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LOLC (Cambodia) Plc.

LOLC's
ATM Card

Modern and Secured



SME Loan



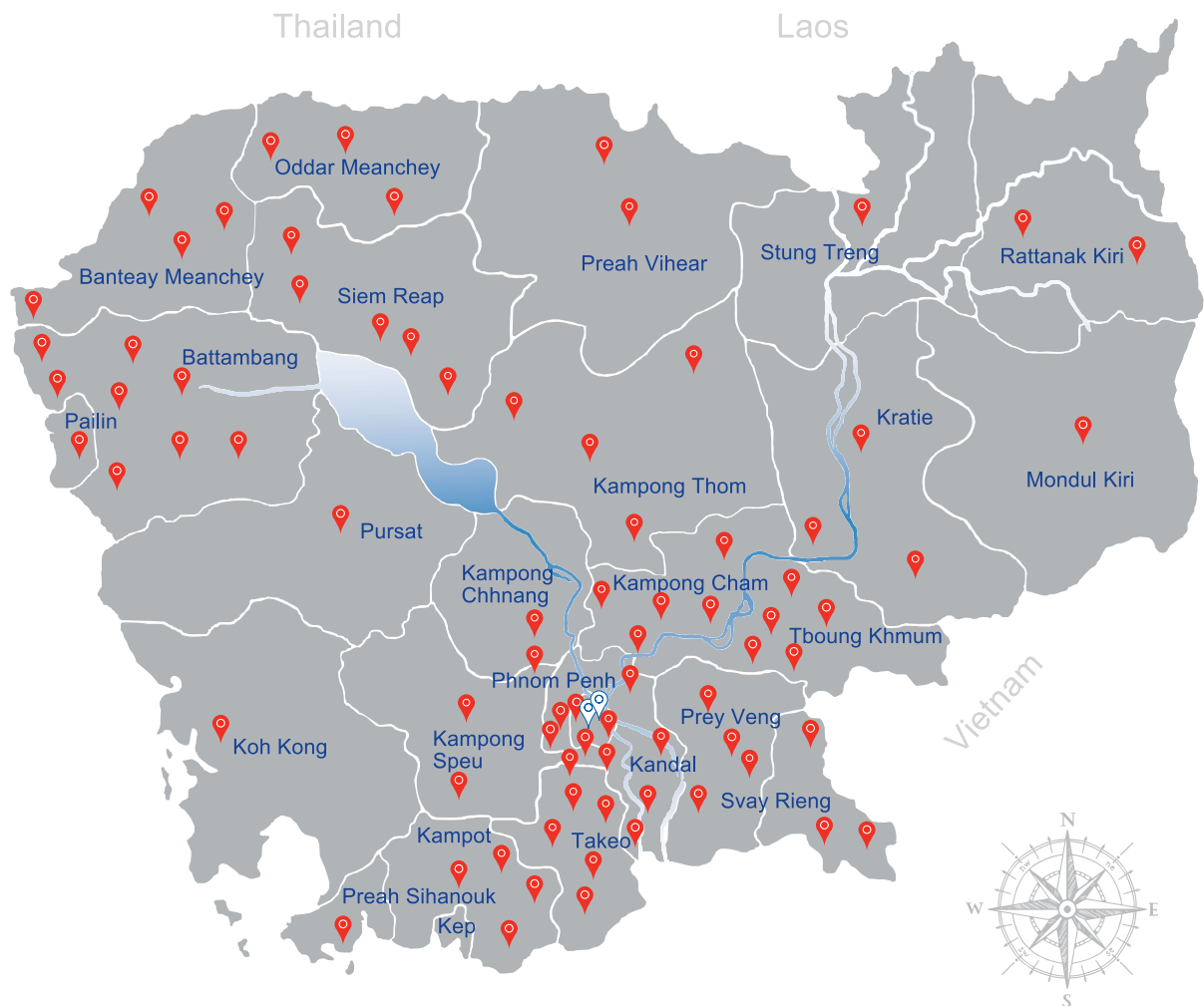
Seasonal Loan






Deposit

Annual Report
2018

Map of Business Operating Areas



Note

-  LOLC operating offices
-  Plan Office Opening in 2019
-  LOLC operating areas

Number of branches

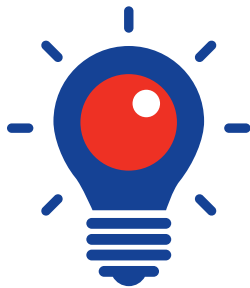
77

Number of operating provinces

25

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

Vision and Mission



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.

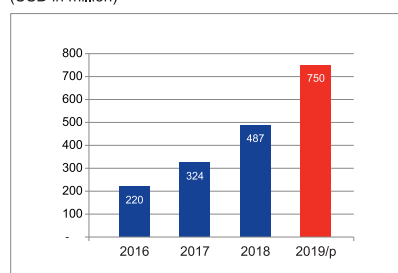
Core Values



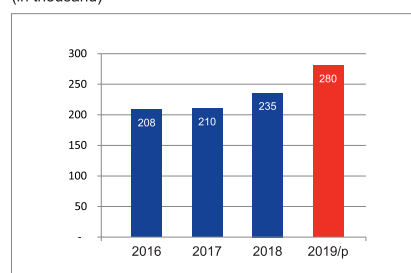
Financial Performance and Perspective

	Actual Performance			Perspective
	2016	2017	2018	2019/p
Total Assets	\$252,851,899	\$371,418,103	\$613,779,697	\$898,915,600
Gross Loan Portfolio	\$219,538,796	\$323,644,822	\$487,495,329	\$750,132,600
Equity	\$48,529,747	\$62,324,980	\$87,974,850	\$127,860,895
Net Income	\$13,622,724	\$15,157,500	\$20,166,849	\$30,080,415
Number of Active Borrowers	208,393	210,227	235,613	280,514
Deposit Balance	\$19,351,702	\$90,314,398	\$232,723,809	\$420,000,000
Deposit Account	27,307	72,705	198,879	274,232
Depositors	25,974	65,694	180,305	246,810
Number of Offices (Including Head Office)	73	77	78	80
Number of Personnel	1,873	2,065	2,327	2,620
Operating Expense/ Loan Portfolio	9.25%	8.44%	7.71%	6.39%
PAR \geq 30 Days	1.37%	1.40%	0.96%	1.50%
Gross Write-offs	0.52%	0.40%	0.44%	0.47%
Capital Adequacy Ratio (CAR)	24.45%	20.68%	19.51%	19.04%
Debt-to-Equity Ratio	4.2x	5.0x	6.4x	6.0x
Cost-to-Income Ratio (Including Provisions)	58.08%	58.56%	58.38%	58.12%
Return On Assets	5.61%	4.86%	4.09%	4.03%
Return On Equity	31.98%	27.35%	27.79%	28.00%

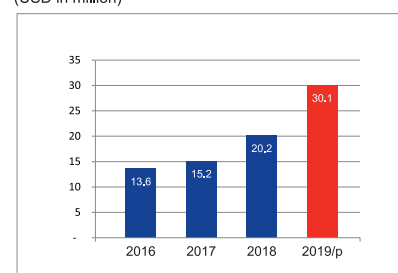
Gross Loan Portfolio
(USD in million)



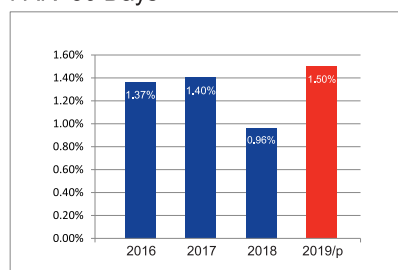
Active Borrowers
(in thousand)



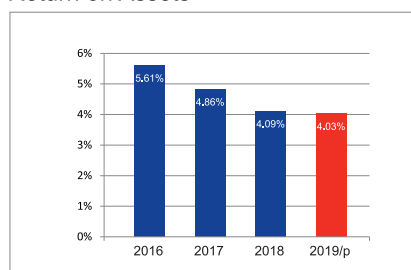
Net Income
(USD in million)



PAR \geq 30 Days



Return on Assets



Return on Equity

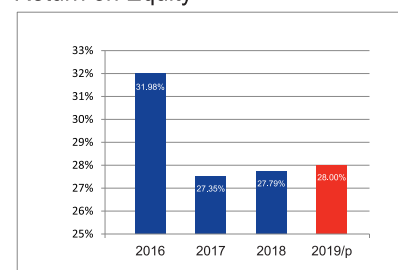


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Chairman's Statement

“

I take pleasure in presenting to you the Annual Report and Audited Financial Statements for the year ending on 31st of December 2018. It has been another exceptional year in which the company continued to show growth fueled by creativity, innovation and a passion for excellence.

”

BRINDLEY DE ZYLVA

Chairman of LOLC (Cambodia) Plc.

The Cambodian economy is projected to slow slightly this year compared to last year, despite robust growth of around 7%. Economic expansion last year hit 7.3% on the back of an increase in exports, buoyant tourism and a strong continuous inflow of foreign direct investment.

With a slowdown forecast in advanced economies such as those in Europe, the US, Japan and China – major destinations for Cambodian exports – growth will likely slow for the Kingdom's exports and its tourism sector.

Industry and construction are expected to feel the adverse effects of the weakening external environment the most. Growth in industrial output is likely to ease; growth in services is expected to moderate slightly and the agricultural sector is projected to grow 1.7%, while the service sector is set to grow 6.8%.

In terms of external challenges that could affect economic growth this year, it should be noted that a global economic slowdown could be sharper than expected. The EU is also discussing the possibility of suspending Cambodia's access to its Everything But Arms scheme.

As for internal risks, a concentration in the real estate sector can pose risks to financial sector stability. Another key risk is a likely drought this year. Cambodia is also facing a critical challenge with the so-called skills gap, which is caused by a mismatch between skills supplied by the existing workforce and those demanded by employers.

THE COMPANY continued to maintain its outstanding financial performance and social results during 2018. 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 1,950. With fast and quality growth, the company has consolidated its position as the country's fourth largest MDI in terms of number of borrowers, gross loan portfolio (GLP) and deposit balance, while ROA was the highest among the top seven MDIs and ROE ranked second both in 2017 and 2018.

We can see 2019 as a year of potential growth and a great opportunity for us to expand our business and outreach with products designed to cater to the fast-growing middle-income sector. Growth in medium business enterprises has seen a demand for more sophisticated products. With technical support from the LOLC Group, the company will keep modifying existing products and services to fit client's needs. Furthermore, LOLC will launch two new products in 2019: a Housing Loan and Inventory Loan. Besides these, LOLC will keep strengthening its customer services and provide new and diversified products and services to meet client's needs, including a plan savings account, a kids' savings account and bill payment services. We will also look forward to 2019 as the year for digital financial services, which will improve customer service and increase efficiency.

The management and staff of the company have shown resilience and the ability to adjust to macroeconomic changes in Cambodia while ensuring compliance with all laws and regulations. LOLC complies with regulatory prudential ratios issued by the National Bank of Cambodia and has the capacity to meet the new requirements issued in 2018, such as a capital buffer; FAST payment and Cambodian Shared Switch (CSS); liquidity coverage ratio; and credit risk grading and impairment.

From 2019, the company will implement the IFRS accounting standard to meet the requirements of the National Accounting Council – particularly IFRS 9, to be fully compliant with the Prakas on credit risk grading and impairment. Besides these, the company has adopted 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 to ensure high quality governance and the long-term sustainability of the company.

Finally, a big thank to all our stakeholders including our customers, investors, regulators, banking and funding partners – both local and foreign – for placing their trust and confidence in us by supporting our growth over the years. Once again, I extend my appreciation to my colleagues on the board for their advice and guidance, and 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 deposit-taking microfinance 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.

We reaffirm our commitment to all our customers and shareholders that in 2019 we will continue to focus on areas that represent the best opportunities for LOLC Cambodia, to dedicate all our efforts to achieving a strong and sustainable growth rate, and to deliver on our strategic goals to enhance future returns, as well as strengthening the position of LOLC in the Kingdom of Cambodia.



Brindley de Zylva
Chairman

CEO's Report

“

Microfinance industry saw healthy growth in 2018, with total loan portfolio in the MFI sector reaching USD 5.5 billion, an increase of 30%; while NPLs were only 1.15%, an improvement from last year. The total number of borrowers increased to more than 1.95 million. The deposit balance of the MDIs reached USD 2.8 billion, with a total number of depositors of around 2.2 million (Data calculated from 69 MFIs and 8 NGOs).

”

Sok Voeun
CEO of LOLC (Cambodia) Plc.



Cambodia achieved its GDP growth of 7.3% in 2018 and will likely see moderate but still robust growth, with the economy expected to expand about 7% in 2019 and 6.8% in 2020, according to Asian Development Bank (ADB).

The Cambodian population is projected to reach 17.3 million by 2023, with 54% being an active population between the age of 20-60 years old. Therefore, there is a good opportunity for the MFI sector to tailor its products and services to fit clients' demands and expand operations to reach underserved segments of the urban and rural populations.

LOLC's MAIN ACHIEVEMENT IN 2018

Let me now briefly highlight the most significant achievements we experienced in 2018.

Loan Performance

LOLC maintained quality growth in 2018, increasing its loan portfolio by 51% to reach USD 487.5 million, while the portfolio at risk was only 0.96%. The number of borrowers increased by 12% to 235,613. The borrowers are made up of groups and individuals, representing 40% and 60% 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;
- Strengthening credit monitoring after disbursement through various method;
- Embedding risk management culture throughout LOLC;
- Strengthening credit quality assurance team to ensure the implementation of internal control;
- Independent Internal Audit Department plays a key role to ensure strong internal control implementation;
- Structuring incentives for credit officers and other field staff to be based on credit quality;
- Requiring that the Credit Bureau of Cambodia checks 100% of borrowers and co-borrowers before disbursement to supplement rigorous in-person loan evaluations;
- Conducting training and retraining sessions to strengthen staff productivity;
- Integrating Client Protection Principles as a core part of risk management;
- Effectively implementing the Financial Literacy Training Program to provide clients, university students and other community members with the skills to manage their finances.

Deposit Collection

The deposit base reached an impressive amount of over USD 232 million in just 3 years, almost triple its deposit balance from USD 90 million in 2017. The fast growth of the 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 double its deposit balance to catch up with peers by the end of 2019.

Digital Banking Project

In order to support the business and new product development, LOLC Cambodia has been investing in digital banking projects to cater to mandatory requirements from the Central Bank on FAST system (inter-bank transfer), which has already gone live, and Cambodian Shared Switch (using ATM of other banks nationwide), which is being tested and expected to be live by Q2 of 2019.

Return on Assets and Return on Equity

LOLC's ROA decreased from 4.86% in 2017 to 4.09% in 2018, while ROE slightly increased from 27.35% to 27.79%. However, compared with peers, LOLC's ROA is the leading among the top seven MDIs, while ROE was ranked second both in 2017 and 2018. LOLC has consolidated its position as the country's fourth largest MDI in terms of the number of borrowers, gross loan portfolio (GLP) and deposit balance.

Social Performance

LOLC is committed to providing inclusive, responsible and environmental financial services for rural families and active entrepreneurs. Around 72% of clients are women; about 30% of new clients live below 150% of the national poverty line and 46% of clients work in agriculture. LOLC's social performance achievements for 2018 were formalized by the implementation of an environmental footprint, environment and social assessment for SME loan, Universal Standard of Social Performance (USSPM) and self-assessment SPI4 to determine the next steps of social performance best practices for the company. In last several years, LOLC achieved many milestones, such as earning Progress out of Poverty Index certificates; a 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 been successfully recertified on a SMART Client Protection Certificate from September 2018 to September 2020 which was assessed by M-CRIL.

Additionally, our financial literacy training, given to over 12,977 Cambodians in 2018 and 56,153 since 2013, is a social activity LOLC provides free-of-charge to improve clients' understandings of financial services. Furthermore, since 2017, LOLC has established a radio program, "Idea for Growth," which is dedicated to providing financial literacy (savings, cash management, debt management, client protection principle), sharing ideas/experiences and small business management to listeners. Since February 2018, with supports from Cambodia Microfinance Association (CMA) and Credit Bureau Cambodia (CBC), this radio program has become more well-known and is participated in by top management from microfinance institutions that are CMA members and CBC partners to share their great experiences for financial management to listeners.

STRATEGIC PRIORITIES FOR 2019

We see 2019 as a year of new opportunities and challenges for LOLC.

On the lending side, we will continue to follow our existing strategy and keep focusing on micro, small and medium business loans and asset-backed lending/leasing, which are the core business of LOLC. Furthermore, LOLC will launch two new products, the Housing Loan and Inventory Loan, and will modify our existing products to better fit clients' needs.

On the deposit side, we will keep strengthening our customer services and provide new and diversified products and services to meet clients' needs, including a plan savings account, kids' savings account and a bill payment service.

On the digital side, LOLC will launch technology-oriented delivery channels, which will improve customer services and increase efficiency, such as tablet, ATM and mobile banking application and third-party connections.

LOLC Cambodia plans to issue ATM cards, which will be usable at all shared switch member ATMs (Cambodian Shared Switch - CSS).

LOLC Cambodia will develop and allow depositors to download and install LOLC's Mobile App (iPay), enable clients to view their bank accounts, do transactions (balance enquiry, mini-statement, transfer, payments, phone top up, open FD, standing order, deposit calculator, loan calculator, view office location, news, etc.) from their mobile.

LOLC will deploy tablet banking, which will allow its officers to operate their tasks (loan origination, loan late collection, open a savings account) from the tablet device, which will improve productivity, efficiency and effectiveness.

On the funding side, LOLC will diversify sources of funds to ensure sufficiency of funding requirements to support LOLC's growth. Besides sources of funds from shareholder paid-up capital, borrowings and deposit,

LOLC has another option to issue corporate bonds to support LOLC's long-term growth.

On the social performance side, LOLC will continue focusing on social activities to meet LOLC's core values: "LOLC values the vision of a balanced social and profit organizational agenda." In terms of this, LOLC will keep providing responsible finance and environmentally friendly products and services to improve clients' lives. Furthermore, LOLC will monitor social performance improvements by integrating better practices with business operations using the USSPM, SPI4, environment and social assessment for SME loan and client protection. In addition, LOLC will continue the radio program "Idea for Growth" to improve Cambodians' awareness and understanding of financial literacy, economic and financial sectors.

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

Finally, I would like to express my sincere thanks to our shareholders, the chairman, directors and committee's 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 intelligently, and are highly committed to performing their work with integrity, ethics, professionalism and accountability. Additionally, I would like to express my sincere thanks to all of LOLC's clients and business partners for supporting LOLC and being part of its achievements. To the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks — both for your support in 2018 and in anticipation of happy and prosperous coming years.



Sok Voeun
Chief Executive Officer

ABOUT LOLC



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

Cambodia at a Glance

Geography & Demography

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 is geographically 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 population of 16 million and keeps growing at a rate of about 1.56% annually. But more importantly, it has one of the youngest populations in the world, with over half of its inhabitants under 25 years of age.

Macroeconomy

The National Bank of Cambodia has concluded that GDP growth was at an annual rate of 7.3% in 2018, while inflation rate was reported at about 2.5%. Cambodia's GDP is composed of three primary fields: industry (34.9%) including construction, mines, textile and garment, etc.; services (39.4%) including tourism, trade and finance, etc.; and agriculture (18.10%).

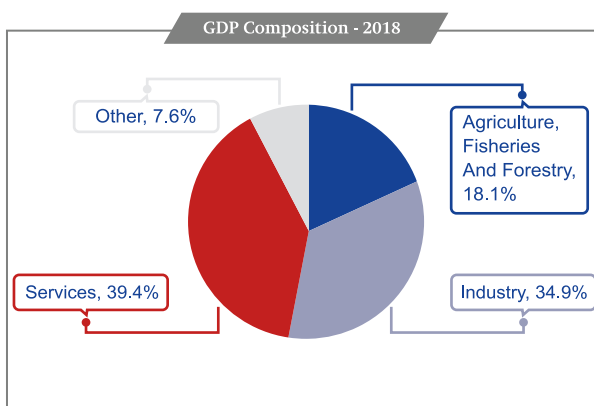
GDP per capita has grown to about US\$ 1,500, making Cambodia a lower middle-income country, above the World Bank's threshold of US\$ 1,045 per capita. Moreover, private credit to GDP was about 80.3% in 2018. Cambodia is known as a dollarized economy.

However, the exchange rate remains stable through a managed float, the exchange rate between KHR and US\$ for the last decade. As of December 2018, it stood at KHR 4,018 per US\$ 1.

Projecting in 2019, IMF has forecasted GDP growth of 7% while the inflation rate is expected to be 2.7%.

Microfinance Sector

The cambodian microfinance industry enjoyed 30% portfolio growth, reaching US\$ 5.5 billion in 2018 and 1.15% PAR 30 days. On average, borrowers have US\$ 2,800 in outstanding loans, and there are almost 2 million borrowers. Seven big microfinance deposit-taking institutions (MDI) are licensed to collect deposits. As of December 2018, there were almost 2.2 million depositors and a deposit balance of US\$2.8 billion. Microfinance providers in Cambodia are quite inclusive, having operations throughout the country and providing innovative products in terms of digital and product diversification, such as unsecured lending, leasing, asset-backed lending, SME and agriculture lending. Fin-tech is also popular in the industry, such as mobile banking, payments and digital lending. There are more than 70 licensed microfinance providers in the country while the top seven MDIs make up for 85% of the market size.



Brief Overview of LOLC

LOLC (Cambodia) Plc. ("LOLC") is a microfinance deposit-taking institution regulated by the National Bank of Cambodia that focuses on serving entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives. Currently, LOLC Private Limited owns 96.97% of LOLC Cambodia and LOLC Cambodia staff own the remainder through an Employee Stock Ownership Plan (TPC-ESOP).

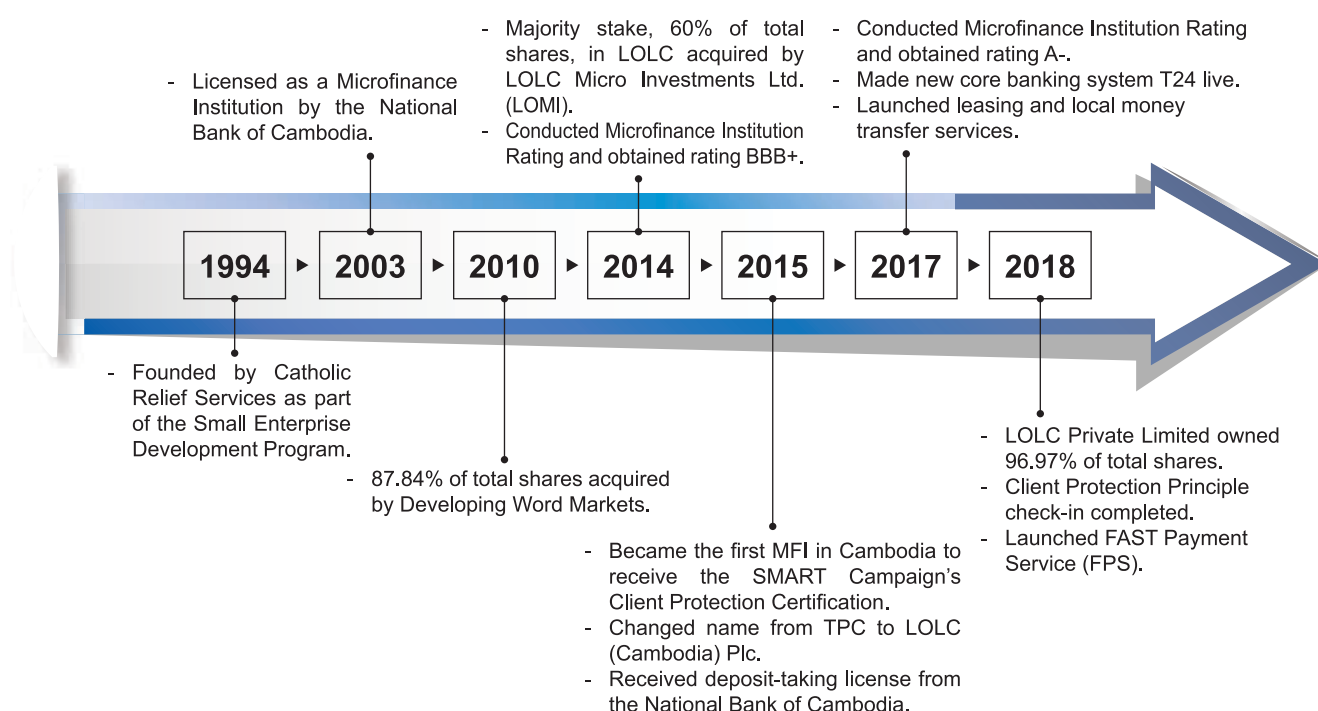
LOLC was established by the Catholic Relief Services ("CRS") in 1994 and incorporated as Thaneakea Phum (Cambodia) Ltd. ("TPC") in 2002. The National Bank of Cambodia then licensed TPC as a microfinance institution in 2003. With two strong shareholders, DWM and LOMI, Thaneakea Phum (Cambodia) Ltd. changed its name in 2015 to a more internationally recognizable name, LOLC (Cambodia) Plc. ("LOLC") and obtained a microfinance deposit-taking license from the National Bank of Cambodia at the same time. In 2018, LOLC Private Limited bought 36.97% of LOLC's shares from Developing World Market ("DWM") and 60% shares from LOLC Micro Investment Ltd. ("LOMI"), with total shares owned now amounting to 96.97% of LOLC's total shares.

Currently, LOLC is the fourth largest MDI/MFI in Cambodia by gross loan portfolio, number of borrowers and deposit balance. Through its network of 78 offices nationwide, LOLC serves more than 230,000 clients with a loan portfolio amounting to more than US\$ 487 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 a great deposit growth to reach a deposit balance of more than US\$ 232 million in December 2018, up from US\$ 19 million at the end of 2016. The fast growth of the 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

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



Lenders and Partners

	Industrial and Commercial Bank of China Limited
	Sathapana Bank
	Advanced Bank of Asia Limited
	Phnom Penh Commercial Bank
	Vattanac Bank
	responsAbility
	Oikocredit
	Cyrano-Management
	Overseas Private Investment Corporation
	Sybiotics SA
	Incofin Invesment Management
	Instituto de Crédito Oficial
	BlueOrchard
	PPB (People's Bank)
	FIRST COMMERCIAL BANK
	Frankfurt School Financial Services
	Deutsche Bank
	Kookmin Bank Cambodia Plc

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

	MicroVest Purposeful Investing
	Fonds Desjardins
	KCD-Mikrofinanzfonds
	Developing World Markets
	Grameen Crédit Agricole
	Agence Française de Développement
	FMO
	MCE Social Capital
	Triple Jump BV
	Hatton National Bank
	Alterfin c.v.b.a.
	PG Impact
	Union Commercial Bank Plc.
	ACLEDA Bank Plc.
	Nordic Microfinance Initiative
	CAMKO Specialized Bank
	WaterEquity
	Invest in Visions

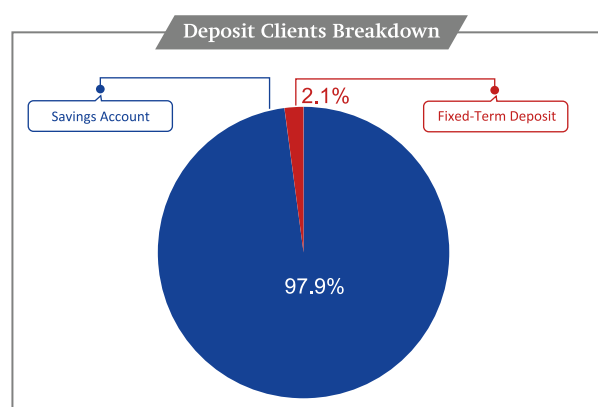
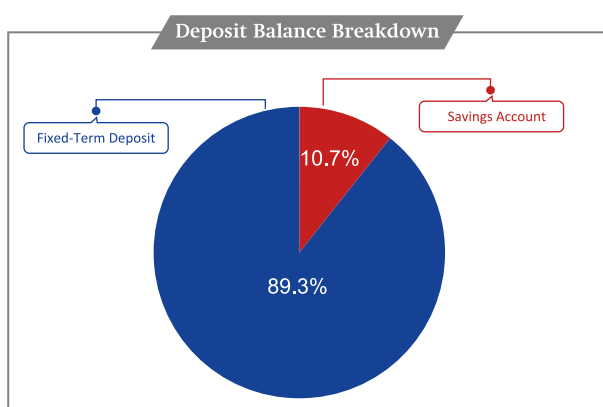
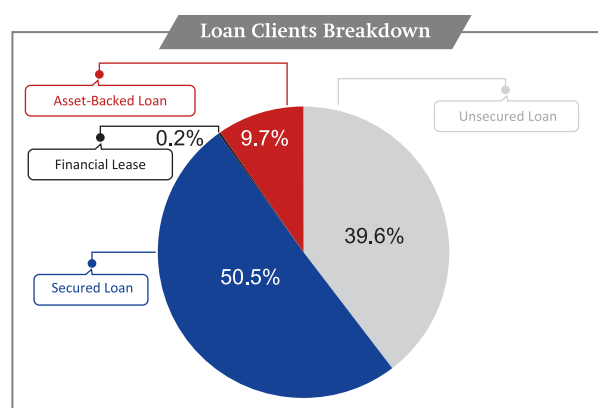
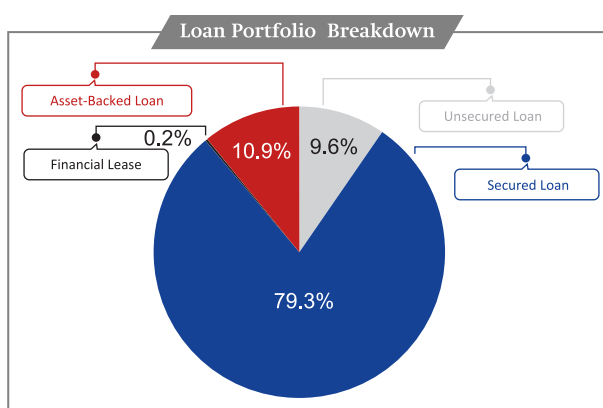
	Microcredit Summit Campaign
	USAID
	Wing (Cambodia) Limited Specialised Bank
	MIX Market

Principle Activities of LOLC

LOLC is licensed to offer credit and deposit products, regulated by the National Bank of Cambodia. The wide range of services offered include unsecured loans, secured loans, financial lease/asset-backed loans, saving accounts, fixed-term deposits and money transfers. The majority of our clients are in rural areas.

	Loan Portfolio as of Dec-18	Number of Clients as of Dec-18
Unsecured Loan	\$46,848,951	98,940
Secured Loan	\$386,422,521	126,082
Financial Lease	\$1,137,690	605
Asset-Backed Loan	\$53,086,167	24,124

	Deposit Balance as of Dec-18	Number of Clients as of Dec-18
Savings Account	\$24,858,582	180,284
Fixed-Term Deposit	\$207,865,227	3,860





BUSINESS REVIEW



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

Responsible Growth

LOLC (Cambodia) Plc. (“LOLC”) is a rapidly growing, regulated microfinance institution with a focus on serving entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives. With LOLC, families at the base of the socio-economic pyramid are empowered to live their lives with dignity, social and economic security and justice. LOLC is currently the fourth largest MDI/MFI in Cambodia by number of borrowers, GLP and deposit balance. Due to its commitment to serving clients responsibly, focusing on customer service, innovating products and maintaining fair and transparent pricing, LOLC has become a trusted provider of financial services for Cambodians. Our long-term commitment to empower 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 51% from US\$ 323.6 million at the end of 2017 to US\$ 487.5 million at the end of 2018. 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, reaching an impressive amount of over US\$ 232 million in just 3 years, almost triple its deposit balance from US\$ 90 million in 2017. The fast growth of both the deposit balance and loan portfolio indicate that LOLC is a trusted microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

LOLC’s ROA slightly decreased from 4.86% in 2017 to 4.09% 2018, while ROE slightly increased from 27.35% to 27.79%. However, compared to peers, LOLC’s ROA is the leading among the top seven MDIs, while ROE was ranked second both in 2017 and 2018. LOLC has consolidated its position as the country’s fourth largest MDI in terms of number of borrowers, gross loan portfolio (GLP) and deposit balance.

LOLC’s long-term commitment to preventing over-indebtedness among its clients and to 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 towards effective social performance management, such as the implementation of an environmental footprint, environment and social assessments for SME loans, Universal Standard of Social Performance (USSPM) and self-assessment SPI4 to determine the next steps of social performance best practices for the company. In the last several years, LOLC has achieved many milestones, 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 been successfully recertified with a SMART Client Protection Certificate from September 2018 to September 2020, which was assessed by M-CRIL. Additionally, our financial literacy training, given to 12,977 Cambodians in 2018 and 56,153 since 2013, is a social activity LOLC provides free-of-charge to improve clients’ understanding 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 2,065 in 2017 to 2,327 in 2018. LOLC had a network of 77 branches as of 2018, operating in 25 provinces throughout the country. Our staff members all receive extensive training on LOLC’s credit process, internal controls and credit policies as LOLC is dedicated to aligning our growth path with the quality of our loan portfolio.

Trend in Product Mix

LOLC has been improving and diversifying its product offerings over the years to meet its clients' evolving demands and needs. Our mission to empower people at the base of the socio-economic pyramid is shaping our product design. Furthermore, we intend to be as flexible as possible in product application and delivery, removing any barriers of access to our services. We have also expanded the size of our individual lending and designed new products aimed at meeting clients' needs.

LOLC's group loan is still LOLC's most well-established loan product. Group loan accounts for 10% of total gross loan portfolio and represents 40% of LOLC borrowers. Although this product is well functioning and satisfies clients, we are always looking for new ways to improve the quality. LOLC has increased the loan size of its group loans in 2018 to further fit the growth of the local economy.

The individual loans account for 90% of the GLP and 60% 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. Small and Medium Enterprise (SME) loans have a maximum loan size of US\$ 70,000 and provide small and medium sized business owners ample capital to grow their businesses. 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 with the opportunity to finance further consumption and personal purchases against an affordable interest rate and loan term. Asset backed lending/financial lease offers clients who wish to

purchase brand new or second-hand motorbikes, tricycles, cars and agricultural machinery for their daily business or personal activities in 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 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 US\$ 1,000 to US\$ 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) to raise productivity, yield, and ultimately generate more profits. The LAM is available at all branches in either US\$ or THB.

LOLC was granted a deposit-taking license from the National Bank of Cambodia and started pilot testing deposit product at some branches in October 2015. In 2016, LOLC rolled out deposit products at all branches nationwide, achieving a deposit balance of more than US\$ 232 million in December 2018, up from US\$ 90 million at the end of 2017. 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 hours with limiting its amount. The fixed deposit account aims to save and increase income for customers through a high interest rate and safe, despite keeping cash at home. The earned interest can be withdrawn monthly or at maturity.

Business Performance

Loan Performance by Sectors

Number of Accounts

No.	Sectors	2015	2016	2017	2018
1	Agriculture	120,339	125,597	120,679	115,903
2	Production	2,542	2,225	1,479	8,650
3	Trade	26,072	27,157	26,454	28,326
4	Service	17,237	17,105	19,324	23,900
5	Salary and Wage	52,867	37,863	48,678	72,610
6	Others	596	62	1,406	362
	Total	219,653	210,009	218,020	249,751

Loan Portfolio (US\$)

No.	Sectors	2015	2016	2017	2018
1	Agriculture	90,531,913	114,221,443	151,914,200	176,953,304
2	Production	2,632,574	2,892,210	3,184,721	21,539,749
3	Trade	31,355,740	37,558,873	53,333,972	80,833,309
4	Service	21,520,216	26,378,054	41,598,600	69,379,970
5	Salary and Wage	41,787,160	38,395,446	71,756,839	138,035,008
6	Others	527,231	92,769	1,856,491	753,989
	Total	188,354,835	219,538,796	323,644,822	487,495,329

LOLC has grown its loan portfolio by 51% compared to the previous year, reaching almost US\$ 488 million by the end of 2018.

In terms of sectors, agriculture makes up the biggest portion with roughly around 36% of the total loan portfolio, followed by salary and wage, trade and service respectively.

Loan Performance by Products

Number of Accounts

No.	Products	2015	2016	2017	2018
1	Group Loan (GL)	155,580	131,824	107,500	98,940
2	Individual loan (IL)	39,103	46,460	62,947	78,329
3	Small and Medium Enterprise (SME)	1,136	1,195	2,661	4,554
4	Seasonal Loan (SNL)	15,373	17,596	18,931	18,963
5	Home Improvement Loan (HIL)	3,119	4,292	7,156	10,060
6	Life Improvement Loan (LIL)	5,342	7,291	10,825	29,742
7	Wash Loan (WIL)	-	1,351	7,795	8,558
8	Financial Lease (FL)	-	-	205	605
	Total	219,653	210,009	218,020	249,751

The client base of LOLC Cambodia remained large in 2018, with more than 230,000 clients. Product diversification has responded to all segments of the Cambodian population. Most clients use group loan products, followed by individual loan products and seasonal loan products.

Loan Portfolio (US\$)

No.	Products	2015	2016	2017	2018
1	Group Loan (GL)	60,077,282	53,113,470	45,008,308	46,848,951
2	Individual loan (IL)	71,090,075	93,791,823	149,184,307	214,630,180
3	Small and Medium Enterprise (SME)	10,993,830	14,811,931	40,194,002	67,215,153
4	Seasonal Loan (SNL)	31,579,211	36,715,066	46,084,135	53,888,473
5	Home Improvement Loan (HIL)	8,048,190	11,469,359	23,611,974	37,839,182
6	Life Improvement Loan (LIL)	6,566,247	8,876,367	15,157,042	62,059,528
7	Wash Loan (WIL)	-	760,780	4,056,673	3,876,172
8	Financial Lease (FL)	-	-	348,380	1,137,690
	Total	188,354,835	219,538,796	323,644,822	487,495,329

Loan products can be broken into three main categories:

No.	Products	2017	2018	Variance	
				Amount	Growth %
1	Micro-business Loan	267,945,398	357,082,958	89,137,560	33%
2	Small and Medium Enterprise (SME)	40,194,002	67,215,153	27,021,151	67%
3	Asset Backed/Financial Lease	15,505,422	63,197,218	47,691,796	308%
	Total	323,644,822	487,495,329	163,850,507	51%

In 2018, asset backed/financial leases have grown greatly compared to the previous year, with a growth rate of 308%, followed by Small and Medium Enterprise (SME) loans with growth rate 67%. Asset backed/financial lease has grown rapidly with strong support from its parent company, LOLC Group, who is a pioneering provider of leasing products in Sri Lanka. LOLC still keeps focusing on providing loans to small and medium entrepreneurs, who are in the gap of access to loans from banks/microfinance institutions, to support their needs in business expansion and increase income in the family. Micro-business loans have seen gradual growth to ensure the loan quality.

Deposit Product

With strong support from customers, the deposit base has been increasing year-by-year. As a result, at the end of 2018, LOLC had a total deposit balance US\$ 232.72 million, with 198,879 accounts. LOLC's deposit balance increased by 158% and its account growth by 174% compared to 2017.

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, US\$ & THB
Minimum Balance	0
Term	Unlimited
Yearly Interest Rate	5%
Savings Account Passbook	No fee

Fixed Deposit

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

Summary of Fixed Deposit:

Currency	KHR, US\$ & THB
Minimum Balance	KHR200,000, US\$50, THB2,000
Term	1, 3, 6, 9, 12, 24, 30, 60 months
Highest Yearly Interest Rate	9.00%

Local Money Transfer

Customers can transfer their money to relatives, friends or business partners who have savings accounts with LOLC with fast and convenient service.

Summary of Local Money Transfer:

No	Description	Fee		Remark
		KHR	US\$	
1	Transfer within branches	No Fee		Account to account, deposit, withdraw across branches
	Loan payment across branches			
	Transfer across branches			

Inter-Bank Transfer (FAST)

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

Financial Highlights

Profit & Loss Summary

Profit & Loss Summary (US\$ '000)	FY2017 Audited	FY2018 Audited	YOY %
Net Interest Income	36,997	41,274	11.56%
Other Income	8,851	19,583	121.26%
Net Operating Income	45,841	60,875	32.74%
Operating Expenses	(22,915)	(31,256)	36.40%
Allowance for Bad and Doubtful Financial Instruments	(3,932)	(4,271)	8.60%
Profit Before Tax	18,999	25,331	33.32%
Income Tax Expense	(3,812)	(5,164)	34.41%
Net profit for the year	15,158	20,167	33.05%

LOLC (Cambodia) Plc. managed to achieve 33% year-on-year growth in net profit to reach US\$20.17 million (2017 amounted to US\$15.16 million) despite a challenging operating environment and also including the recognition of provision for seniority payment backward about US\$1.1 million. This generated a return on average equity of 27.79% and a return on average assets of 4.09%.

Balance Sheet Summary

Balance Sheet Summary (US\$ '000)	FY2017 Audited	FY2018 Audited	YOY %
Asset	371,418	613,780	65.25%
Gross loan portfolio	323,648	487,495	50.63%
Liabilities	309,093	525,805	70.11%
Deposit balance	90,314	232,724	157.68%
Borrowing balance	205,600	270,895	31.76%
Equity	62,325	87,975	41.16%

LOLC (Cambodia) Plc.'s total assets grew by 65% to US\$614 million as of 31 December 2018, mainly because of our gross loan portfolio, which registered a growth rate of 51% year-on-year to US\$488 million. Deposit products grew significantly by 158% to more than US\$232 million as LOLC (Cambodia) Plc. continued to benefit from its improving trust from

depositors. The proportion of deposit balance between the two products was 11% in savings account and 89% in fixed deposit accounts. Borrowing also grew by 32% to US\$271 million, in which local borrowings grew by 52% to US\$54 million (2017 was US\$36 million) and overseas borrowings grew by 28% to US\$217 million (2017 was US\$170 million).

Key Ratio Indicators	FY2017 Audited	FY2018 Audited
Return on Equity	27.35%	27.79%
Return on Asset	4.86%	4.09%
Operating Expense to Average Gross Loan Portfolio	8.44%	7.71%
Cost to Income Ratio (Including Provision)	58.56%	58.38%
Deposit to Loan Ratio	27.91%	47.74%
Liquidity Coverage Ratio	262.88%	234.00%
Solvency Ratio	20.68%	19.51%
Non-Performing Loan to Gross Loan Portfolio	1.23%	0.83%

LOLC (Cambodia) Plc. maintained its high performance by diminishing its operating expenses for its average gross loan portfolio to 7.7% (from 8.4% in 2017) although the cost to income ratio (including provision) saw a small improvement to 58.4% from 58.6% the year prior.

LOLC (Cambodia) Plc. also maintained a high liquidity coverage ratio at 234% compared to the Central Bank's requirement of 80% starting from 1st September 2018 [from 1st Jun 2019 at 90% and from 1st January 2020 at 100%]. In addition, the solvency ratio was also well maintained at 19.51%, which was above the minimum requirement by the Central bank of 15%.

Asset quality was also the key focus for management and the board of directors. The asset quality was improved to 0.83% (from 1.23% in 2017).

2019 OUTLOOK

In 2019, LOLC (Cambodia) Plc. will expand its income by growing its interest-bearing assets, such as asset-backed lending/leasing, microbusiness loans, Small and Medium Enterprise loans, and green lending products.

To support such growth in its assets, management needs to continue expanding its deposit mobilization, expanding the partnerships with existing and potential new lenders, and entering the Cambodia Stock Exchange (CSX) for Corporate Bond Issuance.

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

LOLC (Cambodia) Plc. will also continue focusing on preserving healthy liquidity levels as measured by its Liquidity Coverage Ratio and Capital Adequacy Ratio to maintain compliance with regulatory requirements as well as supporting healthy growth.

Customer Perspective

LOLC (Cambodia) Plc. is one of the largest microfinance institutions in Cambodia. We always focus on the quality of services and make it convenient for consumers to access products and services.

LOLC has received tremendous support from loan products, financial leases, and deposit products, helping us rapidly grow.

LOLC always accepts complaints, feedback and suggestions from its valuable customers to further improve products and services based on customers' needs.

LOLC always maintains a good relationship with customers,

partners, authorities and other relevant parties to keep them informed and try our best to fulfill their needs.

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

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

Summary of Customer Complaints in 2018

Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Number of Complaints	7	6	4	6	2	5	10	22	6	10	8	7

Human Resource Development

In 2018, Human Resources Department was proud to see huge achievements in each department, with active participation from all levels of employees. The total headcount of staff as of December 2018 was 2,327, in which 22% were female.

Staff were equipped with various kinds of training to enable them to improve skills and capacity to carry out their tasks. New credit officers receive orientation at the head office, where they were trained on the company's vision, mission, core values, various policies and practices. After this, they received on the job training at branch offices where they shadowed existing credit officers, received guidance from supervisors and got practical learning on the job. After that, branch staff receive regular refresher trainings at their branch offices on policies, procedures, technical skills and soft skills.

Aside from internal training, LOLC (Cambodia) also engages with external trainers to deliver customized training courses to staff. We also send staff to attend

external training locally and internally in addition to opportunities to learn best practices from the Group Company in Sri Lanka.

In addition to classroom training, LOLC (Cambodia) also provides digital learning options to staff through video trainings and video conferences in which a trainer in one place can connect to participants in different locations.

Another means of staff development that LOLC (Cambodia) has used is a job rotation program. This program has been designed for staff to rotate to work in other positions for a period. This program aims at grooming potential staff for succession planning.

Finally, LOLC (Cambodia) also provides internship opportunities for students to give them knowledge and job experience in a professional setting. If they prove capable, this can lead to an LOLC (Cambodia) employment offer.





- How Do We Translate Our Mission as of December 2018?
- Measuring LOLC's Social Goal
- Measuring Our Social Outreach through PPI
- Financial Literacy
- Social Activities
- Implement Universal Standards of Social Performance

How Do We Translate Our Mission as of December 2018?



Measuring LOLC's Social Goal

Relevant Social Goal	Annual Measurable KPIs Aligned to USSPM	2015	2016	2017	2018
Increased access to financial services	Number of borrowers in rural areas	99%	95%	94%	93%
	Number of borrowers involved in agriculture	55%	60%	55%	46%
	Percentage of female borrowers	84%	81%	78%	72%
	Number of participants in financial literacy training	7,939	13,616	14,202	12,977
Poverty reduction	Percentage of new borrowers below 150% of the national poverty line	38.37%	36%	33%	29.62%
	Number of new borrowers below 150% of the national poverty line	30,482	25,392	15,113	15,611
Environmental sustainability	Result of environmental assessment in the 'no action' quadrant.	No Action quadrant	'Medium' Monitoring	'Medium' Monitoring	'Medium' Monitoring



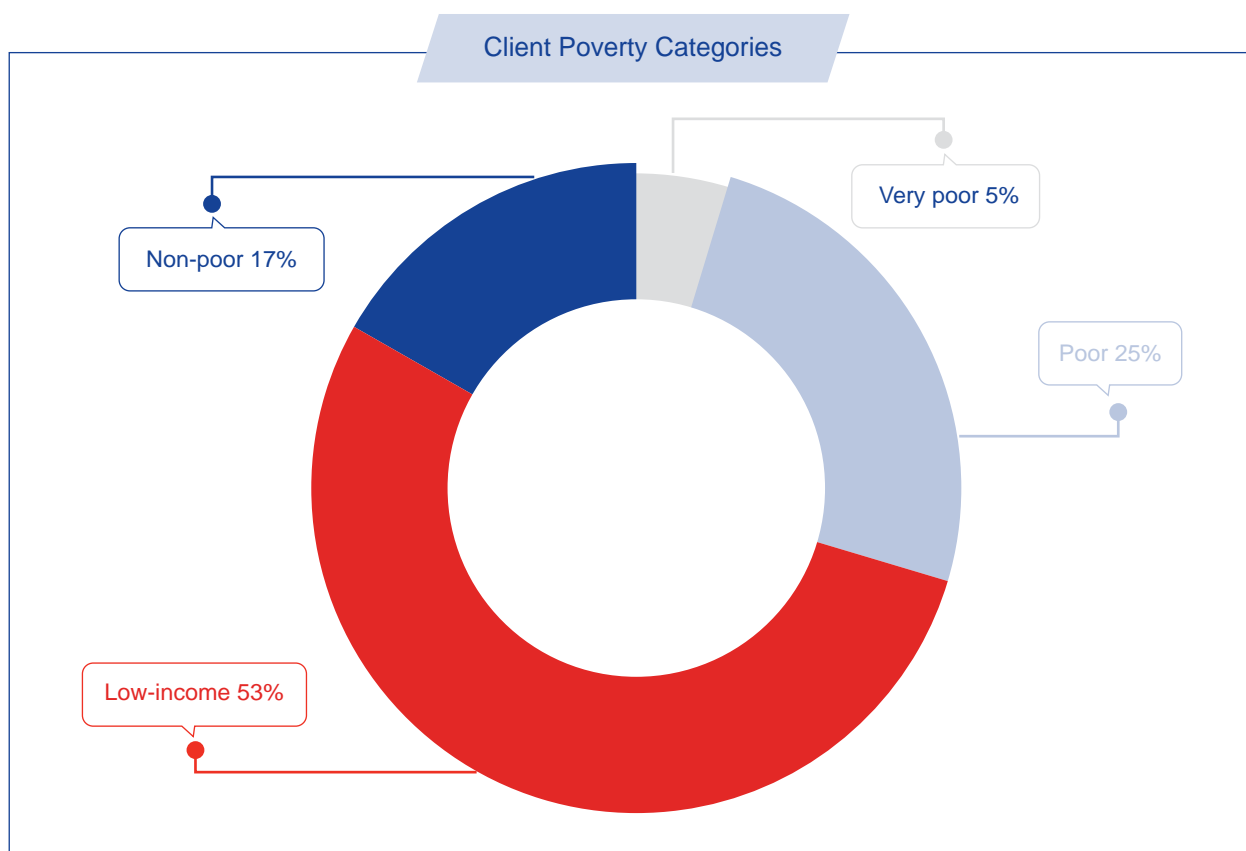
Measuring Our Social Outreach through PPI

Progress out of poverty index is used to measure LOLC (Cambodia) outreach to poor clients, determine 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 clients as below:



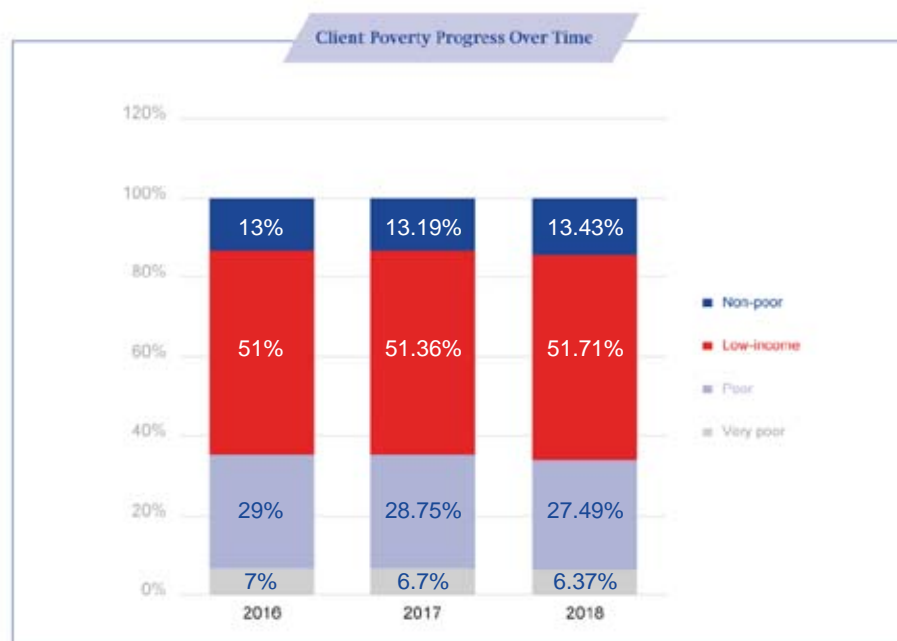
LOLC Poverty Outreach

As of December 2018, 52,708 new clients were assessed to estimate their poverty level through PPI. The result indicates that the majority of LOLC clients are poor and low-income.



Client Poverty Progress:

The PPI questionnaire has been revised to be readable to compare year-to-year. LOLC restarted the sample client for progress monitoring, starting from 2016 as the base year. The graph below show the distribution of the selected clients in the monitoring list.

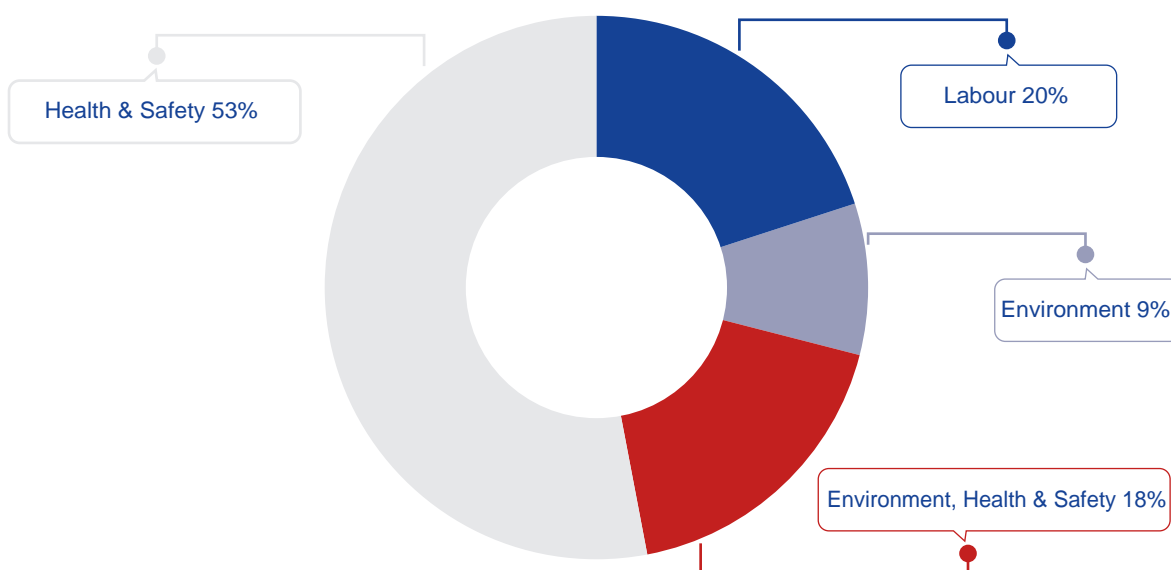


Environmental and Social Assessment

Recently Social and Environmental Assessment were fully integrated into the SME loan lending process. As a result, from January to December 2018; 440 SME loans were assessed for a total amount of US\$ 30,000.

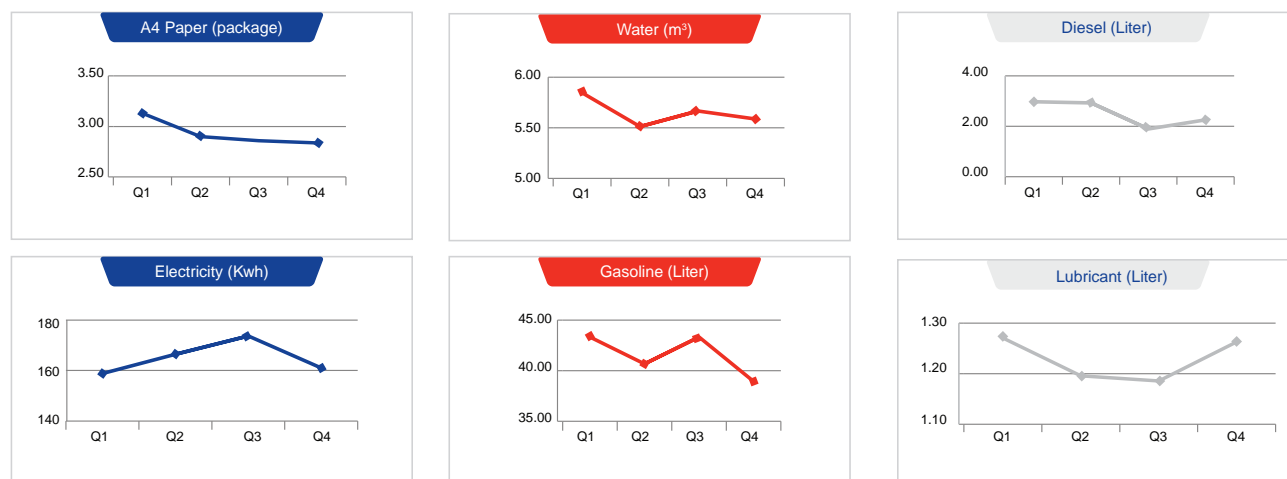
Environment and Social Assessment	# of Loan	Remarks
Low	104	<ul style="list-style-type: none"> - Client's risk management quality is high - Client risk level is low <p>Therefore, no action taken is required</p>
Medium	336	<ul style="list-style-type: none"> - Client's risk management quality is ranged from medium to high - Client risk level is ranged from low to medium <p>Therefore, monitoring should be tracked to see the progress of the risks.</p>
Total	440	

Loan Exposure by Type of Environmental and Social Risks



ENVIRONMENTAL FOOTPRINT REPORT

The graph below shows the environmental footprint report for each quarter of 2018 per Full-Time-Equivalent (FTE).

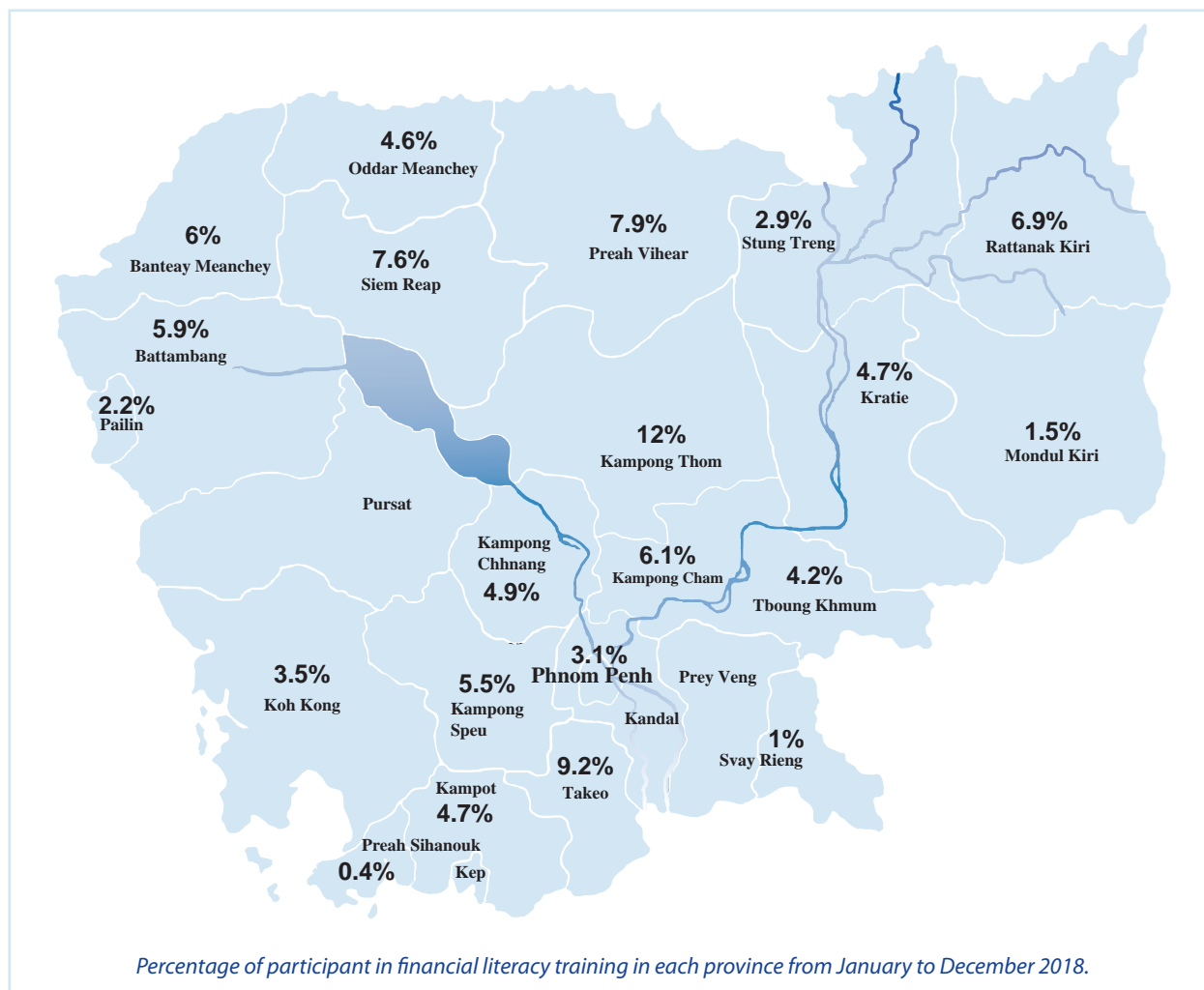


Financial Literacy

1. Financial Literacy in Class Training

From January to December 2018, 12,977 participants (74% or 9,623 females) including 2,891 clients participated in financial education training. The program provides awareness training on Mindset Development, Income & Expenses, Saving & Investment, Debt Management, Cash Management and Small Business Management to participants.

Total accumulated participants to date (since the start of the project in 2013), amount to 56,153 people in the training courses.



2. Radio Program

Through the media, LOLC, led by its staff, produces a radio program named “Idea for growth” which broadcast every Friday from 9:00 – 10:00am through Woman Media Center FM 103.5, which reaches 18 provinces. From March 2018 to February 2019, the radio program was co-produced by the Cambodia Microfinance Association, LOLC (Cambodia) Plc, and the Credit Bureau of Cambodia, with sponsorship by BlueOrchard Finance.

The education program aims of “Idea for growth” are to deliver financial literacy messages, consumer protection, self-motivation, and small business management mentality to rural people. Guest speakers who have extensive experience in the financial sector were invited to speak on the show, including:

- Dr. Bun Mony, an advisor to the Cambodia Microfinance Association & BOD Chairman of Vithey Microfinance Plc.
- Mr. Oeur Sothearoath, CEO of the Credit Bureau Cambodia (CBC)
- Mr. A Bunthat, CPA, Master in Finance from Australia

- Mr. Moc Nach, Chief Executive Officer of Prasethpheap Finance Plc.
- Mr. Ngeth Chou, Senior Adviser of EMC Cambodia
- Mr. Ly Bunrithy, Chief Operating Officer of Chamroeun Microfinance Plc.
- Dr. Ky Sereyvath, Director of the Chinese Studies Center of the Royal Academy of Cambodia
- Mr. Nou Sotiara, Senior Vice President and Head of Credit Division of ACLEDA Bank Plc.
- Mr. Chhorn Vathanak, Head of Responsible Financial Education in Asia Pacific of Good Return
- Mr. Chrek Sothea, Head of Risk and Compliance of Credit Bureau Cambodia.



As the result, since the program's launch back in June 2016, many people have become interested and called into our program for both the purpose of asking questions and sharing ideas.

3. Saving for a Goal and Banner of Financial Education

In 2018, LOLC implemented a mobile library program with existing community libraries through a training to trainee (TOT) system to teach librarians savings games to share with kid. LOLC works with the Commune Committee for Women and Children (CCWC), which is responsible for women and children in each commune, to deliver 'saving for a goal' activities and library materials to kids. Existing community library conduct various daily reading-related activities with children, such as storytelling, reading, games, educational and creative activities. Therefore, LOLC attached the 'saving for a goal' module and some learning materials to those kids libraries. As a result, 51 community libraries conducted 'saving for a goal' activities within the year for 1,235 kids (639 females).

LOLC (Cambodia) Plc. designed and printed 75 banners to distribute in the main village where the community gathers for village meetings or in high traffic areas such as near the village chief's house, schools and the community libraries to educate people in the community about financial topics such as better personal cash management.



Social Activities

1. Community Event

Community events are part of LOLC's contribution to society in exchange for our branches operating. These include service activities such as road maintenance, bench installments in public spaces, school activities, tree planting, books for libraries, building wells and cleaning public spaces.

As of December 2018, there were 70 activities organized across all provinces of LOLC's operational network, which saw participation from LOLC staff, students, villagers, local authorities, and teachers amounting to roughly 12,500 people.

2. One Village One Product (OVOP)

LOLC also provided training courses for civil servants and entrepreneurs on "Entrepreneurship Management and Women's Initiative for Information Technology (ITC)" in the OVOP project, which cooperated with Provincial Hall, Transparency International Cambodia, the Resolvo Cambodia Company and Cambodia Coca-Cola Company. The project worked in Phnom Penh, Preah Sihanouk, Kampot, Kampong Cham, Siem Reap and Ratanakiri, with total of 281 participants.

3. TVK Children Song Contest

To encourage children's participation in the arts, LOLC (Cambodia) Plc. also contributes funds to the annual Festival of Music and Children's Music Festival, a Ministry of Information award ceremony which takes place at Chaktomuk Hall.

4. Anti-Drug Leaflet

LOLC (Cambodia) Plc. sponsors 50,000 Anti-drug leaflet

brochures annually, and this year for the third time, LOLC continues to sponsor and deliver them to Mr. Lim Tong Hout, Director of the Department of Legislation Education and Rehabilitation of the General Secretariat of the National Authority for Combating Drugs. LOLC hopes this leaflet will contribute to preventing trafficking and drug use.

5. Donations to Customers and People Affected by Flood and Home Fires

LOLC has a vision of helping people live in dignity, safety, social, economic stability and justice. This year, LOLC staff from branches in Stung Treng, Tbong Khmum, Kratie, Chhlong, and OReang Ov visited 48 families and donated rice, fish sauce, noodle and other foods to them.

6. The Cambodia Book Fair

This year, LOLC has also been a Gold Sponsor to the 7th National Book Fair, a three-day event aimed at encouraging Authors, Institutes, Organizations, Publishing Houses and Print Publications to showcase their achievements to students, as well as to encourage young boys and girls, students and civil servants to turn their interest to reading. LOLC has been actively contributing to the program, creating the slogan "Reading for a Better Life," along with activities such as distributing LOLC's new leaflets, New Year's calendars, books and major bulletins of the National Bank of Cambodia. In the meantime, we also organized drawing competitions, quizzes, challenges and group competitions for boys and girls with a focus on financial literacy education and prizes from LOLC.



7. Operation Smile

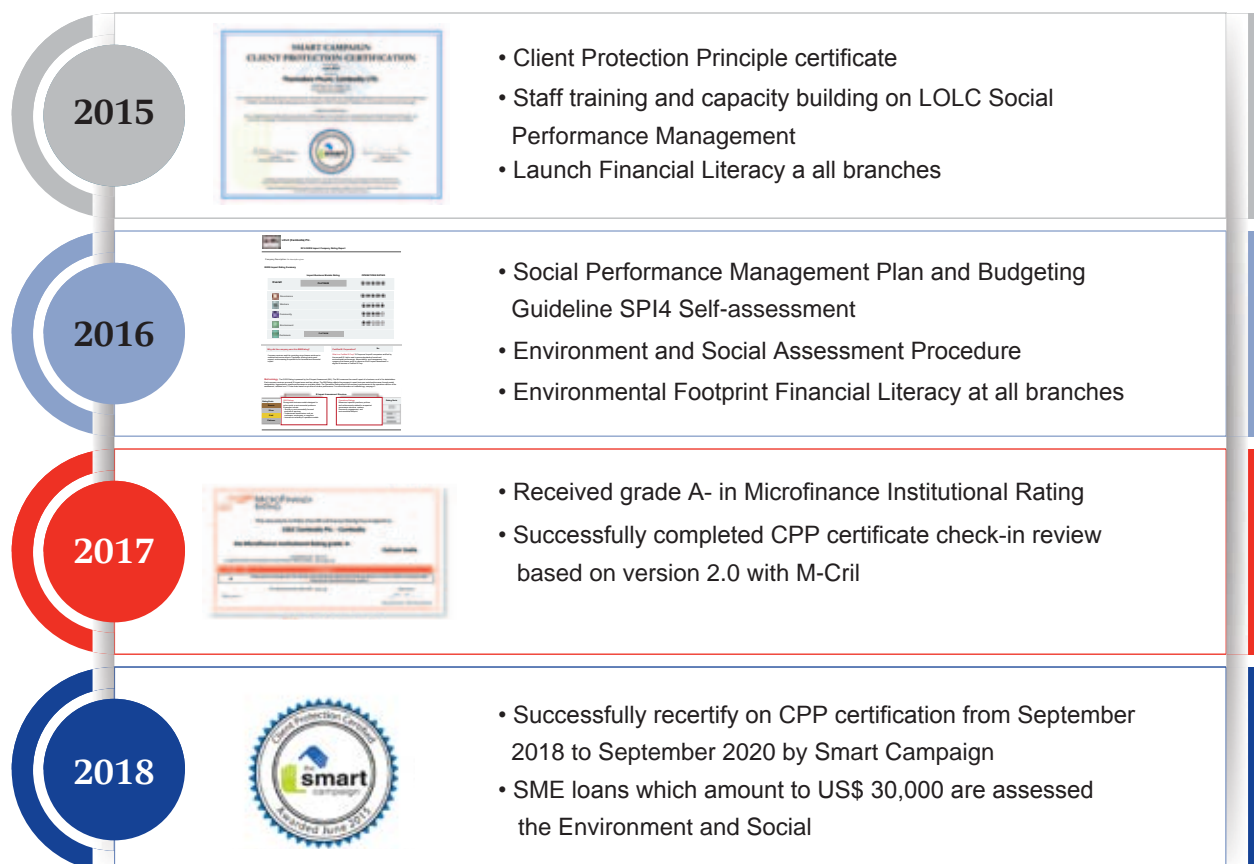
LOLC donates funds annually to an organization of volunteer doctors who operate on children born with chlamydial smear. This is the contribution of LOLC in making Cambodian children smile again.

8. Cambodia Red Cross

LOLC contributes to the Cambodian Red Cross every year as a social contribution to the active charity work that Cambodian Red Cross often applies to the actual site.

◆ Implement Universal Standards of Social Performance Management

LOLC milestones of integrating the best practices of social performance management or universal standards of social performance management.

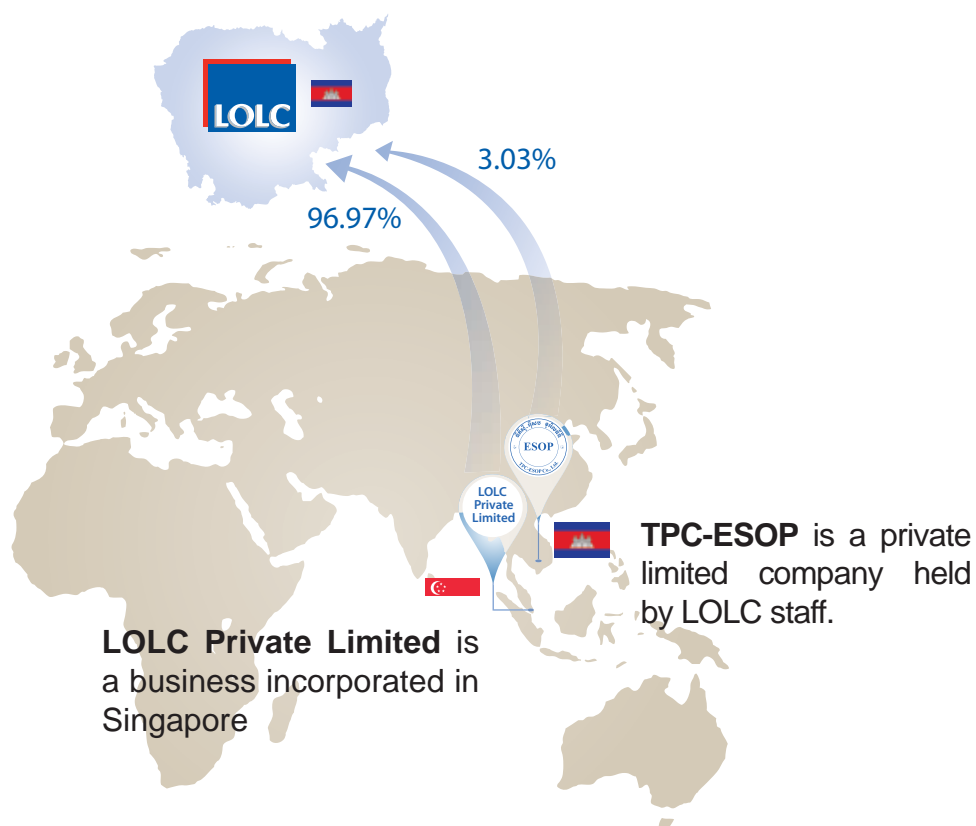




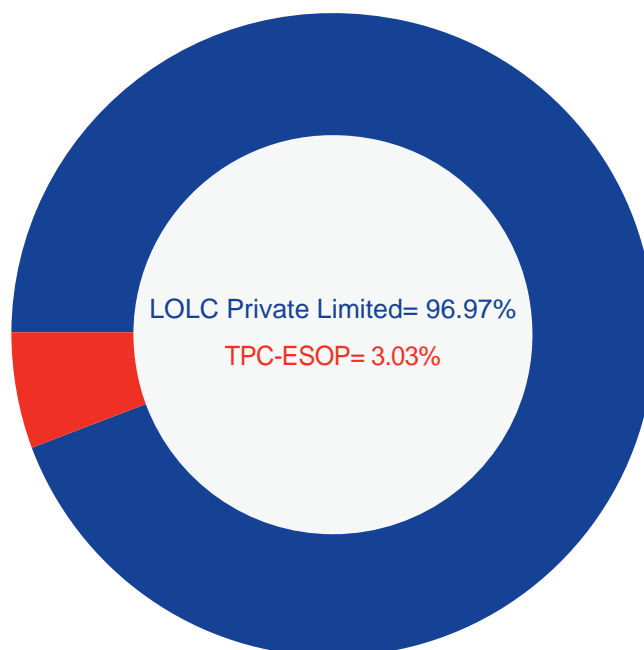
- Ownership Structure
- Organizational Chart
- Policy and Practice Guidelines for Corporate Governance
- Duties and Responsibilities of Board Committees
- Report of the Board of Directors
- Management Team
- Risk Management and Internal Control

Ownership Structure

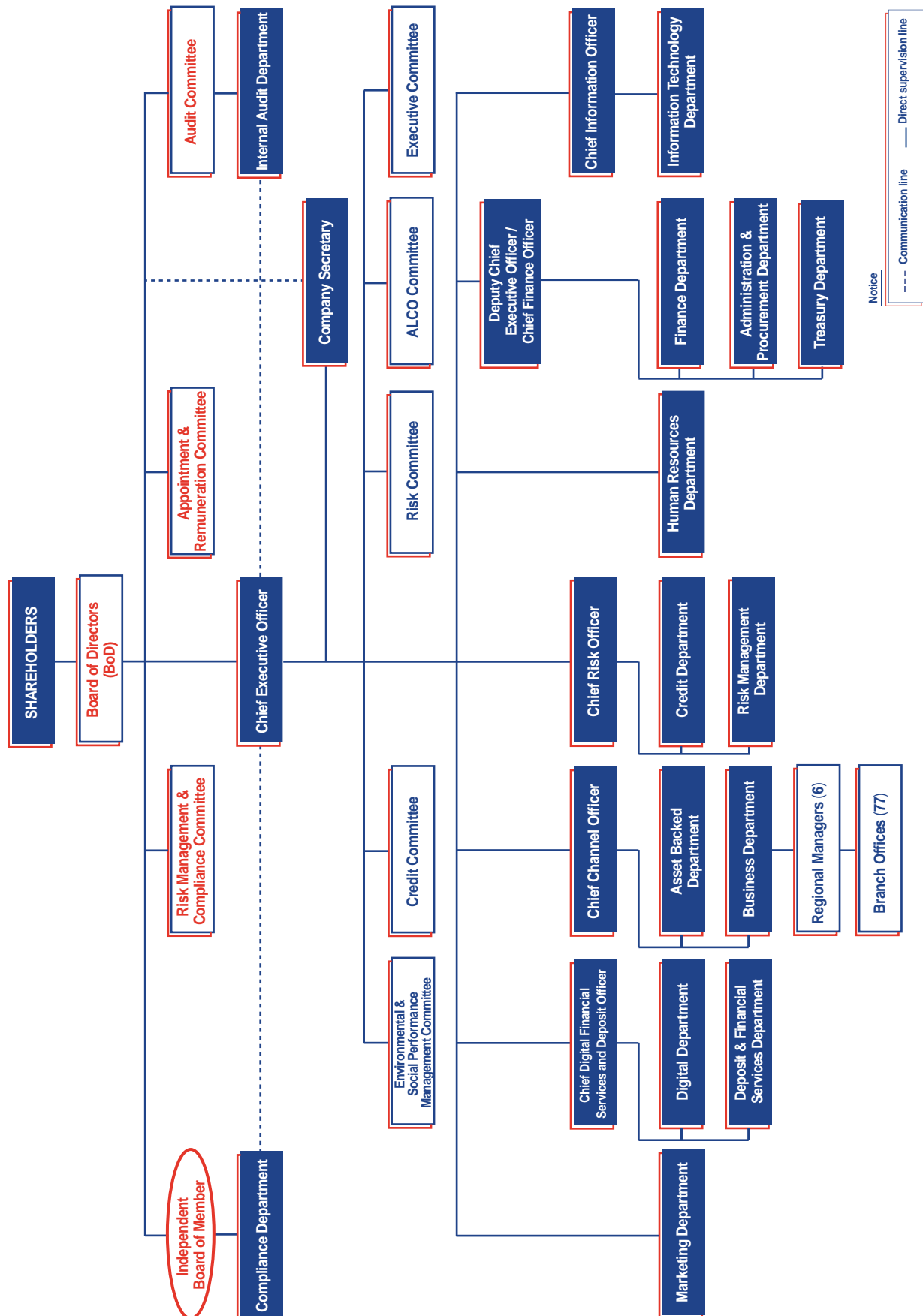
LOLC (Cambodia) Plc. currently has two shareholders, including LOLC Private Limited and TPC Employee Stock Ownership Plan ("TPC-ESOP"). The shareholding structure of LOLC (Cambodia) Plc. is organized as follows:



LOLC Private Limited = 96.97%
TPC Employee Stock Ownership Plan ("TPC-ESOP") = 3.03%



Organizational Chart



Policy and Practice Guidelines for Corporate Governance

Selection of Directors

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

Board of Directors

Board Composition

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

Board of Directors Profiles

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



Mr. Brindley de Zylva
Chairman

Brindley de Zylva is the chairman of the board of LOLC (Cambodia) Plc. He also serves at LOLC Group as chairman of both LOLC Finance PLC & Browns Machinery (Cambodia) Limited and is the managing director of LOLC Myanmar Micro-Finance Company Limited. He joined the LOLC Group in 2003 as the managing director and chief executive officer of LOLC Finance Plc. His career in the non-bank financial services industry spans over 35 years, providing access to finance to micro, small and medium businesses in Sri Lanka, Myanmar and Cambodia. He has a wide range of expertise and experience covering marketing and sales, credit and recovery, finance, treasury and risk management. 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 were as one of its vice chairmen – and as a Director of the Financial Ombudsman Sri Lanka (Guarantee) Limited. These positions were relinquished in 2015 to take over a regional assignment for the LOLC Group in Myanmar and 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.



Mr. Conrad Dias

Director

Conrad Dias is the CIO of the LOLC Group and the Co-founder/ Director of iPay. He holds a master's of Business Administration from the University of Leicester and is a fellow of the Chartered Institute of Management Accountant; a Chartered Global Management Accountant and a fellow of the British Computer Society; and a fellow member of Certified Management Accountant of Sri Lanka. Mr. Dias counts over 25 years of experience and processes domain expertise in sectors such as trading, banking and finance, assets management and manufacturing. In recognition of his contributions to the LOLC Group, and the local IT Industry as a whole, Mr. Conrad was awarded the CSSL CIO of the year in 2016. He was also awarded the Professional Excellence Award 2017 at the event organized by the Institute of Certified Management of Accountant of Sri Lanka.



Mr. Dulip Rasika Samaraweera

Director

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



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 ABN AMRO, and thereafter 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 served as a director on the board of several microfinance institutions. His professional strengths include internal audit, human resource management and change management. Michael Moormann joined LOLC (Cambodia) Plc. as an independent director in February 2013.



Mr. Indrajith Wijesiriwardana
Independent Director

Mr. Indrajith Wijesiriwardana is an Independent Director of LOLC (Cambodia) Plc. He is an expert in international development finance focusing on access to finance, and has over two decades of international work experience from over thirty countries, working with international financing agencies, governments and financial institutions. His key areas of experience include Microfinance and SME Finance (MSME) and capacity building. Mr. Wijesiriwardana 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. He is also involved in human resource development in the financial sector, internationally. Prior to his current career in international consulting, Mr. Wijesiriwardana was a banker and specialized in financing of small, medium and large enterprises. Mr. Indrajith Wijesiriwardana joined LOLC (Cambodia) Plc. in January 2015.

Board Meetings

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

Code of Ethics

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

Professional Conduct

1. Employees shall be honest, use appropriate words with other employees and clients, be punctual, dress in LOLC's uniform while working, perform duties competently and save LOLC's resources.
2. Employees shall abide by clients' rights, such as the right to know and understand product terms and conditions and all costs before disbursement, the right to refuse to accept any products, the right to complain or ask questions about services or products offered by LOLC, the right to receive the loan schedule and other important documents upon (or before) disbursement and official receipt during loan repayment, the right to receive fair and respectful treatment with no discrimination from LOLC's employees and the right to expect LOLC to keep personal and financial information confidential.
3. Employees shall respect clients fairly and equally, with no discrimination based on political opinions, ethnicity or social standing.
4. Employees shall maintain good relationships with clients. Therefore, credit officers' phone contact shall be available and they should be responsive.
5. Employees shall read out loud to the clients the privacy clause in the contract and privacy agreement before collecting clients' data and disbursement.
6. Employees shall read, understand and implement LOLC's code of conduct. Violation on the code of conduct will result in disciplinary action or termination.
7. Employees have an obligation to report to their direct supervisor, branch managers or heads of department if they find a case of violation of the code of conduct or other policies.

Prohibited Actions

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

Independency and Transparency

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

QUALIFIED, ACTIVE AND INDEPENDENT BOARD		
	Undergo the fit and proper testing process at the NBC	✓
	A board member shall attend meetings at least two times in one year	✓
	Board members should exercise sound judgment	✓
	The Audit Committee of Institutions shall be chaired by an independent board member whose background is an expertise in finance and accounting	✓
TRANSPARENCY		
	Disclosure to the public: <ul style="list-style-type: none"> - Board structure and management structure of the institution - Basic ownership structure - Where applicable, corporate group structure and corresponding ownership shares held - Organization - Incentives - Code of conduct or ethical code - Policies about conflicts of interest - Lending policies and limits applying to related parties and affiliates 	✓
	<ul style="list-style-type: none"> - Annual Report - Audited Report 	✓
LAW ON COMMERCIAL ENTERPRISE		
	- The directors of a company shall approve the annual financial statements and the approval shall be shown by the signature of one or more directors.	✓
	- A company shall not issue, publish or circulate copies of the annual financial statements unless the financial statements are approved 'by the directors and accompanied by the auditor's report.	✓
	- Calling meetings: meetings of the board of directors shall be held at least once every three (3) months. The adoption of the Board of Directors Resolution shall be decided base on the majority vote of the members or representatives that were presented in the meeting.	✓

Duties and Responsibilities of Board Committees

Appointment and Remuneration Committee

1. Policy and Procedure

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

2. Appointment and Review Process

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

3. Remuneration

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

4. Reporting Procedure

- a. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- b. The committee shall produce, if required by the board, a report on its activities for inclusion in the directors' annual report.

Risk Management and Compliance Committee

1. Risk Management Framework

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

- Operational risk
- Reputational risk
- Competitive risk
- Legal risk
- Compliance and control risks
- Safety, health and environment risk
- Investment risk
- Asset valuation risk
- Other risks appropriate to the business, which may be identified from time to time.

2. Policy and Report

- a. Monitor the implementation of risk management policies, as defined by the board.
- b. Review the asset/liability policy of the company annually or more frequently if circumstances require and monitor that the company's funds are managed in accordance with the policy.
- c. Review guidelines on the company's tolerance for financial related risk and review performance against limits.

- d. Review management reports detailing the adequacy and overall effectiveness of the company's risk management functions and its implementation by management, and report on internal control, any recommendations and confirm that appropriate action has been taken.
- e. Review and monitor the impact on the balance sheet, the profit and loss account and on liquidity caused by changes in volumes and pricing of products, costs, growth of loans and borrowed funds/deposits, also including effects caused by changes in investment strategy and customer behavior.

3. Insurance and Compliance

- a. Oversee and review the scope, cover and cost of the insurance program for the institution.
- b. Monitor that company is meeting public regulator requirement and covenants set by lenders in the loan agreements.

Audit Committee

1. Financial Reporting

The committee shall review and challenge where necessary;

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

4. Other Matters

- a. Review the detail items that should be published in the company's annual report relating to the activities of the committee.
- b. Conduct an annual review of its performance and ensure that it is provided with enough resources to undertake its duties and that necessary training is provided to RC members on appointment and on an ongoing basis. The RC may recommend any changes that it considers necessary to the board for approval.
- c. Review terms of reference of the committee at least once a year, and/or where necessarily updated.

5. Reporting Procedures

- a. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- b. The committee shall produce, if required by the board, a report on its activities for inclusion in the directors' annual report.

2. Internal Controls and Risk Management Systems

The committee shall

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

3. Compliance, Whistleblowing and Fraud

The committee shall

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

4. Internal Audit

The committee shall

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

5. External Audit

The committee shall

- a. Consider and make recommendations to the board in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for a new auditor and, if an auditor resigns the committee shall investigate the issues leading up to this and decide whether any action is required;
- b. Review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- c. Oversee the relationship with the external auditor including (but not limited to);
 - i. Recommendations on their remuneration whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - iii. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
 - iv. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the

overall fee income of the firm, office and partner and other related requirements;

- v. Seeking to ensure co-ordination with activities of the internal auditor.
- d. Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The committee shall meet the external auditor at least once a year, without the executive being present, to discuss the auditor's remit and any issues arising from the audit;
- e. Review and approve the annual audit and ensure that it is consistent with the scope of the audit engagement;
- f. Review the findings of the audit with the external auditor. This shall include:
 - i. A discussion of any major issues which arose during the audit;
 - ii. Any accounting and audit judgements;
 - iii. Levels of errors identified during the audit;
 - iv. The effectiveness of the audit;

The committee shall also

- g. Review the management letter and management's response to the auditor's findings and recommendations;
- h. Develop and implement a policy on the supply of non-audit services by the external auditor, considering any relevant ethical guidance on the matter.

6. Other Matters

The committee shall

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

7. Reporting Procedures

- a. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- b. The committee shall produce, if required by the board, a report on its activities for inclusion in the directors' annual report.

Report of the Board of Directors

The board of directors takes pleasure in presenting this annual report for the financial year 2018.

Principal Activities

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

The Board of Directors

The board of directors for the year under review are as follows:

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

Board Committees

The board has appointed the following committees:

1. The Audit Committee is composed of the following:

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

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

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

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

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

These committees function within their respective regulatory guidelines or board approved terms of reference, and are further aided by pre-approved agendas which ensure all essential items are covered, while being flexible enough to encourage committee

members to raise any other issues they feel merit attention.

The board has empowered the committees to call for additional information and to invite key management personnel to provide further details, or to

discuss recommended courses of action. This assures the board that operational, risk, governance or regulatory related matters are given the in-depth discussion they require, and the optimal solutions are found.

As Committee meeting minutes are tabled at Board meetings, the entire Board is kept aware of the discussions at each Committees and can contribute when and where necessary.

Directors Meetings

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

Directors Interests in Contracts

The directors have made the declarations on conflict of interest required by the company. These shall be noted by the board, recorded in the minutes and entered into the Interest Register, which is maintained by the company. However, so far, no directors have conflict of interest with the company.

Directors Shareholdings

Currently, no directors hold shares at LOLC Cambodia.

Term of Directors

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

Compliance with Laws and Regulations

LOLC Cambodia is compliant with all laws and regulations of the Central Bank and relevant regulators.

Corporate Governance

The board believes that good corporate governance benefits all stakeholders. The Report of the Corporate Governance can be found on page 37-56.

Internal Controls

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

Going Concern

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

Financial Statements

The financial statements together with the notes thereon, found on pages 58 to 101, follow Cambodian Accounting Standard (CAS).

Auditors

LOLC's auditor is KPMG, which has been appointed for 3 fiscal years from 2017 to 2019. As far as the directors are aware, the auditors do not have any other relationship with the company, nor do they have any interest in contracts with the company.

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

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 SATH-APANA Ltd. (MFI) in charge of day-to-day operations which included managing loans, savings, money transfer transactions and market expansion. He started working for LOLC as Chief Operations Officer in April 2010 and he was promoted to be Deputy Chief Executive Officer in December 2012. Currently, he is Chief Executive Officer as appointed by Board of Directors effective from June 1st, 2014.



Mr. Sok Sophal

Deputy Chief Executive Officer
and Chief Finance Officer

Mr. SOK Sophal, obtained his Master's Degree of Finance at the National University of Management in 2007. He received his Bachelor's Degree of Arts in English, majoring in International Business at Institute of Foreign Languages (IFL) in 2005 and his Bachelor's Degree of Economics Science, majoring in Management of Enterprise at the former Faculty of Law and Economics in 2000. He has attended numerous training courses such as Leadership and Diversity for Innovation Program by Women World Banking with the support from Wharton University of Pennsylvania (USA), Advance Management Program by Cornell University at Colombo (Sri Lanka), Syndication Loan Pricing & Structuring by Universal Network Intelligence (Malaysia), and several other workshops and training courses in the areas of Financing Alternative through Capital Market and Dissemination of Provision on Debt/Bond Securities, Impact Investing, Microfinance Forum, Financial Analysis, Accounting and Marketing. In 2018, he attended the Certified Management Accountant Program Australia, the 6th intake training course on the ultimate business professional focus on strategic cost management and strategic business analysis. He worked with ACLEDA Bank Plc. for almost 10 years from 2001 to 2010 with several positions as an Assistant Manager of the Management Accounting Unit (2003 – 2007) and Manager of the Management Accounting Unit (2007 – 2008). In 2008, he was promoted to be Assistant Senior Vice President (responsible for investment) of the Legal and Corporate Affairs Division in ACLEDA Bank. Hereafter, in January 2009, he was promoted to be Deputy Head of Capital Market Division of ACLEDA Bank Plc. Mr. SOK Sophal starts working with LOLC Cambodia in August 2010 as a Chief Finance Officer and he has been promoted to be Deputy Chief Executive Officer/Chief Finance Officer since March 2019.



Ms. Svoeuy Sodyna

Chief Risk Officer

Ms. Svoeuy Sodyna, Chief Risk Officer, has completed ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree of Business Administration, majoring in Accounting from National University of Management in 2006. In addition to her academic qualification, she obtained Advance Diploma in Accounting from CamEd Business School in early 2013. She attended numerous professional courses including risk management, financial management, strategic planning and other microfinance-related courses in United State of America, Netherland, Czech Republic and other countries. 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 included Banks and MFIs. She started working with LOLC in May 2011 and was promoted to be Chief Risk Officer in March 2018.



Mr. Romesh Perera

Chief Channel Officer

Mr Romesh Perera, Chief Channel Officer prior to joining the company, he served in LOLC Finance Plc. (LOFC) Sri Lanka for 13 years. He holds an Assistant General Manager position there. He has served in the Non-Bank Financial Service (NBFI) during the past 19 years in both licence finance companies and specialized bank in Sri Lanka, holding senior managerial positions prior to taking over as Chief Channel Officer in LOLC (Cambodia) Plc. He has a wide range of expertise and experience in both specialized banking and in the NBFI sector covering Sales & Marketing, Credit risk, Recovery management and Finance. His responsibilities included; Conventional and Islamic financing, trade financing, leasing, asset financing, savings and deposits growth, pawning operations and cross operational functions. The expertise and the performance in the managerial positions he held in Sri Lanka opened him a new opportunity to take over a new assignment for the LOLC group in Cambodia. Mr Romesh joined LOLC (Cambodia) Plc in June 2017 as Specialist - Leasing and Asset Finance. Currently he is the Chief Channel Officer effective from August 2018.



Mr. Duleep Liyanage
Chief Information Officer

Mr. Duleep Liyanage, Chief Information Officer, received his Master's Degree of Business Administration, majoring in Finance from Postgraduate Institute of Management - University of Sri Jayewardenepura (Sri Lanka). Duleep holds his Bachelor's Degree (2nd Upper Class) of Business Computing awarded by the University of Wolverhampton (UK). In addition to his academic qualifications, he possesses numerous information security and IT governance professional qualifications, namely, Certified Payment Card Industry Security Implementer (CPISI), a Certified Android Security Specialist and completed requirements for ISO 27001:2013 Lead Auditor. Prior to joining LOLC (Cambodia) Plc, he has over fourteen (14 +) years of extensive experience in Sri Lanka in various levels of Information Technology and Management. He served more than ten (10+) years for LankaPay (LankaClear (Pvt) Ltd.), the National Payment Infrastructure Provider in Sri Lanka under the guidance of Central Bank of Sri Lanka. Duleep has wide range of experience and expertise in Information Technology, Project Management, Mobile Technologies, Payment Card Platforms and Specializing in Information Security. During his tenure at LankaPay, he rendered his service as security solution provider for national level payment systems in Sri Lanka such as Online Cheque Image and truncation System (CITS), JustPay – the retail mobile payment system, LankaSign – the PKI based Digital Certification Authority, etc. His diversified exposure and experience also expands not only in to Information Technology but also in to Information Security, IT Governance, Risk and Compliance, Planning, management of finance, sales and recoveries. Duleep also rendered his service as an Associate lecturer for Open University in United Kingdom, University of Sri Jayewardenepura and Wayamba University of Sri Lanka.



Ms. Chheang Kagna
Chief Digital Financial Services
and Deposit Officer

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



Mr. Teng Pheap
Head of Internal Audit Department

Mr. TENG Pheap, Head of Internal Audit Department, obtained his Master's Degree of Business Administration, majoring in Accounting and Finance at Western University in 2008. He obtained his Bachelor's Degree of Business Administration in Accounting from National Institute of Business in 2004. He has attended numerous training courses in the areas of internal professional practice framework in Malaysia, business planning and managing growth in 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 started working at LOLC as Head of Internal Audit Department in December 2008.



Ms. Leng Thavy
Head of Human Resources
Department

Ms. Leng Thavy was awarded her Master's degree (fully sponsored by Australian Development Scholarship) in the field of Human Resource Management from Monash University, Australia in late 2013. She obtained a Bachelor of Business Administration from National Institute of Management in 2002. She has attended numerous human resource 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 – 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, Ms. 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.



Ms. Try Sola
Head of Treasury Department

Ms. Try Sola, Head of Treasury Department, is pursuing for ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree of Business Administration, majoring in Accounting at National University of Management in 2011. She attended numerous professional courses 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 in which the responsibility included leading the audit teams and completing the statutory and compliances audit for various industries included Banks and MFIs, company, NGO and other sectors. She joined LOLC in June 2015 as Head of Treasury Department.



Ms. Keo Taraty
Head of Finance Department

Ms. Keo Taraty, Head of Finance Department, is pursuing for ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree of Business Administration, majoring in Accounting from National University of Management (NUM) in 2010 and received her Bachelor's Degree of Education, majoring in English Literature from Institute of Foreign Languages (IFL) in 2009. She worked with one of the "big four" international accounting firms as Audit Senior for 3 years in which the responsibility included leading the audit teams and completing the statutory and compliances audit for various industries included Banks and MFIs, companies, NGOs and other sectors. Before joining LOLC, she worked as Accounting Manager at Maybank (Cambodia) Plc. for 4 years. She joined LOLC in June 2018 as Head of Finance Department.



Mr. Seam Hak
Head of Administrative
and Procurement Department

Mr. Seam Hak was awarded his Master's Degree, a full scholarship award under the Consortium of Development Studies in Southeast Asia (CDSSEA), in the field of Gender and Development Studies from Asian Institute of Technology (AIT) Thailand in 2013. He also obtained his Master's Degree of Business Administration, majoring in General Management at Build Bright University in Cambodia in 2009. He received a Bachelor's Degree of Business Management at Angkor City Institute in 2006. He has attended numerous training courses such as Project Management, Project Proposal Writing, Human Resource Management, Training of Trainer at Australian Center for Education Cambodia and training course on Finance for Non-Financial Management at Regent College Phnom Penh. He served in Cambodian Mine Action Centre (CMAC) as Logistics Assistant in Demining Unit#2 Battambang province (2002-2004) and Logistics Officer in Demining Unit#3 Pailin (2004 – 2006) and from 2006 to 2013 he was promoted to be Demining Unit Deputy Manager at Demining Unit#1, which covered two provinces (Banteay Meanchey and Oddor Meanchey provinces). In 2015, after graduated from AIT he worked as Chief of Standard and ISO at Cambodian Mine Action Centre Head office in Phnom Penh. From 2015 to 2017, he worked as a Consultant in field of Gender and Social Development Specialist with Key Consultants Cambodia (KCC). Then, he moved back to work as Demining Unit Deputy Manager at Demining Unit#1 in Banteay Meanchey province from 2017 to 2018. He starts working for LOLC in June 2018.



Mr. Hul Sovutha
Head of Information Technology
Department

Mr. Hul Sovutha, Head of Information Technology Department, obtained his Bachelor's Degree of Information Technology from Royal University of Phnom Penh in 2003. He has more than 13 years working experience with local bank and foreign bank. 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
Head of Credit Department

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



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

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



Mr. Nuth Theng
Head of Business Department

Mr. Nuth Theng obtained his Master's Degree of Business Administration from Norton University in 2011, Bachelor of English Literature from Cambodian University for Specialties in 2007 and A certificate of Pedagogy, majoring in Math & Physics, from Prey Veng Regional Pedagogy Center. He has also attended numerous training courses in Cambodia related to training and development, Capacity Building, Branch Management, Risk management, Credit management, Training of Trainer, Leadership and Management, Asset Based Finance and many other training courses. Before working with LOLC, he had worked as a teacher of Math, Physics and English for five years from 2000 to 2005. After that, he had worked for Prasac MFI for 6 years from 2005 to 2011 as a credit officer internship, a credit officer and a sub-branch manager. He has been working with LOLC since 2011 in various key positions including Branch Management Trainee, Branch Manager, Lending Specialist, Regional Manager and Asset Backed Project Manager. He was promoted to be Head of Asset Backed Department in August and moved to be Head of Business Department in September 2018.



Mr. Ban Phalleng
Head of Compliance Department

Mr. Ban Phalleng, Head of Compliance Department, obtained Master Degree of Risk Management in Insurance, Banking and Finance from RULE, and Master Degree of Bank and assurance in South East Asia from Nantes. Additionally, he holds bachelor degree in Economics and English Literature, and attended numerous courses such as professional banker, leadership, Cambodia tax law, renewable energy, client protection principles, advanced statistics, microfinance management, project management etc at locally and overseas.

His experiences include business plan development for transforming NGOs/ family businesses into standard businesses, analytics, research, project management, policies, and procedure development. He previously worked as project officer at VisionFund until 2010, worked as microfinance technical officer at CMI until 2012. After joining LOLC at the end of 2012 as a social performance specialist, Mr. Phalleng became Head of Social Performance Department in 2015, and starting 2018 serves as Head of Compliance to ensure LOLC in compliant with all related regulations and also supervise the social performance management.



Mr. 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 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, Philippine, Japan and Thailand. In his 15 years of working experience, Sokcheth served for many institutions such as ACLEDA Bank Plc., SEILANITHIH MFI, and TOYOTA (CAMBODIA) Co., LTD. in 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.



Ms. Kheng Navy
LOLC's Company Secretary

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

Risk Management and Internal Control

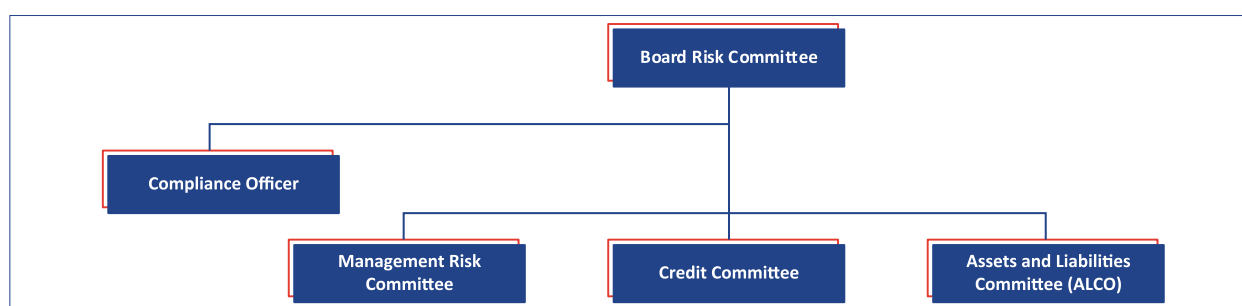
Risk Philosophy

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. LOCL's risk frameworks is aimed at strengthening the company's ability to identify, measure and manage risks to maximize shareholder value while aligning a necessary level of risk with corporate strategy, assessing the impact of emerging risk and developing risk mitigation strategies that reflect the company's culture of strong

corporate governance. LOLC applies the following risk management principles in its day-to-day business operations:

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

Risk Management Governance



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 operation 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 executive 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 to optimize returns while maintaining a safe level of liquidity. The ALCO committee is chaired by the chief financial officer and normally meets once per month.

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
- Notes to the Financial Statements

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 2018.

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 and small and medium enterprises.

Financial Results

The financial results of the Company for the year ended 31 December 2018 were as follows:

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Profit before income tax	101,778,322	25,330,592	76,700,350	18,999,343
Income tax expense	(20,747,921)	(5,163,743)	(15,509,521)	(3,841,843)
Net profit for the year	<u>81,030,401</u>	<u>20,166,849</u>	<u>61,190,829</u>	<u>15,157,500</u>

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year (2017: KHR5,499,472 thousand in respect of the profit for the year ended 31 December 2016).

Share Capital

On 2 March 2018, the Company sent the request to the NBC to increase the share capital from KHR71,684,100 thousand (equivalent to US\$17,840,742) to KHR120,000,000 thousand (equivalent to US\$29,865,605). The request was approved by the NBC on 9 May 2018.

On 16 September 2017, LOLC Micro investments Asia Ltd. and DWM Investment Asia Ltd, transferred/sold all their shareholding to LOLC Private Limited. The transactions were approved by NBC on 28 November 2017. The revised Memorandum of Articles and Association (“MAA”) was approved by the NBC on 14 March 2018 and endorsed by the Ministry of Commerce (“MoC”) on 25 June 2018.

Advance Capital Contribution

On 12 November 2018, the Board of Directors approved to increase the registered capital to KHR140,846,600 thousand via cash capital injection from LOLC Private Limited and TPC-ESOP Co., Ltd amounting to KHR20,215,000 thousand and KHR631,600 thousand,

respectively. As of the date of these financial statements, the Company is waiting for the final approval from the NBC and the endorsement on the revised Memorandum of Articles of Association (“MoAA”) by the Ministry of the Commerce (“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.

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 Chrishantha Gajanayake de Zylva, Chairman

Mr. Indrajith Wijesiriwardana, Member

Mr. Hans Michael Theodor Moormann, Member

Mr. Dulip Rasika Samaraweera, Member (appointed on 2 July 2018)

Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member (appointed on 12 February 2018)

Mr. Ravindra Dhammika Tissera, Member (resigned on 2 July 2018)

Mrs. Fernanda Pecanha Lacerda de Lima, Member (resigned on 12 February 2018)

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 Chrishantha 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

Mr. Brindley Chrishantha Gajanayake de Zylva, Member

Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member

(appointed on 12 February 2018)

Mrs. Fernanda Pecanha Lacerda de Lima, Member (resigned on 12 February 2018)

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. Dulip Rasika Samaraweera, Member (appointed on 2 July 2018)

Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member (appointed on 12 February 2018)

Mr. Ravindra Dhammika Tissera, Member (resigned on 2 July 2018)

Mrs. Fernanda Pecanha Lacerda de Lima, Member (resigned on 12 February 2018)

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 2018, and its financial performance and its cash flows for the year then ended, as set out on pages 9 to 62, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements. In preparing these financial statements, the Board of Directors ensures that the Company:

- (i). adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii). comply 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;
- (iii). oversee the Company's financial reporting process and maintains adequate accounting records and an effective system of internal controls;
- (iv). 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

- (v). effectively 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 62 which, in our opinion, present fairly, in all material respects, the financial position of LOLC (Cambodia) Plc. as at 31 December 2018, 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

Mr. Brindley Chrishantha Gajanayake de Zylva
Chairman

Phnom Penh, Kingdom of Cambodia
Date: 18 MAR 2019

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 2018, 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 63 to 101. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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.

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: 18 MAR 2019

Balance Sheet

AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018		As at 31 December 2017	
		KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
ASSETS					
Cash on hand	5	49,019,393	12,199,948	18,201,556	4,508,684
Balances with the National Bank of Cambodia	6	317,522,406	79,024,989	62,103,582	15,383,597
Balances with banks	7	108,150,865	26,916,591	95,936,028	23,764,188
Loans to customers – net	8	1,928,675,767	480,008,902	1,283,839,747	318,018,268
Other assets	9	44,105,879	10,977,073	23,979,171	5,939,849
Investment		60,270	15,000	60,555	15,000
Property and equipment	10	6,544,540	1,628,806	7,500,099	1,857,840
Intangible assets	11	4,505,809	1,121,406	3,389,764	839,674
Deferred tax assets, net	12(a)	7,581,894	1,886,982	4,404,379	1,091,003
TOTAL ASSETS		2,466,166,823	613,779,697	1,499,414,881	371,418,103
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	13	76,466,224	19,030,917	42,003,796	10,404,705
Deposits from customers	14	858,618,040	213,692,892	322,595,429	79,909,693
Provision for employee benefits	15	4,323,740	1,076,093	-	-
Other liabilities	16	64,295,429	16,001,848	38,400,976	9,512,255
Bank overdraft		-	-	963,916	238,770
Borrowings	17	1,088,456,511	270,895,100	830,007,983	205,600,195
Current income tax liability	12(b)	20,523,933	5,107,997	13,836,836	3,427,505
TOTAL LIABILITIES		2,112,683,877	525,804,847	1,247,808,936	309,093,123
EQUITY					
Share capital	18	120,000,000	29,865,605	71,684,100	17,756,775
Advance capital contribution	19	20,846,600	5,188,303	-	-
Reserves		110,415,116	27,480,118	7,168,410	1,775,677
Retained earnings		102,221,230	25,440,824	172,753,435	42,792,528
TOTAL EQUITY		353,482,946	87,974,850	251,605,945	62,324,980
TOTAL LIABILITIES AND EQUITY		2,466,166,823	613,779,697	1,499,414,881	371,418,103

Income Statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018		Year ended 31 December 2017	
		KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Interest income	20	292,192,298	72,720,831	235,190,188	58,258,654
Interest expense	21	(126,351,823)	(31,446,447)	(85,834,577)	(21,261,971)
Net interest income		165,840,475	41,274,384	149,355,611	36,996,683
Other income	22	78,684,898	19,583,101	35,729,664	8,850,548
Commission expenses	23	(2,398,475)	(596,933)	(1,701,056)	(421,366)
Personnel expenses	24	(76,035,389)	(18,923,691)	(58,032,093)	(14,375,054)
Depreciation	10	(3,943,169)	(981,376)	(3,757,136)	(930,675)
Amortisation	11	(226,193)	(56,295)	(130,353)	(32,290)
General and administrative expenses	25	(42,675,243)	(10,621,016)	(30,224,374)	(7,486,840)
(Loss)/gain on foreign exchange		(309,557)	(77,043)	1,335,467	330,807
Operating profit		118,937,347	29,601,131	92,575,730	22,931,813
Allowance for bad and doubtful financial instruments	8	(17,159,025)	(4,270,539)	(15,875,380)	(3,932,470)
Profit before income tax		101,778,322	25,330,592	76,700,350	18,999,343
Income tax expense	12(c)	(20,747,921)	(5,163,743)	(15,509,521)	(3,841,843)
Net profit for the year		81,030,401	20,166,849	61,190,829	15,157,500

Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital KHR' 000	Reserves KHR' 000	Advance capital contribution KHR' 000	Retained earnings KHR' 000	Total KHR' 000
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
As at 31 December 2017	71,684,100	7,168,410	-	172,753,435	251,605,945
(US\$ equivalents - Note 4)	17,756,775	1,775,677	-	42,792,528	62,324,980
At 1 January 2018	71,684,100	7,168,410	-	172,753,435	251,605,945
Transfer from retained earnings	48,315,900	-	-	(48,315,900)	-
Additional capital	-	-	20,846,600	-	20,846,600
Transfer to reserve	-	103,246,706	-	(103,246,706)	-
Net profit for the year	-	-	-	81,030,401	81,030,401
As at 31 December 2018	120,000,000	110,415,116	20,846,600	102,221,230	352,726,346
(US\$ equivalents - Note 4)	29,865,605	27,480,118	5,188,303	25,440,824	87,974,850

Statement of Cash Flows

For the year ended 31 December 2018

		Year Ended 31 December 2018		Year Ended 31 December 2017	
	Note	KHR '000	US\$ (Note 4)	KHR '000	US\$ (Note 4)
Cash flows from operating activities					
Profit before income tax		101,778,322	25,330,592	76,700,350	18,999,343
Adjustments for:					
Depreciation	10	3,943,169	981,376	3,757,136	930,675
Amortisation	11	226,193	56,295	130,353	32,290
Allowance for bad and doubtful loans	8	16,066,592	3,998,654	15,875,380	3,932,470
Allowance for deposit and placement with banks	7	1,092,433	271,885	-	-
Disposals and written-off of property and equipment		(156,553)	(38,963)	(53,255)	(13,192)
Net interest income		(165,840,475)	(41,274,384)	(149,355,611)	(36,996,683)
		(42,890,320)	(10,674,545)	(52,945,647)	(13,115,097)
Changes in:					
Reserve requirements with the NBC		(57,536,121)	(14,319,592)	(28,733,526)	(7,117,545)
Balances with banks		4,844,400	1,205,674	(4,844,400)	(1,200,000)
Loans to customers		(660,902,612)	(164,485,468)	(430,069,682)	(106,532,000)
Other receivables		(15,707,998)	(3,909,407)	(4,422,745)	(1,095,553)
Deposits from customers		536,022,611	133,405,329	268,694,661	66,558,004
Deposits from banks and other financial institutions		34,462,428	8,577,010	17,781,744	4,404,693
Other liabilities		18,225,827	4,536,045	12,734,188	3,154,369
Cash used in operations		(183,481,784)	(45,664,954)	(221,805,407)	(54,943,129)
Interest received		287,773,874	71,621,173	236,197,978	58,508,293
Interest paid		(114,359,457)	(28,461,786)	(80,133,117)	(19,849,670)
Income tax paid		(17,238,339)	(4,290,278)	(16,579,157)	(4,106,800)
Net cash used in operating activities		(27,305,706)	(6,795,845)	(82,319,703)	(20,391,306)

		Year Ended 31 December 2018		Year Ended 31 December 2017	
	Note	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Cash flows from investing activities					
Capital guaranteed deposit with the NBC		(4,831,590)	(1,202,486)	(4,831,590)	1,196,827)
Acquisition of property and equipment		(2,997,049)	(745,906)	(1,985,018)	(491,706)
Acquisition of intangible assets		(1,342,238)	(334,056)	(1,168,196)	(289,373)
Proceeds from disposals of property and equipment		<u>165,991</u>	<u>41,312</u>	<u>66,704</u>	<u>16,523</u>
Net cash used in investing activities		<u>(9,004,886)</u>	<u>(2,241,136)</u>	<u>(7,918,100)</u>	<u>(1,961,383)</u>
Cash flows from financing activities					
Proceeds from borrowings		590,585,241	146,984,878	466,832,214	115,638,399
Repayments of borrowings		(332,136,713)	(82,662,199)	(345,112,644)	(85,487,402)
Advance capital contribution		20,846,600	5,188,303	-	-
Dividend paid		<u>-</u>	<u>-</u>	<u>(5,499,472)</u>	<u>(1,362,267)</u>
Net cash generated from financing activities		<u>279,295,128</u>	<u>69,510,983</u>	<u>116,220,098</u>	<u>28,788,730</u>
Net increase in cash and cash equivalents		242,984,536	60,474,002	25,982,295	6,436,041
Cash and cash equivalents at 1 January		126,552,514	31,348,158	100,570,219	24,912,117
Currency translation differences		-	148,235	-	-
Cash and cash equivalents at 31 December	26	369,537,050	91,970,395	126,552,514	31,348,158

Significant non-cash transactions:

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

		Year ended 31 December 2018		Year ended 31 December 2017	
		KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Conversion of the retained earnings to the share capital		48,315,900	12,025,000	48,315,900	11,968,268
Transfer from retained earnings to reserve		<u><u>103,246,706</u></u>	<u><u>25,696,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Notes to the Financial Statements

For the year ended 31 December 2018

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

1. Reporting Entity

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

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

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population, micro-enterprises and small and medium enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia. Financial services are provided either through village banks made up of solidarity groups of two to seven members each as well as to individuals.

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

The Company has 77 office locations (76 branches and a head office in Phnom Penh). The Company's registered office is at Building No. 666B, Street 271, Sangkat Boeng Tumpun 2, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

On 8 May 2018, the shareholders of the Company resolve to authorise the Company to issue corporate bond for additional source of fund to the existing local and international lenders. The request was approved by the NBC on 22 February 2019.

As at 31 December 2018, the Company had 2,327 employees (31 December 2017: 2,065 employees).

2. Basis of Preparation

(a). Statement of Compliance

These financial statements have been prepared in accordance with Cambodian Accounting Standards ("CAS") and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2019.

(b). Basis of Measurement

The financial statements have been prepared on the historical cost basis.

(c). Functional and Presentation Currency

The Company transacts its business and maintains its accounting records in three currencies, Khmer Riel ("KHR"), United States Dollars ("US\$") and Thai Baht ("THB"). Management have determined the KHR to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than KHR 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 recognised in the income statement.

(d). Use of Estimates and Judgements

The preparation of financial statements in accordance with CAS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of incomes and expenses during the reporting year. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates and judgements are based on the management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

i. Impairment losses on loans and advances to customers and balances with banks

The Company follow the mandatory loan classification and provisioning as required by the National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. Loans and advances, other financial products and off-balance sheet financial commitments are classified into five classifications and the regulatory allowance is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral. The Directors believe that the loan aging (by past due days) as a basis to determine the loan classification is appropriate to determine the adequacy of its impairment losses on loans and advances so as to follow this Prakas.

ii. Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by tax authorities.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

iii. Seniority indemnity

The present value of back pay seniority indemnity obligation depends on a number of factors that are determined by management using a number of assumptions such as turnover rates. The assumptions used in determining the net cost for back pay seniority indemnity include discount rate. The management used the average fixed deposit interest rate from other banks and MFIs as a discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the back pay seniority indemnity obligation.

(e). New Financial Reporting Framework

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance ("the National Accounting Council" or "NAC") announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by the International Accounting Standard Board ("IASB"), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

Circular 058 MoEF.NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until periods beginning on or after 1 January 2019.

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a). Financial Instruments

The Company's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, investments, deposits and other receivables, borrowings and other payables.

(b). Basis of Aggregation

The Company's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

(c). Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities

of three months or less when purchased that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d). Loans to Customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and the allowance for bad and doubtful loans.

(e). Allowance for Bad and Doubtful Loans

In compliance with NBC Guidelines, all loans to customers are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, the number of days past due is taken into account as follows:

CLASSIFICATION	NUMBER OF DAYS PAST DUE	ALLOWANCE
Short-term loans (less than or equal one year):		
Normal/standard	<15 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

The allowance for bad and doubtful loan for specific allowance is calculated as a percentage of the loans outstanding at the time the loan is classified and is charged as an expense in the interim income statement.

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss", all collateral may be utilised, at market values approved by the NBC.

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by the management. Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgment of the management there is no prospect of recovery.

Recoveries on loans previously written off and reversal of previous allowances are disclosed as other income in the income statement.

(f). Interest in Suspense

Interest in suspense represents interest on non-performing loans to customers, that is recorded as an allowance rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivables.

(g). Balances with the NBC and banks

Balances with the NBC, excluding statutory deposits and banks are carried at cost less any allowance for uncollectible amount.

(h). Statutory Deposits

Statutory deposits, which is included in balances with the NBC, are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentage of minimum share capital and the customers' deposits as required by NBC. Statutory deposits are stated at cost.

(i). Other Assets

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the end of the reporting date.

(j). Investment

Investment in Credit Bureau of Cambodia ("CBC") is stated at cost less any impairment allowance to recognise non-temporary declines in the value of the investment.

(k). Property and Equipment

(i). Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii). Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the individual assets as follows:

	Years
Office furniture and equipment	3 - 5
Motor vehicles	4 - 5
Computer equipment	3
Leasehold improvements - Shorter of its useful life and contractual terms	5 - 7

Work in progress is not depreciated until they are ready for use as intended by the management.

- (iii). Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv). Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other income" in the income statement.
- (v). Fully depreciated property and equipment are retained in the financial statements until they are disposed of or written-off.

(l). Intangible Assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use.

Intangible assets are amortised over their estimated useful lives from 5 to 20 years using the straight-line method.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

(m). Impairment

(i). Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(e).

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed

collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii). Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(n). Deposits from Customers

Deposits from customers are stated at cost.

(o). Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalised and amortised on straight line basis over the period of each borrowing facilities to the income statement.

Borrowing costs (interest expense) shall be recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

(p). Subordinated Debts

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, if otherwise, it is treated as equity.

The subordinated debts which are approved by the NBC are included as a Tier II line item in the calculation of the Company's net worth in accordance with the guidelines of the NBC.

(q). Long-Term Employee Benefits

The Company's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(r). Provisions

Provisions are recognised if, as a result of a past event, the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(s). Income and Expense Recognition

Interest income on loans is recognised on an accruals basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Loan fee income is calculated using the principal and the applicable fee rate and is recognised as

income when the loan is disbursed to customers. Interest expenses on borrowings and subordinated debts are recognised on an accruals basis.

(t). Fee and Commission Income

The Company earns fee and commission income from a diverse range of services it provides to its customers, mainly from loan processing.

Fee and commission income is recognised when the service is provided to customers.

(u). Operating Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of lease.

(v). Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the law that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w). Reserves

- (i). The reserves are transferred from retaining earnings, according to the borrowing agreement between Instituto De Crédito Oficial (“ICO”) of the Kingdom of Spain and the Company, whereby the Company is required, during the life of the borrowing, to transfer each year to a separate reserves at 3.5% of the outstanding principal borrowing from ICO, under the Spanish Microfinance Program. These reserves are for Institutional Strengthening, and still retained in the other reserves account of the life of the loan, except otherwise to be agreed by ICO.
- (ii). General reserves are set up for any overall financial risk of the Company. The Board of Directors exercises its discretion for the use and maintenance of the general reserves by transferring from retained earnings.

(x). Related Parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or

significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

4. Translation of Khmer Riels into United States Dollars

The financial statements are stated in the Khmer Riel. The translations of the Khmer Riel amounts into the United States Dollars are included solely for presentation purposes and have been made using the prescribed official exchange rate of US\$1: KHR4,018 published by the NBC on 31 December 2018 (31 December 2017: KHR4,037). These convenience translations should not be construed as representations that the Khmer Riel amounts have been, could have been, or could in the future be, converted into the United States Dollars at this or any other rate of exchange.

5. Cash on Hand

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Head office	3,874,073	964,179	1,212,745	300,408
Branches	45,145,320	11,235,769	16,988,811	4,208,276
	49,019,393	12,199,948	18,201,556	4,508,684

The above amounts are analysed by currencies as follows:

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Khmer Riel	7,062,355	1,757,679	4,062,198	1,006,242
US Dollars	40,653,255	10,117,784	13,539,073	3,353,746
Thai Baht	1,303,783	324,485	600,285	148,696
	49,019,393	12,199,948	18,201,556	4,508,684

6. Balances with the National Bank of Cambodia

		As at 31 December 2018		As at 31 December 2017	
	Note	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Current accounts		211,274,359	52,581,971	18,223,246	4,514,056
Capital guarantee	(a)	12,000,000	2,986,560	7,168,410	1,775,677
Reserve requirement	(b)	94,248,047	23,456,458	36,711,926	9,093,864
		317,522,406	79,024,989	62,103,582	15,383,597

(a). Capital Guarantee

The statutory deposits are maintained with the NBC in compliance with Prakas No. B7-07-163 on the Licensing of Micro-Finance Deposit taking Institutions, the amounts of which are determined at 10% of the Company's registered share capital.

The statutory deposit on registered share capital is refundable when the Company voluntarily liquidates and has no deposit liabilities.

The statutory deposit on registered capital placed with NBC earns interest at the rate of 3% per annum (2017: 3% per annum).

(b). Reserve Requirement

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas B7-07-163 on Licensing of Micro-finance Deposit Taking Institutions.

The reserve requirement on customers' deposits fluctuates depending on the level of the customers' deposits. The reserve requirement relating to customers' deposits does not earn interest.

7. Balances with Banks

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Current accounts	41,057,816	10,218,471	26,161,697	6,480,480
Savings accounts	68,185,482	16,970,005	64,929,931	16,083,708
Fixed term accounts	-	-	4,844,400	1,200,000
	109,243,298	27,188,476	95,936,028	23,764,188
Regulatory allowances (Note 8)	(1,092,433)	(271,885)	-	-
	<u>108,150,865</u>	<u>26,916,591</u>	<u>95,936,028</u>	<u>23,764,188</u>

Balances with banks analysed as follows:

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
(a) By Currency:				
Khmer Riel	16,067,558	3,998,894	39,956,002	9,897,449
US Dollars	87,431,482	21,759,951	54,103,347	13,401,869
Thai Baht	5,744,258	1,429,631	1,876,679	464,870
	<u>109,243,298</u>	<u>27,188,476</u>	<u>95,936,028</u>	<u>23,764,188</u>
(b) By Maturity:				
Within 1 month	109,243,298	27,188,476	91,091,628	22,564,188
3 - 12 months	-	-	4,844,400	1,200,000
	<u>109,243,298</u>	<u>27,188,476</u>	<u>95,936,028</u>	<u>23,764,188</u>
(c) By Interest Rate (per annum):				
Current accounts	0% - 1.75%	0%		
Savings accounts	0.20% - 2.00%	0.25% - 1.50%		
Fixed deposits	<u>N/A</u>	<u>1.75% - 4.75%</u>		

8. Loans to Customers – Net

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Group loans:				
Fixed term	36,427,565	9,066,094	63,755,342	15,792,753
End of cycle	151,811,520	37,782,857	117,943,196	29,215,555
Individual loans:				
Fixed term	1,540,976,788	383,518,364	930,005,172	230,370,367
End of cycle	211,849,035	52,724,996	179,846,476	44,549,536
Staff loans	17,691,324	4,403,018	15,003,961	3,716,611
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>
Allowance for bad and doubtful loans:				
Specific allowance	(10,681,315)	(2,658,366)	(9,833,443)	(2,435,829)
General allowance	(19,399,150)	(4,828,061)	(12,880,957)	(3,190,725)
	<u>(30,080,465)</u>	<u>(7,486,427)</u>	<u>(22,714,400)</u>	<u>(5,626,554)</u>
	<u>1,928,675,767</u>	<u>480,008,902</u>	<u>1,283,839,747</u>	<u>318,018,268</u>

Allowance for impairment losses recognised in income statement is as follows:

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Allowance for loan losses	16,066,592	3,998,654	15,875,380	3,932,470
Regulatory allowance for balances with banks	1,092,433	271,885	-	-
	<u>17,159,025</u>	<u>4,270,539</u>	<u>15,875,380</u>	<u>3,932,470</u>

The movements in allowance for bad and doubtful loans to customers were as follows:

	Year Ended 31 December 2018		Year Ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
At 1 January	22,714,400	5,653,161	12,107,033	2,999,018
Allowance for the year	16,066,592	3,998,654	15,875,380	3,932,470
Written off during the year	(8,538,802)	(2,125,137)	(5,276,130)	(1,306,943)
Loss on foreign exchange	(161,725)	(40,251)	8,117	2,009
Currency translation differences	-	-	-	-
At 31 December	<u>30,080,465</u>	<u>7,486,427</u>	<u>22,714,400</u>	<u>5,626,554</u>

Loans to customers are analysed as follows:

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
(a) By Maturity:				
Within 1 month	65,531,462	16,309,473	44,575,745	11,041,800
2 to 3 months	145,341,115	36,172,502	91,336,485	22,624,841
4 - 12 months	546,109,615	135,915,783	420,516,609	104,165,620
Over 12 months	<u>1,201,774,040</u>	<u>299,097,571</u>	<u>750,125,308</u>	<u>185,812,561</u>
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>
(b) By Currency:				
Khmer Riel	376,639,935	93,738,162	290,019,103	71,840,253
US Dollars	1,468,871,736	365,572,856	936,725,722	232,035,106
Thai Baht	<u>113,244,561</u>	<u>28,184,311</u>	<u>79,809,322</u>	<u>19,769,463</u>
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>
(c) By Economic Sector:				
Agriculture	710,998,374	176,953,304	613,277,623	151,914,199
Household/family	554,624,663	138,035,008	289,682,107	71,756,777
Trade and commerce	324,788,234	80,833,309	227,096,501	56,253,778
Services	278,768,720	69,379,970	144,212,153	35,722,604
Construction	60,072,943	14,950,956	21,548,802	5,337,826
Transportation	8,615,126	2,144,133	3,242,308	803,148
Other categories	<u>20,888,172</u>	<u>5,198,649</u>	<u>7,494,653</u>	<u>1,856,490</u>
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
(d) By Residency Status:		(Note 4)		(Note 4)
Residents	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>
(e) By Relationship:				
External customers	<u>1,941,064,908</u>	<u>483,092,311</u>	<u>1,291,550,186</u>	<u>319,928,211</u>
Staff loans	<u>17,554,677</u>	<u>4,369,009</u>	<u>14,882,851</u>	<u>3,686,611</u>
Related parties	<u>136,647</u>	<u>34,009</u>	<u>121,110</u>	<u>30,000</u>
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>

Secured loans are those loans guaranteed by land ownership either soft and hard title deed.

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
(f) By Performance:		(Note 4)		(Note 4)
Standard loans:				
Secured	<u>1,755,410,399</u>	<u>436,886,610</u>	<u>1,112,478,312</u>	<u>275,570,550</u>
Unsecured	<u>184,504,489</u>	<u>45,919,485</u>	<u>175,671,301</u>	<u>43,515,309</u>
Special mentioned:				
Secured	<u>2,228,930</u>	<u>554,736</u>	<u>1,845,924</u>	<u>457,251</u>
Unsecured	<u>434,819</u>	<u>108,218</u>	<u>541,460</u>	<u>134,124</u>
Sub-standard loans:				
Secured	<u>2,572,807</u>	<u>640,320</u>	<u>2,592,043</u>	<u>642,072</u>
Unsecured	<u>577,559</u>	<u>143,743</u>	<u>871,490</u>	<u>215,876</u>
Doubtful loans:				
Secured	<u>4,905,424</u>	<u>1,220,862</u>	<u>4,434,643</u>	<u>1,098,500</u>
Unsecured	<u>1,206,375</u>	<u>300,243</u>	<u>2,537,591</u>	<u>628,583</u>
Loss loans:				
Secured	<u>5,399,587</u>	<u>1,343,849</u>	<u>3,504,687</u>	<u>868,141</u>
Unsecured	<u>1,515,843</u>	<u>377,263</u>	<u>2,076,696</u>	<u>514,416</u>
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>
(g) By Locations:				
Head office	<u>2,963,446</u>	<u>737,543</u>	<u>2,617,474</u>	<u>648,371</u>
Branches	<u>1,955,792,786</u>	<u>486,757,786</u>	<u>1,303,936,673</u>	<u>322,996,451</u>
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>

**As at
31 December 2018**

**As at
31 December 2017**

(h) By Interest Rate (per month):

Khmer Riel	1.50%	1.00% - 3.50%
US Dollars	1.20% – 1.50%	1.20% - 3.00%
Thai Baht	1.50%	1.00% - 3.50%

In order to comply with the Prakas No. B7-017-109 on the interest rate cap issued by the NBC on 13 March 2017, the Company cap the interest rate to a maximum of 18% per annum for new loan contract entered from 1 April 2017.

9. Other Assets

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Interest receivable	20,760,433	5,166,857	16,468,122	4,079,297
Interest in suspense	(2,500,378)	(622,294)	(2,626,489)	(650,604)
Net interest receivable	18,260,055	4,544,563	13,841,633	3,428,693
Prepayments	6,310,323	1,570,513	4,379,063	1,084,732
Unamortised borrowing fees	4,926,726	1,226,164	3,465,250	858,373
Others	14,608,775	3,635,833	2,293,225	568,051
	<u>44,105,879</u>	<u>10,977,073</u>	<u>23,979,171</u>	<u>5,939,849</u>

10. Property and Equipment

	Office furniture and equipment KHR' 000	Motor vehicles KHR' 000	Computer equipment KHR' 000	Leasehold improvements KHR' 000	Total KHR' 000
31 December 2018					
Cost					
At 1 January 2018	2,622,768	12,458,251	6,330,598	1,080,946	22,492,563
Additions	563,394	645,154	1,481,947	306,554	2,997,049
Disposals	(41,886)	(321,891)	(68,890)	-	(432,667)
Write off	(23,765)	(186,827)	(136,552)	-	(347,144)
At 31 December 2018	<u>3,120,511</u>	<u>12,594,687</u>	<u>7,607,103</u>	<u>1,387,500</u>	<u>24,709,801</u>

	Office furniture and equipment	Motor vehicle	Computer equipment	Leasehold improvements	Total
	KHR' 000	KHR' 000	KHR' 000	KHR' 000	KHR' 000
Less: Accumulated depreciation					
At 1 January 2018	1,770,988	9,256,663	3,585,914	378,899	14,992,464
Depreciation for the year	551,011	1,617,382	1,613,922	160,854	3,943,169
Disposals	(41,886)	(321,891)	(65,619)	-	(429,396)
Write off	(22,821)	(183,677)	(134,478)	-	(340,976)
At 31 December 2018	<u>2,257,292</u>	<u>10,368,477</u>	<u>4,999,739</u>	<u>539,753</u>	<u>18,165,261</u>
Carrying amounts					
At 31 December 2018	<u>863,219</u>	<u>2,226,210</u>	<u>2,607,364</u>	<u>847,747</u>	<u>6,544,540</u>
US\$ equivalents – Note 4	<u>214,838</u>	<u>554,059</u>	<u>648,921</u>	<u>210,988</u>	<u>1,628,806</u>

	Office furniture and equipment	Motor vehicle	Computer equipment	Leasehold improvements	Work in progress	Total
	KHR' 000	KHR' 000	KHR' 000	KHR' 000	KHR' 000	KHR' 000
31 December 2017						
Cost						
At 1 January 2017	2,355,703	11,689,221	3,896,699	1,030,335	1,990,463	20,962,421
Additions	308,992	957,756	667,659	50,611	-	1,985,018
Transfer	-	-	1,990,463	-	(1,990,463)	-
Disposals	(17,910)	(188,726)	(58,969)	-	-	(265,605)
Write off	(24,017)	-	(165,254)	-	-	(189,271)
At 31 December 2017	<u>2,622,768</u>	<u>12,458,251</u>	<u>6,330,598</u>	<u>1,080,946</u>	<u>-</u>	<u>22,492,563</u>
Less: Accumulated depreciation						
At 1 January 2017	(1,234,939)	(7,560,601)	(2,645,731)	(235,484)	-	(11,676,755)
Depreciation for the year	(574,094)	(1,879,200)	(1,160,427)	(143,415)	-	(3,757,136)
Disposals	15,906	183,138	55,134	-	-	254,178
Write off	22,139	-	165,110	-	-	187,249
At 31 December 2017	<u>(1,770,988)</u>	<u>(9,256,663)</u>	<u>(3,585,914)</u>	<u>(378,899)</u>	<u>-</u>	<u>(14,992,464)</u>
Carrying amounts						
At 31 December 2017	<u>851,780</u>	<u>3,201,588</u>	<u>2,744,684</u>	<u>702,047</u>	<u>-</u>	<u>7,500,099</u>
US\$ equivalents – Note 4	<u>210,994</u>	<u>793,061</u>	<u>679,882</u>	<u>173,903</u>	<u>-</u>	<u>1,857,840</u>

11. Intangible Assets

	Work in progress	Software and license	Total
31 December 2018	KHR' 000	KHR' 000	KHR' 000
Cost			
At 1 January 2018	-	3,748,788	3,748,788
Additions	910,792	431,446	1,342,238
At 31 December 2018	910,792	4,180,234	5,091,026
Less: Accumulated amortisation			
At 1 January 2018	-	359,024	359,024
Amortisation for the year	-	226,193	226,193
At 31 December 2018	-	585,217	585,217
Carrying amounts			
At 31 December 2018	910,792	3,595,017	4,505,809
US\$ equivalents – Note 4	226,678	894,728	1,121,406

	Work in progress	Software and license	Total
31 December 2017	KHR' 000	KHR' 000	KHR' 000
Cost			
At 1 January 2017	2,298,578	282,014	2,580,592
Additions	406,560	761,636	1,168,196
Transfer	(2,705,138)	2,705,138	-
At 31 December 2017	-	3,748,788	3,748,788
Less: Accumulated amortisation			
At 1 January 2017	-	(228,671)	(228,671)
Amortisation for the year	-	(130,353)	(130,353)
At 31 December 2017	-	(359,024)	(359,024)
Carrying amounts			
At 31 December 2017	-	3,389,764	3,389,764
US\$ equivalents – Note 4	-	839,674	839,674

12. Income Tax

(a) Deferred Tax Assets, Net

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
Deferred tax assets, net	<u>7,581,894</u>	<u>1,886,982</u>	<u>4,404,379</u>	<u>1,091,003</u>

Movement in net deferred tax is as follows:

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
At 1 January	4,404,379	1,091,003	3,444,234	853,167
Credited to income statement	<u>3,177,515</u>	<u>790,820</u>	<u>960,145</u>	<u>237,836</u>
Currency translation differences	<u>-</u>	<u>5,159</u>	<u>-</u>	<u>-</u>
At 31 December	<u>7,581,894</u>	<u>1,886,982</u>	<u>4,404,379</u>	<u>1,091,003</u>

Movements of deferred tax assets, net are attributable to the following:

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
Allowance for loan losses	1,297,375	322,891	787,626	195,102
Staff bonuses	1,715,556	426,968	42,199	10,453
Unrealised foreign exchange	61,912	15,409	267,093	66,161
Depreciation and amortisation	102,672	25,552	24,707	6,120
Other accruals	<u>-</u>	<u>-</u>	<u>(161,480)</u>	<u>(40,000)</u>
	<u>3,177,515</u>	<u>790,820</u>	<u>960,145</u>	<u>237,836</u>

(b) Current Income Tax Liability

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
At 1 January	13,836,836	3,427,505	13,946,327	3,454,626
Current income tax expense	23,925,436	5,954,563	16,469,666	4,079,679
Income tax paid	<u>(17,238,339)</u>	<u>(4,290,278)</u>	<u>(16,579,157)</u>	<u>(4,106,800)</u>
Currency translation differences	<u>-</u>	<u>16,207</u>	<u>-</u>	<u>-</u>
At 31 December	<u>20,523,933</u>	<u>5,107,997</u>	<u>13,836,836</u>	<u>3,427,505</u>

(c) Income Tax Expense

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Current income tax	23,925,436	5,954,563	16,469,666	4,079,679
Deferred tax	(3,177,515)	(790,820)	(960,145)	(237,836)
	<u>20,747,921</u>	<u>5,163,743</u>	<u>15,509,521</u>	<u>3,841,843</u>

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax at the rate of 20% of taxable profits.

The reconciliation of income tax computed at the statutory tax rate to the income tax expense in the income statement is shown as follows:

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Profit before income tax	<u>101,778,322</u>	<u>25,330,592</u>	<u>76,700,350</u>	<u>18,999,343</u>
Tax at applicable income tax rate at 20%	20,355,664	5,066,118	15,340,070	3,799,869
Non-deductible expenses	<u>392,257</u>	<u>97,625</u>	<u>169,451</u>	<u>41,974</u>
	<u>20,747,921</u>	<u>5,163,743</u>	<u>15,509,521</u>	<u>3,841,843</u>

The calculation of income tax is subject to the review and assessment of the tax authorities.

13. Deposits from Banks and Other Financial Institutions

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Savings deposits	2,081,407	518,021	229,060	56,740
Term deposits	<u>74,384,817</u>	<u>18,512,896</u>	<u>41,774,736</u>	<u>10,347,965</u>
	<u>76,466,224</u>	<u>19,030,917</u>	<u>42,003,796</u>	<u>10,404,705</u>

The deposits from banks and other financial institutions are in US\$ and bear interest at rates of 5% per annum for savings deposits and term deposits ranging from 2.00% to 6.50% per annum (31 December 2017: 4.50% to 6.50% per annum).

14. Deposits from Customers

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Savings deposits	97,800,373	24,340,561	36,963,674	9,156,224
Term deposits	760,817,667	189,352,331	285,631,755	70,753,469
	<u>858,618,040</u>	<u>213,692,892</u>	<u>322,595,429</u>	<u>79,909,693</u>

The above amounts are analysed as follows:

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
(a) By Maturity:				
Within 1 month	116,935,993	29,103,035	54,964,756	13,615,248
2 to 3 months	111,713,445	27,803,247	58,679,318	14,535,377
4 to 12 months	461,874,856	114,951,433	126,544,648	31,346,210
1 - 5 years	168,093,746	41,835,177	77,934,496	19,305,052
Over 5 years	-	-	4,472,211	1,107,806
	<u>858,618,040</u>	<u>213,692,892</u>	<u>322,595,429</u>	<u>79,909,693</u>
(b) By Currency:				
Khmer Riel	122,762,563	30,553,151	54,270,489	13,443,272
US Dollars	730,013,909	181,685,891	265,696,480	65,815,328
Thai Baht	5,841,568	1,453,850	2,628,460	651,093
	<u>858,618,040</u>	<u>213,692,892</u>	<u>322,595,429</u>	<u>79,909,693</u>
(c) By Relationship:				
Third parties	839,824,248	209,015,492	315,647,751	78,188,692
Staff	15,396,780	3,831,951	3,944,118	976,993
Related parties	3,397,012	845,449	3,003,560	744,008
	<u>858,618,040</u>	<u>213,692,892</u>	<u>322,595,429</u>	<u>79,909,693</u>
(d) By Interest Rate (per annum)				
Savings deposits	5.00%		1.00% - 5.00%	
Fixed deposit	3.25% - 12.00%		5.25% - 10.50%	

15. Provision for Employee Benefits

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018. This Prakas requires all employers to settle the seniority indemnity to their employee starting from 2019 onward. The payment is determined at the amounts equal to 15 days of net wage per year.

It is also required the employer to settle the retrospective

(back-pay) seniority indemnity at a maximum amount of 6 months (depends on the length of the service employee served) to the employee who has seniority before 2019 but not excluding.

Payments is to be made twice a year, in June and December at 7.5 days each. Employee does not entitle to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the entity.

Assumptions:

The following are the principal assumptions at the reporting date.

Discount rate *	7.32%
Term of payments	7.5 days each in June and December
Turnover rate	3.30% - 33.30%

* As information on Cambodian corporate or government bonds are not readily available, the Company has analysed the medium to long term deposit rates in denomination of US\$ of major banks and Microfinance institution in Cambodia.

Movement of provision for employee benefits is as follows:

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
At 1 January	-	-	-	-
Recognised in profit or loss	4,323,740	1,076,094	-	-
As at 31 December	4,323,740	1,076,094		

16. Other Liabilities

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
External customers	28,633,767	7,126,373	16,388,898	4,059,672
Related parties	53,796	13,389	306,298	75,873
Interest payables	28,687,563	7,139,762	16,695,196	4,135,545
Staff bonuses and incentives	14,802,266	3,683,989	12,023,987	2,978,446
Withholding tax payable	1,311,765	326,472	947,097	234,604
Accrued other expenses	7,693,276	1,914,703	877,622	217,395
Other payables	11,800,559	2,936,922	7,857,074	1,946,265
	64,295,429	16,001,848	38,400,976	9,512,255

17. Borrowings

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Local banks	217,820,699	54,211,224	144,314,272	35,747,900
Borrowings from overseas (*)	870,635,812	216,683,876	685,693,711	169,852,295
	<u>1,088,456,511</u>	<u>270,895,100</u>	<u>830,007,983</u>	<u>205,600,195</u>

(*) It included the subordinated debts of KHR 83.57 billion (equivalent to US\$20.8 million)

(31 December 2017: KHR42 billion, equivalent to US\$10.4 million) approved by the NBC.

The Company has entered into borrowing agreements with various lenders. The repayments of principal and interest are made either on a monthly, quarterly, semi-annual or annual basis based on the repayment schedule for each of the borrowing agreements.

Movement of borrowings during the year are as follows:

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
At 1 January	830,007,983	205,600,195	708,288,413	175,449,198
Additional borrowings	590,585,241	146,984,878	466,832,214	115,638,399
Repayments	(332,136,713)	(82,662,198)	(345,112,644)	(85,487,402)
Currency translation differences	-	972,225	-	-
At 31 December	<u>1,088,456,511</u>	<u>270,895,100</u>	<u>830,007,983</u>	<u>205,600,195</u>

Borrowings are analysed as follows:

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
(a) By Maturity:				
Within 1 month	13,785,613	3,430,964	3,320,804	822,592
2 to 3 months	65,420,993	16,281,979	19,401,773	4,805,988
4 to 12 months	264,831,618	65,911,304	264,665,534	65,559,954
1 - 5 years	715,859,579	178,163,161	542,619,872	134,411,661
Over 5 years	28,558,708	7,107,692	-	-
	<u>1,088,456,511</u>	<u>270,895,100</u>	<u>830,007,983</u>	<u>205,600,195</u>

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
(b) By Currency:				
Khmer Riel	66,752,945	16,613,476	35,959,804	8,907,556
US Dollars	926,219,162	230,517,462	722,921,329	179,073,899
Thai Baht	95,484,404	23,764,162	71,126,850	17,618,740
	<u>1,088,456,511</u>	<u>270,895,100</u>	<u>830,007,983</u>	<u>205,600,195</u>

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
(c) By Relationship:				
Third parties	1,088,456,511	270,895,100	807,582,730	200,045,264
Related parties	-	-	22,425,253	5,554,931
	<u>1,088,456,511</u>	<u>270,895,100</u>	<u>830,007,983</u>	<u>205,600,195</u>

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
(d) By Interest Rate (in currency and per annum):				
Khmer Riel		6.00% - 11.00%		6.00% - 12.20%
US Dollars		2.55% - 10.50%		2.55% - 10.50%
Thai Baht		<u>6.85% - 9.80%</u>		<u>7.50% - 10.85%</u>

18. Share Capital

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
Registered, issued and fully paid share of KHR100,000 each 1.2 million shares	<u>120,000,000</u>	<u>29,865,605</u>	<u>71,684,100</u>	<u>17,756,775</u>

As at 31 December 2018, the Company's shareholders and their respective interest are as follows:

	As at 31 December 2018			As at 31 December 2017		
	% of shareholding	Number of share	Amount KHR'000	% of shareholding	Number of share	Amount KHR'000
LOLC Private Limited	96.97%	1,163,642	116,364,200	-	-	-
TPC-ESOP Co., Ltd. (*)	3.03%	36,358	3,635,800	3.03%	21,719	2,171,900
LOLC Micro Investments Ltd.	-	-	-	60.00%	430,107	43,010,700
DWM Investment Asia Ltd	-	-	-	36.97%	265,015	26,501,500
	<u>100.00%</u>	<u>1,200,000</u>	<u>120,000,000</u>	<u>100.00%</u>	<u>716,841</u>	<u>71,684,100</u>

- (*) TPC-ESOP is a vehicle through which eligible employees can acquire an ownership interest in the Company. The ESOP serves as an employee benefit that enables employees to contribute long-term growth of the Company.

On 3 November 2016, the Board of Directors resolved to increase the share capital of the Company from KHR23,368,200 thousand (equivalent to US\$5,815,879) to KHR120,000,000 thousand (equivalent to US\$29,865,605) by increasing the number of shares from 233,682 shares to 1,200,000 shares.

The share capital was 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 US\$11,968,269) converted by January 2017 and another 50% of the second tranche amounting to KHR48,315,900 thousand (equivalent to US\$12,024,863) was to be converted by January 2018.

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 US\$17,840,742) to KHR120,000,000 thousand (equivalent to US\$29,865,605). The request was approved by the NBC on 9 May 2018.

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 and endorsed by the MoC on 25 June 2018.

19. Advance Capital Contribution

On 12 November 2018, the Board of Directors approved to increase the registered capital to KHR140,846,600 thousand via cash capital injection from LOLC Private Limited and TPC-ESOP Co., Ltd amounting to KHR20,215,000 thousand and KHR631,600 thousand,

respectively. As of the date of these financial statements, the Company is waiting for the final approval from the NBC and the endorsement on the revised Memorandum of Articles of Association ("MoAA") by the Ministry of the Commerce ("MOC").

20. Interest Income

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Loans to customers	291,035,787	72,432,998	233,429,614	57,822,545
Placements with banks	1,156,511	287,833	1,760,574	436,109
	<u>292,192,298</u>	<u>72,720,831</u>	<u>235,190,188</u>	<u>58,258,654</u>

21. Interest Expense

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Local borrowings	13,784,477	3,430,681	7,692,264	1,905,441
Overseas borrowings	69,254,520	17,236,068	63,471,478	15,722,437
Customers' deposits	43,312,826	10,779,698	14,670,835	3,634,093
	<u>126,351,823</u>	<u>31,446,447</u>	<u>85,834,577</u>	<u>21,261,971</u>

22. Other Income

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Fees and commission on loans	71,613,944	17,823,281	32,258,204	7,990,638
Penalty income	4,716,080	1,173,738	2,333,731	578,085
Recovery from loans written off	1,263,852	314,548	651,884	161,477
Gains on disposals of property and equipment	156,553	38,963	53,255	13,192
Others	934,469	232,571	432,590	107,156
	<u>78,684,898</u>	<u>19,583,101</u>	<u>35,729,664</u>	<u>8,850,548</u>

23. Commission Expenses

Commission expenses represent payments to the group loan collection coordinators and to Credit Bureau Cambodia ("CBC") on borrowers' information enquiry.

24. Personnel Expenses

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Salaries and wages	68,251,668	16,986,478	52,306,024	12,956,657
Other short-term benefits	7,783,721	1,937,213	5,726,069	1,418,397
	<u>76,035,389</u>	<u>18,923,691</u>	<u>58,032,093</u>	<u>14,375,054</u>

25. General and Administrative Expenses

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Bank and service charges				
and other fees	7,588,956	1,888,740	5,066,018	1,254,897
Rental expenses	7,206,392	1,793,527	6,339,322	1,570,305
Travelling expenses	3,704,918	922,080	3,419,131	846,948
Office supplies and equipment	1,806,897	449,701	1,323,938	327,951
Marketing expenses	1,394,803	347,139	1,042,779	258,305
Utilities	1,354,888	337,205	1,295,463	320,897
Professional services	1,968,668	489,962	1,635,545	405,139
Communications	1,293,275	321,870	1,144,523	283,508
Security expenses	1,079,717	268,720	1,025,534	254,034
Board of Directors' fees	549,552	136,773	502,503	124,474
Photocopies and printing	283,356	70,522	337,486	83,598
License fees	1,504,081	374,336	1,142,576	283,026
Other expenses	2,700,499	672,100	4,439,574	1,099,721
Other tax expenses	7,815,792	1,945,194	551,681	136,656
Other office expenses	702,480	174,833	577,437	143,036
Other insurance expenses	1,720,969	428,314	380,863	94,345
	<u>42,675,243</u>	<u>10,621,016</u>	<u>30,224,374</u>	<u>7,486,840</u>

26. Cash and Cash Equivalents

		As at 31 December 2018		As at 31 December 2017	
		KHR' 000	US\$	KHR' 000	US\$
Note			(Note 4)		(Note 4)
Bank overdrafts		-	-	(963,916)	(238,770)
Cash on hand	5	49,019,393	12,199,948	18,201,556	4,508,684
Balances with the National					
Bank of Cambodia	6	211,274,359	52,581,971	18,223,246	4,514,056
Balances with banks	7	109,243,298	27,188,476	91,091,628	22,564,188
Cash and cash equivalents		<u>369,537,050</u>	<u>91,970,395</u>	<u>126,552,514</u>	<u>31,348,158</u>

27. Related Party Balances and Transactions

(a) Board of Directors' Fee

		Year ended 31 December 2018		Year ended 31 December 2017	
		KHR' 000	US\$	KHR' 000	US\$
			(Note 4)		(Note 4)
Board fees		<u>549,552</u>	<u>136,773</u>	<u>502,503</u>	<u>124,474</u>

(b) Key Management Personnel

		As at 31 December 2018		As at 31 December 2017	
		KHR' 000	US\$	KHR' 000	US\$
			(Note 4)		(Note 4)
Salaries and short-term benefit payable		<u>444,313</u>	<u>110,581</u>	<u>962,376</u>	<u>238,389</u>

		Year ended 31 December 2018		Year ended 31 December 2017	
		KHR' 000	US\$	KHR' 000	US\$
			(Note 4)		(Note 4)
Salaries and short-term benefit expenses		<u>2,287,926</u>	<u>569,419</u>	<u>2,185,389</u>	<u>541,340</u>

(c) Loans to Shareholders

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Loan outstanding	136,647	34,009	121,110	30,000
Accrued interest receivable	182	45	121	30
	<u>136,829</u>	<u>34,054</u>	<u>121,231</u>	<u>30,030</u>

(d) Interest Income from Shareholders

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Interest income	14,846	3,695	11,417	2,828

(e) Deposits from Related Parties

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Shareholders:				
Deposit outstanding	294,793	73,368	1,959,477	485,379
Accrued interest payable	8,678	2,160	14,557	3,606
	<u>303,471</u>	<u>75,528</u>	<u>1,974,034</u>	<u>488,985</u>
Board of Directors:				
Deposit outstanding	589,058	146,605	299,506	74,190
Accrued interest payable	15,670	3,900	3,690	914
	<u>604,728</u>	<u>150,505</u>	<u>303,196</u>	<u>75,104</u>
Key management:				
Deposit outstanding	2,513,161	625,476	884,353	219,062
Accrued interest payable	29,448	7,329	20,191	5,001
	<u>2,542,610</u>	<u>632,805</u>	<u>904,544</u>	<u>224,063</u>
Interest expenses in respect of deposit from related parties:				
Shareholders	31,151	7,753	167,782	41,561
Board of Directors	69,190	17,220	26,821	6,644
Key management	159,420	39,676	81,333	20,147
	<u>259,761</u>	<u>64,649</u>	<u>275,936</u>	<u>68,352</u>

(f) **Borrowing from Shareholders**

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Outstanding borrowings	-	-	22,425,253	5,554,931
Accrued interest payable	-	-	267,861	66,351
	<u>-</u>	<u>-</u>	<u>22,693,114</u>	<u>5,621,282</u>

	Year ended 31 December 2018		Year ended 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Interest expense	<u>-</u>	<u>-</u>	<u>1,293,602</u>	<u>320,436</u>

28. Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage its risk exposures.

Financial assets are the contractual rights to receive cash or another financial asset from another entity. It is classified as loan and receivables and comprised of cash on hand, balances with the NBC, balances with banks, loans to customers and other assets.

Financial liabilities are contractual obligations to deliver cash or another financial asset to another entity. It is classified as other liabilities and comprised of deposits from customers, bank overdrafts, borrowings and other liabilities.

The guidelines and policies adopted by the Company to manage the risks that arise in the conduct of business activities are as follows:

(a). Credit Risk

Credit risk is the financial loss to the Company if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans to customers.

(i). Management of Credit Risk

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Company's own internal grading system, and procedures implemented to ensure compliance with the NBC guidelines.

(ii). Risk Limit Control and Mitigation Policies

The Company operates and provides loans to group, individuals or enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loans and 3% for group loans of the Company's net worth under the conditions of Prakas No. B7-07-163 of the NBC. Moreover, the general allowance has been provided on non-performing loan in addition to the existing specific provision to ensure the risk coverage ratio up to 100%.

The Company employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security in the form of collateral for loans to customers, which is a common practice. The Company implements guidelines on the acceptability of specific classes of collateral or

credit risk mitigation. The principal collateral types to secure for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

(iii) Exposure to Credit Risk

The Company main exposure to credit risk is the loans to customers since they represented over 80% of the financial assets.

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$	KHR' 000	US\$
		(Note 4)		(Note 4)
Loans to customers				
Neither past due nor impaired	1,923,447,177	478,707,611	1,279,398,591	316,918,155
Past due but not impaired	5,228,590	1,301,291	4,441,156	1,100,113
Individually impaired	30,080,465	7,486,427	22,714,400	5,626,554
	<u>1,958,756,232</u>	<u>487,495,329</u>	<u>1,306,554,147</u>	<u>323,644,822</u>
Allowance for bad and doubtful loans	<u>(30,080,465)</u>	<u>(7,486,427)</u>	<u>(22,714,400)</u>	<u>(5,626,554)</u>
	<u><u>1,928,675,767</u></u>	<u><u>480,008,902</u></u>	<u><u>1,283,839,747</u></u>	<u><u>318,018,268</u></u>

Neither Past due nor Impaired

Neither past due nor impaired loans to customers are good quality loans to customers for which there is no experience of default and management views that likelihood of default is relatively low.

A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(e).

Past due but not Impaired Loans to Customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 31 days for long-term loans and 15 days for short-term loans, unless other information is available to indicate otherwise.

Impaired Loans to Customers

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

compliance with NBC guidelines, an allowance for doubtful loans to customers is made for loan to customers with payment overdue more than 30 days for short-term loans and 90 days for long-term loans.

Reposessed Collateral

During the year ended 31 December 2018, the Company did not obtain any assets by taking possession of collateral held as security (31 December 2017: Nil).

(b). Operational Risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing

authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

(c). Market Risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

(i). Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ and the Thai Baht. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Management monitors its foreign exchange risk against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the NBC. The Company does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities by using forward contracts.

Concentration of Currency Risk

The amounts of financial assets and liabilities, by currency denomination, are as follows:

31 December 2018	Denomination KHR'000 equivalents			
	KHR	US\$	THB	Total
Financial assets				
Cash on hand	7,062,355	40,653,255	1,303,783	49,019,393
Balances with the NBC	116,441,716	94,832,643	-	211,274,359
Balances with banks	15,906,882	86,557,167	5,686,816	108,150,865
Investment	-	60,270	-	60,270
Loans to customers	370,059,337	1,447,353,840	111,262,590	1,928,675,767
Other assets	4,214,352	16,646,120	1,158,956	22,019,428
	<u>513,684,642</u>	<u>1,686,103,295</u>	<u>119,412,145</u>	<u>2,319,200,082</u>

	Denomination KHR'000 equivalents			
31 December 2018	KHR	US\$	THB	Total
Financial liabilities				
Deposits from banks and other				
financial institutions	5,728,378	70,737,846	-	76,466,224
Deposits from customers	122,762,563	730,013,909	5,841,568	858,618,040
Borrowings	66,752,945	926,219,162	95,484,404	1,088,456,511
Other liabilities	22,674,694	39,347,428	2,068,396	64,090,518
	217,918,580	1,766,318,345	103,394,368	2,087,631,293
Net asset/(liability) position	295,766,062	(80,215,050)	16,017,777	231,568,789
US\$ equivalents (Note 4)	73,610,269	(19,963,925)	3,986,505	57,632,849

The aggregate amounts of financial assets and liabilities, by currency denomination, are as follows:

	Denomination KHR'000 equivalents			
31 December 2017	KHR	US\$	THB	Total
Financial assets				
Cash on hand	4,062,198	13,539,073	600,285	18,201,556
Balances with the NBC	18,077,222	146,024	-	18,223,246
Balances with banks	39,956,002	54,103,347	1,876,679	95,936,028
Investment	-	60,555	-	60,555
Loans to customers	283,259,844	922,366,897	78,213,006	1,283,839,747
Other assets	3,676,301	10,041,469	959,551	14,677,321
	<u>349,031,567</u>	<u>1,000,257,365</u>	<u>81,649,521</u>	<u>1,430,938,453</u>
Financial liabilities				
Deposits from banks and other				
financial institutions	8,400,000	33,603,796	-	42,003,796
Deposits from customers	54,270,489	265,696,480	2,628,460	322,595,429
Bank overdrafts	-	963,916	-	963,916
Borrowings	35,959,804	722,921,329	71,126,850	830,007,983
Other liabilities	16,358,299	19,230,616	1,855,090	37,444,005
	<u>114,988,592</u>	<u>1,042,416,137</u>	<u>75,610,400</u>	<u>1,233,015,129</u>
Net asset/(liability) position	<u>234,042,975</u>	<u>(42,158,772)</u>	<u>6,039,121</u>	<u>197,923,324</u>
US\$ equivalents (Note 4)	57,974,480	(10,443,094)	1,495,943	49,027,328

Sensitivity analysis

As at 31 December 2018, if the KHR had weakened/strengthened by 1% against US\$ with all other variables held constant, the recalculated net profit for the year would have been KHR799 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of its financial assets and financial liabilities.

As at 31 December 2018, if the KHR had weakened/ strengthened by 1% against THB with all other variables held constant, the recalculated net profit for the year would have been KHR159 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of its financial assets and financial liabilities.

ii. Interest rate risk

Interest rate risk refers to the volatility

in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loan, deposits and borrowings.

Since the majority of financial assets are short-term and the interest rates are subject to changes with the market rates, the Company does not use any derivative financial instrument to hedge the risk. As the majority of borrowings is with a fixed rate, plus the average term from borrowings is longer than loans to customers, the interest risk is minimised.

The following table indicates the effective interest rates at the reporting date and the periods in which the financial instruments re-price or mature, whichever is earlier.

31 December 2018	Up to 1 month KHR' 000	> 1 – 3 months KHR' 000	> 3 – 12 months KHR' 000	> 1 – 5 years KHR' 000	Over 5 Years KHR' 000	Non-interest bearing KHR' 000	Total KHR' 000
Financial assets							
Cash on hand	-	-	-	-	-	49,019,393	49,019,393
Balance with the NBC	10,079,275	-	200,000	-	-	200,995,084	211,274,359
Balance with banks	67,093,049	-	-	-	-	41,057,816	108,150,865
Loans to customers	35,450,997	145,341,115	546,109,615	1,183,166,870	18,607,170	-	1,928,675,767
Investment	-	-	-	-	-	60,270	60,270
Other assets	-	-	-	-	-	22,019,428	22,019,428
	<u>112,623,321</u>	<u>145,341,115</u>	<u>546,309,615</u>	<u>1,183,166,870</u>	<u>18,607,170</u>	<u>313,151,991</u>	<u>2,319,200,082</u>
Financial liabilities							
Deposits from banks and							
other financial institutions	2,081,407	15,268,764	59,116,053	-	-	-	76,466,224
Deposits from customers	32,300,786	105,333,859	409,488,589	211,613,025	-	99,881,781	858,618,040
Borrowings	41,911,613	76,972,743	310,536,368	630,477,079	28,558,708	-	1,088,456,511
Other liabilities	-	-	-	-	-	64,090,518	64,090,518
	<u>76,293,806</u>	<u>197,575,366</u>	<u>779,141,010</u>	<u>842,090,104</u>	<u>28,558,708</u>	<u>163,972,299</u>	<u>2,087,631,293</u>
Gaps – KHR'000	<u>36,329,515</u>	<u>(52,234,251)</u>	<u>(232,831,395)</u>	<u>341,076,766</u>	<u>(9,951,538)</u>	<u>149,179,692</u>	<u>231,568,789</u>
US\$ equivalents – (Note 4)	<u>9,041,691</u>	<u>(13,000,062)</u>	<u>(57,947,087)</u>	<u>84,887,199</u>	<u>(2,476,739)</u>	<u>37,127,848</u>	<u>57,632,850</u>

31 December 2017	Up to 1 month KHR' 000	> 1 – 3 months KHR' 000	> 3 – 12 months KHR' 000	> 1 – 5 years KHR' 000	Over 5 Years KHR' 000	Non-interest bearing KHR' 000	Total KHR' 000
Financial assets							
Cash on hand	-	-	-	-	-	18,201,556	18,201,556
Balance with the NBC	-	-	200,000	-	-	18,023,246	18,223,246
Balance with banks	64,929,931	-	4,844,400	-	-	26,161,697	95,936,028
Loans to customers							
- Performing loans	21,861,345	91,336,485	420,516,609	739,987,674	10,137,634	-	1,283,839,747
Investment	-	-	-	-	-	60,555	60,555
Other assets	-	-	-	-	-	14,677,321	14,677,321
	86,791,276	91,336,485	425,561,009	739,987,674	10,137,634	77,124,375	1,430,938,453
Financial liabilities							
Deposits from banks and other							
financial institutions	20,431,781	2,831,955	18,511,000	-	229,060	-	42,003,796
Deposits from customers	54,964,756	58,679,318	126,544,648	77,934,496	4,472,211	-	322,595,429
Bank overdrafts	963,916	-	-	-	-	-	963,916
Borrowings	3,320,804	19,401,773	264,442,484	542,619,870	-	223,052	830,007,983
Other liabilities	-	-	-	-	-	37,444,005	37,444,005
Gaps – KHR'000	<u>79,681,257</u>	<u>80,913,046</u>	<u>409,498,132</u>	<u>620,554,366</u>	<u>4,701,271</u>	<u>37,667,057</u>	<u>1,233,015,129</u>
US\$ equivalents – (Note 4)	<u>7,110,019</u>	<u>10,423,439</u>	<u>16,062,877</u>	<u>119,433,308</u>	<u>5,436,363</u>	<u>39,457,318</u>	<u>197,923,324</u>
	<u>1,761,214</u>	<u>2,581,976</u>	<u>3,978,914</u>	<u>29,584,669</u>	<u>1,346,634</u>	<u>9,773,921</u>	<u>49,027,328</u>

(d). Liquidity Risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting.

Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

Non-derivative cash flows

	Up to 1 month KHR' 000	> 1 – 3 months KHR' 000	> 3 – 12 months KHR' 000	> 1 – 5 years KHR' 000	Over 5 Years KHR' 000	Total KHR' 000
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31 December 2018

Financial liabilities

Deposits from banks and other

financial institutions	18,152,566	17,488,823	40,168,626	2,006,778	-	77,816,793
Deposits from customers	20,307,918	108,154,834	453,801,698	245,402,717	97,800,374	925,467,541
Borrowings	17,877,038	75,610,796	306,686,575	762,021,518	28,558,708	1,190,754,635
Other liabilities	25,743,006	22,009,587	14,855,473	1,328,920	153,532	64,090,518
	<u>82,080,528</u>	<u>223,264,040</u>	<u>815,512,372</u>	<u>1,010,759,933</u>	<u>126,512,614</u>	<u>2,258,129,487</u>
US\$ equivalents – (Note 4)	<u>20,428,205</u>	<u>55,565,963</u>	<u>202,964,752</u>	<u>251,557,972</u>	<u>31,486,465</u>	<u>562,003,357</u>

31 December 2017

Financial liabilities

Deposits from banks and other

financial institutions	20,475,183	2,841,171	19,146,558	9,172	229,060	42,701,144
Deposits from customers	18,187,389	60,816,133	136,017,479	97,007,132	37,467,320	349,495,453
Bank overdrafts	963,916	-	-	-	-	963,916
Borrowings	8,376,145	29,591,576	305,556,576	588,781,809	-	932,306,106
Other liabilities	12,844,278	16,108,164	7,501,687	919,221	70,655	37,444,005
US\$ equivalents – (Note 4)	<u>60,846,911</u>	<u>109,357,044</u>	<u>468,222,300</u>	<u>686,717,334</u>	<u>37,767,035</u>	<u>1,362,910,624</u>
	<u>15,072,309</u>	<u>27,088,691</u>	<u>115,982,735</u>	<u>170,105,854</u>	<u>9,355,223</u>	<u>337,604,812</u>

(e). Capital Management

(i). Regulatory capital

The Company's lead regulator, the NBC sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a sufficient capital base so as to comply with regulatory requirements, maintain market confidence and sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with higher gearing and advantages and security

afforded by a sound capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirement throughout the year.

(ii). Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

29. Commitments and Contingencies

(a). Operating Lease

The Company has commitments in respect of the office rental agreement as follows:

	As at 31 December 2018		As at 31 December 2017	
	KHR' 000	US\$ (Note 4)	KHR' 000	US\$ (Note 4)
Within one year	5,905,773	1,469,829	4,143,521	1,026,386
2 to 5 years	14,586,239	3,630,224	7,916,674	1,961,029
Over five years	3,927,173	977,395	692,144	171,450
	<u>24,419,185</u>	<u>6,077,448</u>	<u>12,752,339</u>	<u>3,158,865</u>

(b). Taxation Contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

30. Fair Values of Assets and Liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities, the fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.

Branch Network of LOLC

Head Office

#666B, Street 271, Sangkat
Boeng Tumpun 2, Khan Meanchey,
Phnom Penh Capital, Cambodia.
Tel: (+855) 23 991 991
E-mail: info@lolc.com.kh
Website: www.lolc.com.kh

Operations Office

#666B, Street 271, Sangkat Boeng
Tumpun 2, Khan Meanchey,
Phnom Penh Capital.
Tel: 081 300 666

Khan Prampir Meakkakra Branch

#431, Preah Monivong Blvd, Sangkat
Boeng Proluet, Khan Prampir
Meakkara, Phnom Penh Capital.
Tel: 081 300 190

Khan Tuol Kouk Branch

#101A3E0E1 & 101A, Road 289,
Phum 1 Village, Sangkat Boeng
Kak Ti Muoy, Khan Tuol Kouk,
Phnom Penh Capital.
Tel: 081 700 001

Khan Sen Sok Branch

#A25-A27, Chong Thnal
Khang Kaeut Village, Sangkat
Tuek Thla, Khan Sen Sok,
Phnom Penh Capital.
Tel: 081 900 628

Banteay Meanchey Provincial Branch

National Road N°6A, Kampong
Svay Village, Sangkat Kampong
Svay Serei Saophoan Municipality,
Banteay Meanchey Province.
Tel: 081 800 315

Preah Netr Preah District Branch

National Road N°6A, Chob Village,
Chob Vari Commune,
Preah Netr Preah District,
Banteay Meanchey Province.
Tel: 081 800 020

Thma Pouk District Branch

National Road N°56A, Andoung
Khloug Village, Kumru Commune,
Thma Pouk District,
Banteay Meanchey Province.
Tel: 081 800 595

Krong Paoy Paet Branch

National Road N°5, Kilou Lekh
Buon Village, Sangkat Phsar
Kandal, Paoy Paet Municipality,
Banteay Meanchey Province.
Tel: 081 800 324

Battambang Provincial Branch

N°01-03F59A, National Road N°5,
Prek Mohatep Village, Sangkat
Svay Por, Battambang Municipality,
Battambang Province.
Tel: 081 800 317

Banan District Branch

#25, Gr.3, Road N° 15B, Kampong
Lech Village, Kantueu Pir Commune,
Banan District, Battambang Province.
Tel: 081 800 536

Bavel District Branch

National Road N°57, Spean
Kandaol Village, Bavel Commune,
Bavel District, Battambang Province.
Tel: 081 800 609

Moung Ruessei District Branch

National Road N°5, Kear Bei Village,
Kear Commune, Moung Ruessei
District, Battambang Province.
Tel: 081 800 319

Rotonak Mondol District Branch

N°491, Group 1, Sdau Village,
Sdau Commune, Rotonak Mondol
District, Battambang Province.
Tel: 081 800 318

Samlout District Branch

Road N°10B, Ou Tontuem Village,
Ta Sanh Commune, Samlout
District, Battambang Province.
Tel: 081 800 988

Sampov Lun District Branch

#1025, Trapeang Prolit Village,
Santepheap Commune, Sampov
Lun District, Battambang Province.
Tel: 081 800 585

Kamrieng District Branch

Street 79, Doung Village, Boeng
Reang Commune, Kamrieng
District, Battambang Province.
Tel: 081 800 785

Kompong Cham Provincial Branch

National Road 7A, Boeng Snay
Village, Sangkat Sambuor Meas,
Krong Kampong Cham,
Kampong Cham Province.
Tel: 081 800 298

Chamkar Leu District Branch

National Road N°71, Thnal Baek
Kaeut Village, Svay Teab Commune,
Chamkar Leu District, Kampong
Cham Province.
Tel: 081 800 983

Cheung Prey District Branch

National Road N°6, Soutib Village,
Soutip Commune,
Cheung Prey District,
Kampong Cham Province.
Tel: 081 800 301

Prey Chhor District Branch

National Road No.7, Slaeng Village,
Chrey Vien Commune,
Prey Chhor District,
Kampong Cham Province.
Tel: 081 800 040

Kampong Tralach District Branch

National Road N°5, Daeum Popel
Village, Thma Edth Commune,
Kampong Tralach District,
Kampong Chhnang Province.
Tel: 081 800 039

Kompong Speu Provincial Branch

National Road N°3, Rumloug
Village, Sangkat Sopoar Tep,
Chbar Mon Municipality,
Kampong Speu Province.
Tel: 081 800 769

Odongk District Branch

National Road N°5, Srah Keo Village,
Veang Chas Commune, Odongk
District, Kampong Speu Province.
Tel: 081 800 321

Phnum Srouch District Branch

National Road N°4, Phsa
Trapeang Kraloeng Village, Kiri
Voan Commune, Phnum Srouch
District, Kampong Speu Province.
Tel: 081 500 060

Kampong Thom Provincial Branch
#083B, National Road N° 6, Achar Leak Village, Sangkat Achar Leak, Stueng Saen Municipality, Kampong Thom Province.
Tel: 081 800 977

Baray District Branch
National Road N°6, Prey Ta trav Village, Ballangk Commune, Baray District, Kampong Thom Province.
Tel: 081 800 266

Sandan District Branch
Kampong Trabaek Village, Sandan Commune, Sandan District, Kampong Thom Province.
Tel: 081 500 444

Stoung District Branch
National Road N° 6, Chheu Teal Village, Kampong Chen Tboung Commune, Stoung District, Kampong Thom Province.
Tel: 081 800 967

Kampt Provincial Branch
National Road N°3, Svay Thum Village, Krang Ampil Sangkat, Krong Kampt , Kampt Province.
Tel: 081 800 297

Angkorche District Branch
Pou Village, Phnum Kong Commune, Angkor Chey District, Kampt Province.
Tel: 081 800 293

Chhuk District Branch
National Road N°3, Satvpong Village, Satvpong Commune, Chhuk District, Kampt Province.
Tel: 081 800 290

Kampong Trach District Branch
National Road N° 31, Boeng Thum Khang Lech Village, Angkor Sophy Commune, Kampong Trach District, Kampt Province.
Tel: 081 800 202

Kandal Provincial Branch
#138, National Road N°2, Krapeu Ha Village, Sangkat Preak Russey, Ta Khmau Municipality, Kandal Province.
Tel: 081 800 312

Kien Svay District Branch
National Road N°1, Chen Kaoh Village, Kokir Commune, Kien Svay District, Kandal Province.
Tel: 081 800 601

Kaoh Thum District Branch
National Road N°21, Preaek Thon Village, Preaek Thmei Commune, Kaoh Thum District, Kandal Province.
Tel: 081 700 127

Mukh Kampul District Branch
National Road No.6, Preaek Anhchanh Commune, Mukh Kampul District, Kandal Province.
Tel: 081 900 041

Angk Snuol District Branch
National Road N°4, Borei Kammeakkar Village, Baek Chan Commune, Angk Snuol District, Kandal Province.
Tel: 081 400 222

S'ang District Branch
National Road N°21, Praek Khsev Village, Roka Khpos Commune, S'ang District, Kandal Province.
Tel: 081 800 314

Koh Kong Provincial Branch
National Road N°48, Ti Muoy Village, Shmach Meanchey Commune, Khemara Phoumin Municipality, Koh Kong Province.
Tel: 081 900 281

Kratie Provincial Branch
Street Sangkum Reah Niyum, Doun Chroam Village, Sangkat Kracheh, Kracheh Municipality, Kratie Province.
Tel: 081 900 327

Chhloung District Branch
Steet N°308, Chrouy Thma Kraom Village, Chhloung Commune, Chhloung District, Kratie Province.
Tel: 081 900 328

Snuol District Branch
Street 74, Kbal Snuol Village, Snuol Commune, Snuol District, Kratie Province.
Tel: 081 700 215

Mondul Kiri Provincial Branch
National Road N°76, Ou Spean Village, Spean Meanchey Commune, Saen Monourom Municipality, Mondul Kiri Province.
Tel: 081 700 111

Preah Vihear Provincial Branch
Andoung Pou Village, Kampong Pranak Commune, Preah Vihea Minicipality, Preah Vihea Province.
Tel: 081 800 996

Choam Khsant District Branch
National Road N°9B, Choam Khsant Village, Choam Khsant Commune, Choam Khsant District, Preah Vihea Province.
Tel: 081 900 855

Prey Veng Provincial Branch
21, Lekh Buon Village, Sangkat Kampong Leav, Prey Veng Municipality, Prey Veng Province.
Tel: 081 900 781

Kampong Trabaek District Branch
National Road N°1, Doung Tung Village, Prasat Commune, Kampong Trabaek District, Prey Veng Province.
Tel: 081 900 305

Me Sang District Branch
Veang Village, Chi Phoch Commune, Me Sang District, Prey Veng Province.
Tel: 081 700 010

Peam Ro District Branch
National Road N°1, Phum Muoy Village, Preaek Khsay Kha Commune, Peam Ro District, Prey Veng Province.
Tel: 081 800 277

Pea Reang District Branch
N°110, Snay Pol Villange, Roka Commune, Pea Reang District, Prey Veng Province.
Tel: 081 300 400

Pursat Provincial Branch
#256, National Road N°5, Thnal Bambaek Village, Sangkat Roleab, Pursat Municipality, Pursat Province.
Tel: 081 800 889

Ratanak Kiri Provincial Branch

#B06 & B07, National Road No. 78A,
Akpiwat Village, Sangkat Labansiek,
Ban Lung Municipality,
Ratanak Kiri Province.
Tel: 081 800 244

Bar Kaev District Branch

National Road N°78, Phum Muoy
Village, Laminh Commune, Bar
Kaev District, Rotanakiri Province.
Tel: 081 900 248

Siem Reap Provincial Branch

Banteay Chas Village, Sangkat
Sla Kram, Siem Reap Municipality,
Siem Reap Province.
Tel: 081 900 294

Angkor Chum District Branch

Road N°231, Doun Sva Village,
Char Chhuk Commune, Angkor
Chum District, Siemreap Province.
Tel: 081 800 151

Chi Kraeng District Branch

#028, National Road N°6,
Kampong Kdei Muoy Village,
Kampong Kdei Commune,
Chi Kraeng District,
Siemreap Province.
Tel: 081 800 295

Puok District Branch

2709, Kouk Chuon Village,
Puok Commune, Puok District,
Siemreap Province.
Tel: 081 800 296

Soutr Nikom District Branch

#033, Dam Daek Thmei Village,
Dam Daek Commune, Soutr Nikom
District, Siemreap Province.
Tel: 081 800 297

Preah Sihanouk Provincial Branch

#19-20, Borei Kamakor Road,
Phum Bei Village, Lek Bei Sangkat,
Khan Mitapheap,
Preah Sihanouk Province.
Tel: 081 900 277

Stung Traeng Provincial Branch

#22, Kandal Village, Sangkat
Stueng Traeng, Stueng Traeng
Municipality, Stung Traeng Province.
Tel: 081 800 959

Svay Rieng Provincial Branch

National Road 1, Prey Chhlak
Sangkat, Svay Rieng Municipality,
Svay Rieng Province.
Tel: 081 800 302

Romeas Haek District Branch

Kampong Trach Village, Kampong
Trach Commune, Romeas Haek
District, Svay Rieng Province.
Tel: 081 800 304

Krong Bavet Branch

National Road N°1, Chrey Thum
Village, Prey Angkunh District,
Bavet Municipality,
Svay Rieng Province.
Tel: 081 800 783

Takeo Provincial Branch

National Road N°2, Phsar Ta Kao
Village, Sangkat Roka Knong,
Doun Kaev Municipality,
Takeo Province.
Tel: 081 800 199

Bati District Branch

National Road N°2, Bacham Village,
Chambak Commune, Bati District,
Takeo Province.
Tel: 081 800 307

Kiri Vong District Branch

National Road N°2 Kampong
Village, Preah Bat Choan Chum
Commune, Kiri Vong District,
Takeo Province.
Tel: 081 800 289

Prey Kabbas District Branch

Lvea Tnaot Village, Prey Lvea
Commune, Prey Kabbas District,
Takeo Province.
Tel: 081 800 309

Tram Kak District Branch

National Road N°3,
Trapaengkhlout Village, Angk Ta
Saom Commune, Tram Kak
District, Takeo Province.
Tel: 081 800 288

Oddar Meanchey Provincial Branch

National Road N°68, Doun Kaen
Village, Samraong Commune,
Samraong Municipality,
Oddar Meanchey Province.
Tel: 081 800 316

Anlong Veaeng District Branch

National Road N°67, Akphivoad
Village, Anlong Veaeng Commune,
Anlong Veaeng District, Oddar
Meanchey Province.
Tel: 081 800 211

Banteay Ampil District Branch

National Road N°56A, Kouk Mon
Village, Kouk Mon Commune,
Banteay Ampil District,
Oddar Meanchey Province.
Tel: 081 300 311

Pailin Provincial Branch

National Road N°57, Ou Ta Puk
Leu Village, Sangkat Pailin,
Krong Panilin, Panilin Province.
Tel: 081 800 242

Tboung Khmum Provincial Branch

National Road N°7, Suong Lech
Village, Sangkat Suong,
Suong Municipality,
Tboung Khmum Province.
Tel: 081 800 326

Dambae District Branch

National Road N°73, Sach Chey
Sen Village, Dambae Commune,
Dambae District,
Tboung Khmum Province.
Tel: 081 800 420

Memot District Branch

National Road N°7, Masin Tuek
Village, Memot Commune, Memot
District, Tboung Khmum Province.
Tel: 081 800 255

Ou Reang Ov District Branch

Svay Ta Thoam Village, Ampil Ta Pok
Commune, Ou Reang Ov District,
Tboung Khmum Province.
Tel: 081 800 578

Ponhea Kraek District Branch

National Road N°7, Kandaol
Kaong Village, Kaong Kaong
Commune, Ponhea Kareng District,
Tboung Khamom Province.
Tel: 081 800 333

Ideas for Growth

666B | st 271 | Phum Kbal Tumnuh Muoy | Sangkat Boeng Tumpun 2
Khan Mean Chey | Phnom Penh | Cambodia | **P** (+855) 23 991 991
E info@lolc.com.kh | **www.lolc.com.kh**
F facebook.com/lolccambodia