers whose income was seriously impacted by the Covid-19 outbreak mainly on tourism, construction, garment sectors and other sectors. Despite the challenging operating environment for the global economy, LOLC was able to maintain good loan quality as of Q4 2020 as LOLC has conducted its operations with caution. LOLC's assets reached to more than KHR 4,334 billion. Deposit balance reached to KHR 2,168 billion, an increase of 17% compared to end of 2019. Gross loan portfolio reached to KHR 3,462 billion, an increase of 10% compared to end of 2019, while PAR>30days was 1.27%.

LOLC has been focusing 2020 on technology-oriented delivery channels which will improve customer services and increase efficiency. As of Q4-2020, LOLC has lived its Bakong project with the National Bank of Cambodia to enable customers to transfer their money between banks and MDIs who are Bakong members. Furthermore, LOLC Cambodia has launched its internet banking service to all branches, which allow customers to do banking transactions by themselves at any time without having to go to LOLC branch offices. LOLC has piloted the use of tablet banking system which enables our officers to operate their tasks (loan origination, loan collection, open savings account) from the tablet devices, which improve the productivity, efficiency and effectiveness. LOLC has been upgrading its iPay Mobile Application with new interface and enhancement, which allows our customers to view their banking accounts and do transactions conveniently from their mobile phone. LOLC has also been integrating with third party connectivity in order to contribute more distribution channels and provide superior customer experiences. In 2020, LOLC has also lived the use of LOLC ATM cards, which allow LOLC customers to perform transactions at thousands of ATM machines of the CSS members across the country. Additionally, with the support from the central bank, LOLC launched the Real Time Fund Transfer (RFT) and FAST services which allow customers to perform interbank fund transfer across banks and MDIs who are the members of RFT and FAST.

In 2021, LOLC will keep enhancing its technology-oriented delivery channels to improve efficiency. In short, we will try to make the most out of the opportunities that our current successes open for us. And, we are confident that LOLC is well positioned to bring further value to its customers, investors and shareholders.

Finally, I would like to express my sincere thanks to our Board of Directors for their guidance, our management team, staff, clients, investors and business partners for supporting LOLC to be a part of its achievements. To the National Bank of Cambodia and Securities and Exchange Commission of Cambodia, a big thank for all the supportive measures and advice to maintain the sustainability of financial institutions.

Phnom Penh, 12<sup>th</sup> February 2021

Signature, Stamp and Name



**Mr. Sok Voeun**  
**Chief Executive Officer**

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## Section 1: General Information of Issuer

### A. Identity of Issuer

- Name of Company in Khmer: អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី in English: LOLC (Cambodia) Plc.
- Standard Code: KH2000081953 (FX-Indexed Bond) and KH2000082951 (Plain Bond)
- Address: #666B, Street 271, Sangkat Boeng Tumpun 2, Khan Mean Chey, Phnom Penh
- Telephone: (855) 23 991 991, Fax: (855) 23 220 642
- Website: [www.lolc.com.kh](http://www.lolc.com.kh), Email: [info@lolc.com.kh](mailto:info@lolc.com.kh)
- Registration Number: 00012829 dated 28th September 2015
- License Number: M.F 04 issued by the National Bank of Cambodia dated 11<sup>th</sup> September 2018.
- Authorization and registered documents number: 084/19 គ.ម ក/ស.ស.ជ. dated 22<sup>nd</sup> April 2019.
- Representative: Mr. Sok Voeun

### B. Business Operation

LOLC (Cambodia) Plc. is one of the largest microfinance deposit taking institutions in Cambodia, regulated by the National Bank of Cambodia and has been operating for more than 26 years. LOLC has been providing diversified financial products and services to customers such as loan, deposit, finance lease and local fund transfer throughout its network of 79 branches in the nationwide. As of December 2020, LOLC's deposit balance reached to KHR 2,168 billion with almost 402 thousand depositors. Total loan portfolio increased to KHR 3,462 billion with a total of almost 304 thousand loan customers.

### C. Milestones during the Quarter of LOLC Cambodia

LOLC has lived its Bakong project with the National Bank of Cambodia to enable customers to transfer their money between banks and MDIs who are Bakong members.

LOLC Cambodia has launched its internet banking service to all branches, which allow customers to do banking transactions by themselves at any time without having to go to LOLC branch offices.

LOLC has piloted the use of tablet banking system which enables our officers to operate their tasks (loan origination, loan collection, open savings account) from the tablet devices, which improve the productivity, efficiency and effectiveness.

LOLC has been upgrading its iPay Mobile Application with new interface and enhancement, which allows our customers to view their banking accounts and do transactions conveniently from their mobile phone.

LOLC has also been integrating with third party connectivity in order to contribute more distribution channels and provide superior customer experiences.



## Section 2: Achievement of Business Operations

### A. Result of Business Operations

Key Achievement	Plan	Actual Achievement
<b>Loan</b>		
Loan customers	349,120	303,555
Gross loan portfolio (KHR million)	3,893,527	3,462,203
<b>Deposit</b>		
Deposit customers	411,540	401,660
Savings balance (KHR million)	2,714,786	2,168,201
<b>Others</b>		
Number of offices	82	79
Number staff	3,188	3,140

### B. Income Structure

No.	Source of Income	Q4-2020		Q4-2019	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	167,573	95.53%	150,119	97.36%
2	Other Income	7,843	4.47%	4,071	2.64%
<b>Total Income</b>		<b>175,416</b>	<b>100%</b>	<b>154,190</b>	<b>100%</b>

### **Section 3: Financial Statement Reviewed by Independent Auditors**

Please refer to the Annex for detail information.

## Section 4: Management's Discussion and Analysis

The following discussion and analysis is the discussion of LOLC management team on the operational results and financial situation based on Financial Statement as of 31<sup>st</sup> December 2020, which is reviewed by Independent Auditors. LOLC's Financial Statement is prepared in accordance with Cambodian International Financial Reporting Standard (CIFRS). The management team discussed and analysed only the key components of the Financial Statement and key factors that affect LOLC's profitability.

### A. Operational Overview

#### 1. Income Analysis

LOLC has two major types of income, i.e. interest income and other income.

- **Interest Income includes** fees from loan, net interest income from loans to customers and deposits at banks, which are recognized monthly.
- **Other Income includes** income from penalty, income from write-off collection, profit from exchange rate, other fees, etc.

#### 2. Income Analysis by Categories

No.	Source of Income	Q4-2020		Q4-2019	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	167,573	95.53%	150,119	97.36%
2	Other Income	7,843	4.47%	4,071	2.64%
<b>Total Income</b>		<b>175,416</b>	<b>100%</b>	<b>154,190</b>	<b>100%</b>

Interest income is the largest and most significant for LOLC, which is 95.53% of total income.

#### 3. Gross Margin Analysis

LOLC prepares its income statement in the format which do not show gross profit margin. However, this report format allows us to discuss and analyse operating profit, which resulted from total income less operating expense. Operating expense will be discussed and analysed in point 4. Analysis on Profit/Loss before Tax.

#### 4. Analysis on Profit/Loss before Tax

Summary Income Statement (KHR in Million)	Q3 2020	Q4 2020	Variance (KHR in Million)	Variance (%)
Interest Income	166,518	167,573	1,055	0.63%
Interest Expense	(68,851)	(62,966)	5,885	-8.55%
<b>Net Interest Income</b>	<b>97,667</b>	<b>104,607</b>	<b>6,940</b>	<b>7.11%</b>
Other Income	6,841	7,843	1,002	14.65%
Personnel Expense	(31,284)	(29,240)	2,044	-6.53%
Depreciation on Tangible and Intangible Assets	(2,467)	(2,435)	32	-1.30%
Administrative Expense and Other Expense	(10,439)	(9,934)	505	-4.84%
<b>Profit from Operations</b>	<b>60,318</b>	<b>70,841</b>	<b>10,523</b>	<b>17.45%</b>
Provision on Financial Instruments	(28,238)	2,011	30,249	-107.12%
<b>Profit before Tax</b>	<b>32,080</b>	<b>72,852</b>	<b>40,772</b>	<b>127.09%</b>

In Q4 2020, LOLC's profit before tax reached KHR 72,852 million while it was KHR 32,080 million in Q3 2020, which increased KHR 40,772 million, equivalent to 127.09%. This increase was mainly due to the decrease in Provision on Financial Instruments KHR 30,249 million compared to Q3 2020.

#### 5. Analysis on Profit/Loss During the Quarter

Summary Profit (KHR in Million)	Q3 2020	Q4 2020	Variance (KHR in Million)	Variance (%)
Profit before Tax	32,080	72,852	40,772	158.23%
Income Tax Expense	(6,635)	(4,582)	2,053	7.97%
<b>Profit after Tax</b>	<b>25,445</b>	<b>68,270</b>	<b>42,825</b>	<b>166.19%</b>

In Q4 2020, LOLC's net profit was KHR 68,270 million, increased 166.19%. This increase was mainly due to the increase in Profit before Tax by KHR 40,772 million.

#### 6. Analysis of Factors and Trends Affecting Financial Situation and Results

As of 31<sup>st</sup> December 2020, management acknowledged that LOLC did not have any significant factors and trends that would affect LOLC's financial situation and results.

## **B. Key Factors that Affect Profitability**

### **1. Analysis on Demand and Supply**

LOLC is one of the largest financial institutions in Cambodia which always focuses on quality of service to make it convenient for customers in using LOLC's products and services. LOLC has received strong support from loan customers, finance lease customers and depositors, which make us grow rapidly during the last few years.

### **2. Analysis on Fluctuation of Raw Material Price**

As of 31<sup>st</sup> December 2020, management acknowledged that LOLC did not have any unusual elements.

### **3. Tax Analysis**

LOLC is under the governance of Commercial Law on Taxation, so LOLC has obligation to pay taxes according to the applicable laws and regulations. LOLC has obligation to pay value added tax in accordance to real regime and large tax payer enterprise as determined by the General Department of Taxation.

### **4. Analysis on Unusual and Extraordinary Elements**

As of 31<sup>st</sup> December 2020, management acknowledged that LOLC did not have any unusual or extraordinary elements.

## **C. Significant Changes in Sales and Revenue**

As of 31<sup>st</sup> December 2020, management acknowledged that LOLC did not have any significant changes in sales or revenue.

## **D. Impact of Currency Exchange, Interest Rate and Commodity Price**

LOLC maintains its accounting record using KHR as functional currency. Transactions in USD and THB are translated into KHR at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognized in the income statement.

## **E. Impact of Inflation**

LOLC does not adjust interest rate based on inflation. Instead, LOLC adjusts the interest rate based on real competitive situation in the market, while maintaining excellent financial sustainability.

## **F. Economy, Fiscal and Monetary Policies of the Government**

As of 31<sup>st</sup> December 2020, management acknowledged that LOLC was not adversely affected by the Economy, fiscal and monetary policies of the government.

<b>Section 5: Other Necessary Information to Protect Investors (If Any)</b>
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In this quarter, there is no other necessary information to be reported.



**Signature of Directors**

(Signed by Chairman of the Board of Directors or at least two Directors)

Date: 12<sup>th</sup> February 2021

Having seen and approved

  
  
Mr. Brindley de Zylva  
Chairman

# គំនិតដ៏ល្អចំពោះ *Ideas for Growth*

# 666B | Street 271 | Phum Kbal Tumnuh Muoy | Sangkat Boeng Tumpun 2 | Khan Mean Chey | Phnom Penh | Cambodia  
P (+855) 23 991 991 | [info@lolc.com.kh](mailto:info@lolc.com.kh) | Facebook: [facebook.com/lolccambodia](https://facebook.com/lolccambodia)

Website ៖ [www.lolc.com.kh](http://www.lolc.com.kh)

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