

LOLC (CAMBODIA) PLC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

LOLC (CAMBODIA) PLC.

**FINANCIAL STATEMENTS
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* The Appendix does not form part of the audited financial statements.

DIRECTORS' REPORT

The Board of Directors (“the Directors”) hereby submit their report together with the audited financial statements of LOLC (Cambodia) Plc. (“the Company”) for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide microfinance services (deposit-taking and lending) to the rural population and micro-enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia. Its corporate objective is to provide reliable and affordable access to financial services to micro-entrepreneurs.

FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2016 is set out in the income statement on page 8.

BAD AND DOUBTFUL LOANS

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

At the date of this report, the Directors are not aware of any circumstances, which would render the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

ASSETS

Before the financial statements of the Company were drawn up, the Directors took reasonable steps to ensure that any assets that were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Company misleading in any material respect.

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CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Company that has arisen since the end of the year that secures the liabilities of any other person; or
- (b) no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the next twelve months after the end of the period that, in the opinion of the Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

There were no items, transactions or events of a material and unusual nature that, in the opinion of the Directors, materially affected the financial performance of the Company for the year ended 31 December 2016.

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

THE BOARD OF DIRECTORS

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

- | | |
|--|-------------|
| • Mr. Brindley Chrishantha Gajanayake de Zylva | Chairperson |
| • Mr. Ravindra Dhammika Tissera | Member |
| • Mrs. Fernanda Pecanha Lacerda de Lima | Member |
| • Mr. Indrajith Wijesiriwardana | Member |
| • Mr. Hans Michael Theodor Moormann | Member |

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

The Directors are responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and cash flows for the year ended. In preparing these financial statements, the Directors are required to:

- i) adopt appropriate accounting policies that are supported by reasonable and prudent judgements and estimates, and then apply them consistently;
- ii) comply with the disclosure requirements of the Cambodian Accounting Standards and the guidelines of the Central Bank or, if there has been any departure from such standards in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company and be involved in all material decisions affecting its operations and performance and ascertain that such matters have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and cash flows for the period ended in accordance with the Cambodian Accounting Standards and the guidelines of the Central Bank, were approved by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors.



Mr. Sok Voeun
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 5 April 2017



Independent auditor's report

To the shareholders of LOLC (Cambodia) Plc.

Our opinion

In our opinion, the financial statements of LOLC (Cambodia) Plc. ("the Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2016, 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 ("the Central Bank").

What we have audited

The Company's financial statements comprise:

- Balance sheet as at 31 December 2016;
- Income statement for the year then ended;
- Statement of changes in equity for the year then ended;
- Cash flow statement for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies

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 Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the requirements of Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors ("KICPAA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of the KICPAA Code.



Other information

Management is responsible for the other information. The other information comprises appendix notes on requirement of the Central Bank's Prakas but does not include the financial statements and our auditor's report thereon.

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 identified above 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, 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 Central Bank, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditor's 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 auditor's 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 exercise professional judgment and maintain professional scepticism 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 auditor's 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 auditor's 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 PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim
Partner

Phnom Penh, Kingdom of Cambodia
Date: 5 April 2017

LOLC (CAMBODIA) PLC.

**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Note	2016		2015	
		KHR '000	US\$	KHR '000	US\$
ASSETS					
Cash on hand	4	8,198,053	2,030,729	3,881,625	958,426
Balances with the Central Bank	5	13,289,293	3,291,873	34,040,692	8,405,109
Balances with banks	6	89,398,093	22,144,685	70,717,376	17,461,080
Loan to customers	7	874,171,085	216,539,778	760,988,930	187,898,501
Investment		60,555	15,000	60,750	15,000
Other assets	8	20,564,216	5,093,935	23,366,207	5,769,434
Property and equipment	9	9,285,666	2,300,140	6,335,578	1,564,340
Intangible assets	10	2,351,921	582,592	74,042	18,282
Deferred tax assets	11(a)	3,444,234	853,167	1,270,200	313,630
TOTAL ASSETS		1,020,763,116	252,851,899	900,735,400	222,403,802
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from other financial institutions	12.a	24,222,052	6,000,014	-	-
Deposits from customers	12.b	53,900,768	13,351,689	1,114,636	275,219
Bank overdrafts	13	-	-	3,980,411	982,818
Borrowings	14	708,288,413	175,449,198	717,145,414	177,072,942
Other liabilities	15	24,490,968	6,066,625	21,385,635	5,280,403
Current income tax liabilities	11(b-i)	13,946,327	3,454,626	11,308,037	2,792,108
TOTAL LIABILITIES		824,848,528	204,322,152	754,934,133	186,403,490
EQUITY					
Capital	16	23,368,200	5,788,506	23,368,200	5,769,926
Reserves		4,861,722	1,204,291	4,279,558	1,056,681
Retained earnings		167,684,666	41,536,950	118,153,509	29,173,705
TOTAL EQUITY		195,914,588	48,529,747	145,801,267	36,000,312
TOTAL LIABILITIES AND EQUITY		1,020,763,116	252,851,899	900,735,400	222,403,802

The accompanying notes on pages 11 to 47 form an integral part of the financial statements.

LOLC (CAMBODIA) PLC.

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016		2015	
		KHR '000	US\$	KHR '000	US\$
Interest income	17	225,733,566	55,916,167	168,416,754	41,584,384
Interest expense	18	(71,261,995)	(17,652,216)	(49,092,922)	(12,121,709)
Net interest income		154,471,571	38,263,951	119,323,832	29,462,675
Other income	19	9,945,178	2,463,507	5,443,633	1,344,107
Commission expenses	20	(1,347,679)	(333,832)	(2,753,366)	(679,843)
Personnel expenses	21	(48,559,704)	(12,028,661)	(37,369,599)	(9,227,061)
Depreciation charges	9	(3,584,159)	(887,827)	(2,223,346)	(548,974)
Amortisation charges	10	(20,699)	(5,128)	(19,309)	(4,770)
General and administrative expenses	22	(27,458,553)	(6,801,722)	(18,843,924)	(4,652,821)
Net foreign exchange gain/(loss)		474,778	117,607	(460,539)	(113,713)
Operating profit		83,920,733	20,787,895	63,097,382	15,579,600
Provision for bad and doubtful loans	7	(14,989,712)	(3,713,082)	(1,952,391)	(482,072)
Profit before income tax		68,931,021	17,074,813	61,144,991	15,097,528
Income tax expense	11	(13,936,083)	(3,452,089)	(12,335,420)	(3,045,782)
Profit for the year		54,994,938	13,622,724	48,809,571	12,051,746
Attributable to:					
Equity holders of the Company		54,994,938	13,622,724	48,809,571	12,051,746

The accompanying notes on pages 11 to 47 form an integral part of the financial statements.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Capital KHR'000	Reserves KHR'000	Retained earnings KHR'000	Total KHR'000
As at 01 January 2015	23,368,200	3,695,520	69,927,976	96,991,696
Transfers to reserves	-	584,038	(584,038)	-
Profit for the year	-	-	48,809,571	48,809,571
As at 31 December 2015	23,368,200	4,279,558	118,153,509	145,801,267
Equivalent in US\$	5,769,926	1,056,681	29,173,705	36,000,312
As at 01 January 2016	23,368,200	4,279,558	118,153,509	145,801,267
Dividends paid	-	-	(4,881,617)	(4,881,617)
Transfers to reserves	-	582,164	(582,164)	-
Profit for the year	-	-	54,994,938	54,994,938
As at 31 December 2016	23,368,200	4,861,722	167,684,666	195,914,588
Equivalent in US\$	5,788,506	1,204,291	41,536,950	48,529,747

The accompanying notes on pages 11 to 47 form an integral part of the financial statements.

LOLC (CAMBODIA) PLC.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016		2015	
		KHR '000	US\$	KHR '000	US\$
Cash flows from operating activities					
Profit before income tax		68,931,021	17,074,813	61,144,991	15,097,528
<i>Adjustments for:</i>					
Depreciation charges	9	3,584,159	887,827	2,223,346	548,974
Amortisation charges	10	20,699	5,128	19,309	4,768
Provision for bad and doubtful loans	7	14,989,712	3,713,082	1,952,391	482,072
Other accruals		3,416,578	846,316	1,149,086	283,725
Gain on disposals of property and equipment	19	(50,391)	(12,482)	(28,427)	(7,019)
Net interest income		(154,471,571)	(38,263,951)	(119,323,832)	(29,462,675)
		<u>(63,579,793)</u>	<u>(15,749,267)</u>	<u>(52,863,136)</u>	<u>(13,052,627)</u>
<i>Changes in working capital</i>					
Reserve deposits with the Central Bank		(7,865,169)	(1,948,271)	(1,266,441)	(312,701)
Balances with the Central Bank		2,450,051	606,899	(2,450,051)	(604,951)
Balances with banks		38,751,750	9,599,145	6,028,306	1,488,471
Loans to customers		(131,292,591)	(32,522,316)	(293,900,606)	(72,568,051)
Other assets		2,476,652	613,488	(7,002,331)	(1,728,971)
Deposits from other financial Institutions		24,222,052	6,000,014	-	-
Deposits from customers		52,786,132	13,075,584	1,114,636	275,219
Other liabilities		695,915	172,384	5,051,473	1,247,277
Cash used in operations		<u>(81,355,001)</u>	<u>(20,152,340)</u>	<u>(345,288,150)</u>	<u>(85,256,334)</u>
Interest income received		225,476,321	55,852,445	164,343,104	40,578,544
Interest expense paid		(69,148,431)	(17,128,668)	(45,489,323)	(11,231,932)
Income tax paid	11(b.i)	(12,889,230)	(3,192,774)	(8,255,882)	(2,038,489)
Cash generated from/(used in) operating activities		<u>62,083,659</u>	<u>15,378,663</u>	<u>(234,690,251)</u>	<u>(57,948,211)</u>
Cash flows from investing activities					
Purchases of property and equipment	9	(6,554,761)	(1,623,671)	(3,619,131)	(893,613)
Purchases of intangible assets	10	(2,298,578)	(569,378)	(10,283)	(2,539)
Proceeds from disposals of property and equipment		71,087	17,609	37,515	9,263
Cash used in investing activities		<u>(8,782,252)</u>	<u>(2,175,440)</u>	<u>(3,591,899)</u>	<u>(886,889)</u>
Cash flows from financing activities					
Proceeds from borrowings		312,374,435	77,377,864	573,768,811	141,671,311
Repayments of borrowings		(321,231,436)	(79,571,820)	(275,598,477)	(68,049,007)
Dividend paid out		(4,881,617)	(1,209,219)	-	-
Cash used in financing activities		<u>(13,738,618)</u>	<u>(3,403,175)</u>	<u>298,170,334</u>	<u>73,622,304</u>
Net increase in cash and cash equivalents					
		39,562,789	9,800,048	59,888,184	14,787,204
Cash and cash equivalents at the beginning of the period		61,007,430	15,063,562	1,119,246	274,662
Currency translation differences		-	48,507	-	1,696
Cash and cash equivalents at the end of the period	23	<u>100,570,219</u>	<u>24,912,117</u>	<u>61,007,430</u>	<u>15,063,562</u>

The accompanying notes on pages 11 to 47 form an integral part of the financial statements.

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. BACKGROUND INFORMATION

Thaneakea Phum (Cambodia) Ltd. (“the Company”), a licensed microfinance institution, is incorporated in Cambodia and registered with the Ministry of Commerce as a limited liability company under the registration number Co.1413 E/2002, dated 23 May 2002 and latest renewed on 28 September 2015. After a change in shareholder structure in September 2014, the Company became a subsidiary of LOLC Micro Investments Ltd, incorporated in Sri Lanka. The ultimate parent is Lanka ORIX Leasing Company PLC incorporated in Sri Lanka and listed on the Colombo Stock Exchange.

The principal activity of the Company is to provide microfinance 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.

On 09 July 2015, the National Bank of Cambodia approved the change of the legal name from Thaneakea Phum (Cambodia) Ltd. to LOLC (Cambodia) Plc. and such change was reflected in its legal documents, Article of Incorporation dated 12 August 2015 and Certificate of Incorporation dated 30 September 2015.

The National Bank of Cambodia (“the Central Bank”) granted the Company a licence to conduct business as a microfinance institution for a three-year period commencing from 12 February 2003 to 12 February 2006. On 20 January 2006, the Central Bank granted the extension of the Company’s licence for another three-year period commencing from 12 February 2006 to 12 February 2009. The Company was then granted a licence for indefinite period on 14 January 2009 from the Central Bank.

In addition, the Company officially received a license number M.F 04 from the Central Bank on 11 September 2015 to conduct deposit taking business.

The Company has 73 office locations (72 branches and a head office in Phnom Penh). The Company’s head office is at No. 666B, Street 271, Phsar Doeum Thkov, Chamkarmon, Phnom Penh, Cambodia.

The financial statements were approved for issue by the Board of Directors on 3 March 2017.

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company, which are expressed in Khmer Riel (KHR), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards (CAS) and the guidelines of the Central Bank.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying interim financial statements are therefore not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with CAS requires the use of 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 revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events 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 in Note 3.

2.2 Financial reporting framework

On 28 August 2009, the National Accounting Council (NAC) of the Ministry of Economy and Finance (MoEF) announced the adoption of Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by International Accounting Standard Board including other interpretation and amendment that may occur in any circumstances to each standard by adding "Cambodian". Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 01 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 delay adoption of CIFRS until periods beginning on or after 01 January 2019.

CAS, the current accounting standard used, is different to CIFRS in many areas. Hence, the adoption of CIFRS will have some impacts on the financial statements of the Company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The Company maintains its accounting records and its financial statements in KHR, the Company's functional currency. The financial statements are presented in KHR, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than KHR, the functional and presentation currency, are translated into KHR at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlements of such transactions and from the translation at period-end exchange rates of monetary and liabilities denominated in currencies other than KHR, are recognised in the income statement.

(iii) Presentation in US\$

The translation of KHR into United States dollars (US\$) is solely for management's use only and is based on the official exchange rates published by the Central Bank as at the reporting dates. Such translation amounts are unaudited and should not be construed as representations that the KHR amounts represent, or have been or could be converted into US\$ at that or any other rate.

	31 December 2016	31 December 2015
KHR/US\$	4,037	4,050

2.4 Basis of aggregation

The financial statements comprise the financial statements of the head office and the branch offices after the elimination of all significant inter-branch balances and transactions.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted balances with the Central Bank, and balances with banks, and other short-term highly liquid investments with original maturities of three months or less where the Company has full ability to withdraw for general purpose whenever needed.

Bank overdrafts are presented in liabilities on the balance sheet.

2.6 Loans to customers

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

Loans are written off when there is no realistic prospect of recovery.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Provision for bad and doubtful loans

The adequacy of the provision for bad and doubtful loans is evaluated monthly by management.

The Company follows the mandatory credit classification and provisioning as required Prakas B7-02-186 dated 13 September 2002. The Prakas requires microfinance institutions to classify their loan portfolio into the following four classes and ensure that the minimum mandatory level of specific provisioning is provided:

Classification	Number of days past due	Provision
<i>Short-term loans (less than one year)</i>		
Standard	0 - 29 days	0%
Substandard	30 - 59 days	10%
Doubtful	60 - 89 days	30%
Loss	90 days or more	100%
<i>Long-term loans (more than one year)</i>		
Standard	0 - 29 days	0%
Substandard	30 - 179 days	10%
Doubtful	180 - 359 days	30%
Loss	360 days or more	100%

The specific provision is calculated as a percentage of the loans outstanding at the time the loan is classified and is charged as an expense in the income statement.

The Company provides for a 100% provision for loan losses for any loan overdue more than or equal to 30 days. The amount of provision in excess of the defined percentages required by the Central Bank is presented as general provision.

Loans are written off when they are considered uncollectible. Loans written off are taken out of the outstanding loan portfolio and deducted from the provision for loan losses.

Recoveries on loans previously written off are disclosed as other operating income in the income statement.

2.8 Property and equipment

Items of property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property and equipment (continued)

Depreciation of property and equipment is charged to the income statement on a straight line method at the following determination:

Category	Useful life
Office furniture and equipment	3-5 years
Motor vehicles	4-5 years
Computer equipment	3 years
Leasehold improvement	Shorter of its economic life and contractual terms

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

Gains or losses on the sale of property and equipment are recognised upon the disposal of such assets.

Fully depreciated property and equipment are retained in the financial statements until they are disposed of or written-off.

2.9 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 of five years using the straight-line method.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities 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.

2.12 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 entity, if otherwise, it is treated as equity. The subordinated debts which are approved by the Central Bank are included as a Tier II line item in the calculation of the Company's net worth in accordance with the guidelines of the Central Bank.

2.13 Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are re-measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.14 Interest income and expense recognition

Interest income on loans to customers, balances with the Central Bank and balances with banks are recognised on an accrual basis. Where a loan becomes non-performing (past due from 30 days), the recording of interest income on loans to customers is suspended until it is realised on a cash basis.

Interest expenses on borrowings and subordinated debts are recognised on an accrual basis.

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Fee and commission income on loans

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Fee and commission income comprises income received from loan processing fee.

Loan processing fee is recognised as income when loan is disbursed.

2.16 Leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.17 Related party transactions

Parties are considered to be related 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.

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital of the Company or voting rights and include any individual who participates in the administration, direction, management or internal control of the Company.

2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in Cambodia where the Company operates and generates taxable income.

Deferred tax is provided using the balance sheet liability 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 laws 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 relate 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.

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Other reserves

According to the borrowing agreement between Instituto De Crédito Oficial (ICO) of the Kingdom of Spain and the Company, the Company is required, during the life of the borrowing, to transfer each year to other reserves 3.5% of outstanding principal of the borrowing from ICO, under the Spanish Microfinance Program. The other 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.

2.20 Dividend

Dividend distribution to the Company's shareholders is recognised as liability in the period in which they are approved by the Company's shareholders.

Dividends for the period that are declared after the balance sheet date are dealt with in the subsequent events note.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

3.1 Provision for bad and doubtful loans

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas No. B7-02-186 dated 13 September 2002 of the Central Bank. The Central Bank requires microfinance institutions to classify their loan portfolios into four classes, and a minimum mandatory level of provision is made depending on the classification concerned. For the purpose of loan classification, the Company is required to take into account the borrower's historical payment experience and financial condition.

The Company provides for a 100% provision for loan losses for any loan overdue more than or equal to 30 days. The amount of provision in excess of the defined percentages required by the Central Bank is shown as general provision.

3.2 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 expense will be made following inspection by the General Department of Taxation. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

3.3 Functional currency

The Board of Directors considers that KHR represents the economic effect of the underlying transactions, events and conditions. The KHR is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from and pays dividends to its shareholders. KHR is the local currency of the country.

4. CASH ON HAND

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Head office	1,141,204	282,686	45,852	11,322
Branches	7,056,849	1,748,043	3,835,773	947,104
	<u>8,198,053</u>	<u>2,030,729</u>	<u>3,881,625</u>	<u>958,426</u>

5. BALANCES WITH THE CENTRAL BANK

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Current accounts (non-interest bearing)	2,974,073	736,703	31,590,641	7,800,158
Statutory capital deposit (i)	2,336,820	578,851	2,336,820	576,993
Reserve requirement (ii)	7,978,400	1,976,319	113,231	27,958
	<u>13,289,293</u>	<u>3,291,873</u>	<u>34,040,692</u>	<u>8,405,109</u>

(i) Statutory capital deposit

In accordance with Prakas B7-07-163 dated 13 December 2007 on the Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the Central Bank at 10% of registered capital. This deposit is refundable should the Company voluntarily liquidate. The statutory capital deposit is denominated in KHR and earns interest at 3% per annum.

(ii) 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 the Licensing of Deposit-Taking Microfinance Institutions. Reserve deposit earns no interest.

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. BALANCES WITH BANKS

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Current accounts	7,308,856	1,810,466	15,149,529	3,740,623
Savings accounts	73,207,837	18,134,219	11,911,967	2,941,227
Term deposit accounts (*)	8,881,400	2,200,000	43,655,880	10,779,230
	<u>89,398,093</u>	<u>22,144,685</u>	<u>70,717,376</u>	<u>17,461,080</u>

Current accounts are non-interest bearing. Annual interest rates on term deposit accounts and savings accounts are ranging from 0.25% - 4.75% per annum (2015: 0.25% - 4.75%).

(*) All term deposit accounts have maturity within one year. They are also pledged as collaterals for obtaining borrowings (Note 14) from a local bank.

7. LOANS TO CUSTOMERS

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Group loans:				
Fixed term	59,506,886	14,740,373	53,251,093	13,148,418
End of cycle	154,912,193	38,373,097	190,061,900	46,928,864
Individual loans:				
Fixed term	494,822,931	122,571,942	360,727,863	89,068,608
End of cycle	163,682,628	40,545,610	149,478,071	36,908,166
Staff loans	13,353,480	3,307,774	9,318,156	2,300,779
	<u>886,278,118</u>	<u>219,538,796</u>	<u>762,837,083</u>	<u>188,354,835</u>
Provision for bad and doubtful loans:				
Specific provision	(3,569,416)	(884,175)	(658,472)	(162,586)
General provision	(8,537,617)	(2,114,843)	(1,189,681)	(293,748)
	<u>(12,107,033)</u>	<u>(2,999,018)</u>	<u>(1,848,153)</u>	<u>(456,334)</u>
Net loans to customers	<u>874,171,085</u>	<u>216,539,778</u>	<u>760,988,930</u>	<u>187,898,501</u>

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. LOANS TO CUSTOMERS (continued)

The movements in provision for bad and doubtful loans to customers are as follows:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Opening balance	1,848,153	461,346	463,853	113,829
Provision for the year	14,989,712	3,713,082	1,952,391	482,072
Written off during the year	(4,634,209)	(1,147,934)	(554,820)	(136,993)
Loss on foreign exchange	(96,623)	(23,934)	(13,271)	(3,277)
Currency translation differences	-	(3,542)	-	703
Closing balance	<u>12,107,033</u>	<u>2,999,018</u>	<u>1,848,153</u>	<u>456,334</u>

Loans to customers are analysed as follows:

(a) By economic sector

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Agriculture	459,485,171	113,818,472	365,376,576	90,216,439
Household/family	155,376,923	38,488,215	171,373,286	42,314,392
Trade and commerce	151,625,171	37,558,873	126,990,749	31,355,740
Services	89,540,568	22,179,977	74,085,515	18,292,720
Construction	15,683,005	3,884,817	12,468,379	3,078,612
Transportation	2,864,530	709,569	1,852,388	457,380
Other categories	11,702,750	2,898,873	10,690,190	2,639,552
	<u>886,278,118</u>	<u>219,538,796</u>	<u>762,837,083</u>	<u>188,354,835</u>

(b) By resident status

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Residents	<u>886,278,118</u>	<u>219,538,796</u>	<u>762,837,083</u>	<u>188,354,835</u>

(c) By relationship

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
External customers	872,924,638	216,231,022	753,518,927	186,054,056
Staff loans	<u>13,353,480</u>	<u>3,307,774</u>	<u>9,318,156</u>	<u>2,300,779</u>
	<u>886,278,118</u>	<u>219,538,796</u>	<u>762,837,083</u>	<u>188,354,835</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. LOANS TO CUSTOMERS (continued)

(d) *By performance*

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Standard loans:				
Secured	663,911,466	164,456,643	518,689,562	128,071,497
Unsecured	210,259,620	52,083,136	242,299,371	59,827,004
Sub-standard loans:				
Secured	6,060,797	1,501,312	544,623	134,475
Unsecured	1,454,879	360,386	393,046	97,048
Doubtful loans:				
Secured	1,566,050	387,924	229,031	56,551
Unsecured	967,534	239,667	264,934	65,416
Loss loans:				
Secured	320,726	79,447	60,874	15,031
Unsecured	1,737,046	430,281	355,642	87,813
	<u>886,278,118</u>	<u>219,538,796</u>	<u>762,837,083</u>	<u>188,354,835</u>

(e) *By interest rate (per month)*

The monthly interest rate are as follows:

	As at 31 December 2016	As at 31 December 2015
Loan in Khmer Riel	2.00% - 3.50%	2.50% - 3.50%
Loan in US Dollar	1.30% - 3.50%	1.60% - 3.50%
Loan in Thai Baht	2.00% - 3.50%	2.45% - 3.50%

8. OTHER ASSETS

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Accrued interest receivable, net	12,833,843	3,179,054	12,576,598	3,105,333
Prepayments	4,063,292	1,006,513	6,787,820	1,676,005
Unamortised borrowing fees	2,978,228	737,733	2,727,547	673,468
Others	688,853	170,635	1,274,242	314,628
	<u>20,564,216</u>	<u>5,093,935</u>	<u>23,366,207</u>	<u>5,769,434</u>

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. PROPERTY AND EQUIPMENT

	Office furniture and equipment KHR'000	Motor vehicles KHR'000	Computer equipment KHR'000	Leasehold improvement KHR'000	Work in progress KHR'000	Total KHR'000
At 1 January 2015						
Cost	994,354	7,445,143	2,458,718	625,326	-	11,523,541
Accumulated depreciation	(483,118)	(4,166,685)	(1,872,730)	(52,127)	-	(6,574,660)
Net book value	511,236	3,278,458	585,988	573,199	-	4,948,881
Year ended 31 December 2015						
Opening net book value	511,236	3,278,458	585,988	573,199	-	4,948,881
Additions	440,927	2,323,557	799,215	55,432	-	3,619,131
Disposals	-	(5,653)	(166)	(3,269)	-	(9,088)
Depreciation charge	(262,911)	(1,463,733)	(429,192)	(67,510)	-	(2,223,346)
Closing net book value	689,252	4,132,629	955,845	557,852	-	6,335,578
At 31 December 2015						
Cost	1,429,120	9,673,334	3,011,890	676,955	-	14,791,299
Accumulated depreciation	(739,868)	(5,540,705)	(2,056,045)	(119,103)	-	(8,455,721)
Net book value	689,252	4,132,629	955,845	557,852	-	6,335,578
Equivalent in US\$	170,186	1,020,402	236,011	137,741	-	1,564,340
At 1 January 2016						
Cost	1,429,120	9,673,334	3,011,890	676,955	-	14,791,299
Accumulated depreciation	(739,868)	(5,540,705)	(2,056,045)	(119,103)	-	(8,455,721)
Net book value	689,252	4,132,629	955,845	557,852	-	6,335,578
Year ended 31 December 2016						
Opening net book value	689,252	4,132,629	955,845	557,852	-	6,335,578
Additions	945,843	2,226,204	1,038,874	353,377	1,990,463	6,554,761
Disposals	(42)	(15,994)	(4,478)	-	-	(20,514)
Depreciation charge	(514,288)	(2,214,219)	(739,271)	(116,381)	-	(3,584,159)
Closing net book value	1,120,765	4,128,620	1,250,970	794,848	1,990,463	9,285,666
Equivalent in US\$	277,623	1,022,695	309,876	196,891	493,055	2,300,140

Work-in progress represents hardware for a new core banking system (T-24) being installed and not yet ready for use.

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. INTANGIBLE ASSETS

Intangible assets consist of computer software cost and its license fee, with the details as follows:

	2016		2015	
	Work-in progress KHR'000	Software and license KHR'000	Total KHR'000	Total KHR'000
At the beginning				
Cost	-	282,014	282,014	271,732
Accumulated amortisation	-	(207,972)	(207,972)	(188,663)
Net book value	-	74,042	74,042	83,069
Year ended				
Opening net book value	-	74,042	74,042	83,069
Additions	2,298,578	-	2,298,578	10,283
Amortisation charge	-	(20,699)	(20,699)	(19,309)
Closing net book value	2,298,578	53,343	2,351,921	74,043
Year ended				
Cost	2,298,578	282,014	2,580,592	282,014
Accumulated amortisation	-	(228,671)	(228,671)	(207,972)
Net book value	2,298,578	53,343	2,351,921	74,042
Equivalent in US\$	569,377	13,215	582,592	18,282

Work-in progress represents a new core banking system (T-24) being installed and not yet ready for use.

11. TAXATION

(a) Deferred tax assets

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Deferred tax assets	3,444,234	853,167	1,322,570	326,561
Deferred tax liabilities	-	-	(52,370)	(12,931)
Deferred tax assets, net	3,444,234	853,167	1,270,200	313,630

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. TAXATION (continued)

(a) Deferred tax assets (continued)

The movement of net deferred tax assets is as follows:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Balance at beginning of the year	1,270,200	313,630	719,288	176,512
Credited to income statement	2,174,034	538,527	550,912	136,028
Currency translation differences	-	1,010	-	1,090
Balance at end of the year	<u>3,444,234</u>	<u>853,167</u>	<u>1,270,200</u>	<u>313,630</u>

The movement in deferred income tax assets/(liabilities) during the period is as follows:

	General provision loan loss KHR'000	Bonus and unused annual leave KHR'000	Unrealised exchange loss KHR'000	Accelerated depreciation and amortisation KHR'000	Other accruals KHR'000	Total KHR'000
At 01 January 2015	50,983	581,259	119,735	(32,689)	-	719,288
Credited/(charged) to income statement	186,951	200,741	80,591	(19,681)	102,310	550,912
At 31 December 2015	<u>237,934</u>	<u>782,000</u>	<u>200,326</u>	<u>(52,370)</u>	<u>102,310</u>	<u>1,270,200</u>
Equivalent in US\$	<u>58,749</u>	<u>193,086</u>	<u>49,463</u>	<u>(12,931)</u>	<u>25,263</u>	<u>313,630</u>
At 01 January 2016	237,934	782,000	200,326	(52,370)	102,310	1,270,200
Credited to income statement	1,619,903	289,063	73,241	132,657	59,170	2,174,034
At 31 December 2016	<u>1,857,837</u>	<u>1,071,063</u>	<u>273,567</u>	<u>80,287</u>	<u>161,480</u>	<u>3,444,234</u>
Equivalent in US\$	<u>460,202</u>	<u>265,312</u>	<u>67,765</u>	<u>19,888</u>	<u>40,000</u>	<u>853,167</u>

(b) Income tax expense

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Current tax	16,110,117	3,990,616	12,886,332	3,181,810
Deferred tax assets	<u>(2,174,034)</u>	<u>(538,527)</u>	<u>(550,912)</u>	<u>(136,028)</u>
Income tax expense	<u>13,936,083</u>	<u>3,452,089</u>	<u>12,335,420</u>	<u>3,045,782</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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11. TAXATION (continued)

(b) Income tax expense (continued)

(i) Current income tax liabilities

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Opening balance	11,308,037	2,792,108	6,677,587	1,638,672
Charge during the year	15,527,520	3,846,302	12,886,332	3,181,810
Income tax paid	(12,889,230)	(3,192,774)	(8,255,882)	(2,038,489)
Currency translation differences	-	8,990	-	10,115
Closing balance	<u>13,946,327</u>	<u>3,454,626</u>	<u>11,308,037</u>	<u>2,792,108</u>

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

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Profit before income tax	68,931,021	17,074,813	61,144,991	15,097,528
Tax calculated at 20%	13,786,204	3,414,963	12,228,998	3,019,506
Expenses not deductible for tax purposes	<u>149,879</u>	<u>37,126</u>	<u>106,422</u>	<u>26,276</u>
	<u>13,936,083</u>	<u>3,452,089</u>	<u>12,335,420</u>	<u>3,045,782</u>

In accordance with Cambodian tax laws, the Company has an obligation to pay corporate income tax at the rate of 20% of taxable profit or minimum tax at 1% of turnover, whichever is higher.

12. DEPOSITS

(a) Deposits from other financial institutions

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Savings deposits	52	14	-	-
Term deposits	<u>24,222,000</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>
	<u>24,222,052</u>	<u>6,000,014</u>	<u>-</u>	<u>-</u>

Deposits from other financial institutions bear interest at the following rates per annum; depending on terms and currencies. Deposits from other financial institutions mainly have maturity within one year.

Savings deposits, rate per annum	1%
Term deposits, rate per annum	4.75% - 8.25%

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**NOTES TO THE FINANCIAL STATEMENTS
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12. DEPOSITS (continued)

(b) Deposits from customers

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Savings deposits	7,143,410	1,769,485	548,004	135,310
Term deposits	46,757,358	11,582,204	566,632	139,909
	<u>53,900,768</u>	<u>13,351,689</u>	<u>1,114,636</u>	<u>275,219</u>

Deposits from customers bear interest at the following rates per annum; depending on terms and currencies. Deposits from customers have maturity within one year, except the amount of KHR5,820 million with maturity more than one year.

	2016	2015
Savings deposits, rate per annum	1% - 4%	1% - 3%
Term deposits, rate per annum	3.5% - 11%	3.5% - 10.5%

13. BANK OVERDRAFTS

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Bank overdrafts	-	-	3,980,411	982,818
	<u>-</u>	<u>-</u>	<u>3,980,411</u>	<u>982,818</u>

These are unsecured facilities and have maturity of one year, with interest rate ranging from 9.3% to 10% per annum.

The Company still has the following unused portion of its overdraft facilities.

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Approved limit	20,255,500	5,017,463	20,075,000	4,956,790
Withdrawn	-	-	(3,980,411)	(982,818)
Unused portion	<u>20,255,500</u>	<u>5,017,463</u>	<u>16,094,589</u>	<u>3,973,972</u>

LOLC (CAMBODIA) PLC.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****14. BORROWINGS**

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Borrowings from local banks	60,574,525	15,004,837	91,350,000	22,555,555
Borrowings from overseas (*)	647,713,888	160,444,361	625,795,414	154,517,387
	<u>708,288,413</u>	<u>175,449,198</u>	<u>717,145,414</u>	<u>177,072,942</u>

(*) It included the subordinated debts of approximately KHR48 billion (denominated in US\$12million) approved by the Central Bank.

Included in the borrowings, the amount of KHR376 billion has the remaining maturity more than one year.

The annual interest rates are as follows:

	2016	2015
Borrowing in Khmer Riel	6.00% - 12.35%	9.00% - 12.35%
Borrowing in US Dollar	2.55% - 10.50%	2.55% - 10.50%
Borrowing in Thai Baht	9.00% - 10.50%	8.50% - 10.85%

15. OTHER LIABILITIES

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Accrued interest payables	10,993,736	2,723,244	8,880,172	2,192,635
Accrued staff bonuses and incentives	9,807,661	2,429,443	9,119,629	2,251,760
Withholding tax payable	942,338	233,425	942,195	232,641
Accrued other expenses	561,946	139,199	603,386	148,984
Other payables	2,185,287	541,314	1,840,253	454,383
	<u>24,490,968</u>	<u>6,066,625</u>	<u>21,385,635</u>	<u>5,280,403</u>

LOLC (CAMBODIA) PLC.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****16. CAPITAL**

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
LOLC Micro Investments Ltd	14,021,000	3,473,124	14,021,000	3,461,975
DWM Funds S.C.A.-SICAV SIF	8,639,200	2,140,005	8,639,200	2,133,136
TPC-ESOP Co., Ltd	708,000	175,377	708,000	174,815
	<u>23,368,200</u>	<u>5,788,506</u>	<u>23,368,200</u>	<u>5,769,926</u>

Ownership and number of shares are presented as below:

	2016		2015	
	Ownership	Shares	Ownership	Shares
LOLC Micro Investments Ltd	60.00%	140,210	60.00%	140,210
DWM Funds S.C.A.-SICAV SIF	36.97%	86,392	36.97%	86,392
TPC-ESOP Co., Ltd (*)	3.03%	7,080	3.03%	7,080
	<u>100.00%</u>	<u>233,682</u>	<u>100.00%</u>	<u>233,682</u>

The total authorised number of ordinary shares as at 31 December 2016 was 233,682 shares with a par value of KHR100,000 (31 December 2015 : 233,682 shares with a par value of KHR100,000). All authorised shares are issued and fully paid.

(*) 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.

17. INTEREST INCOME

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Interest income from:				
Loans to customers	224,265,482	55,552,510	166,150,473	41,024,808
Balances with the Central Bank and banks	<u>1,468,084</u>	<u>363,657</u>	<u>2,266,281</u>	<u>559,576</u>
	<u>225,733,566</u>	<u>55,916,167</u>	<u>168,416,754</u>	<u>41,584,384</u>

LOLC (CAMBODIA) PLC.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****18. INTEREST EXPENSE**

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Local borrowings	7,024,025	1,739,912	8,933,746	2,205,863
Overseas borrowings	61,338,795	15,194,153	40,153,649	9,914,481
Deposits from other financial institutions and customers	2,899,175	718,151	5,527	1,365
	<u>71,261,995</u>	<u>17,652,216</u>	<u>49,092,922</u>	<u>12,121,709</u>

19. OTHER INCOME

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Fees and commission income on loans	9,198,331	2,278,507	4,925,356	1,216,137
Recoveries from loans written-off	333,467	82,603	281,251	69,445
Penalty income	141,705	35,102	93,622	23,117
Gain on disposals of property and equipment	50,391	12,482	28,427	7,019
Others	221,284	54,813	114,977	28,389
	<u>9,945,178</u>	<u>2,463,507</u>	<u>5,443,633</u>	<u>1,344,107</u>

20. COMMISSION EXPENSES

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

21. PERSONNEL EXPENSES

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Salaries and wages	43,873,867	10,867,938	33,661,610	8,311,509
Other short-term benefits	4,685,837	1,160,723	3,707,989	915,552
	<u>48,559,704</u>	<u>12,028,661</u>	<u>37,369,599</u>	<u>9,227,061</u>

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
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22. GENERAL AND ADMINISTRATIVE EXPENSES

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Rental expenses	5,429,083	1,344,831	3,039,527	750,500
Bank and service charges and other fees	3,769,906	933,838	3,135,983	774,317
Travelling expenses	3,504,236	868,030	2,585,400	638,370
Marketing expenses	1,830,546	453,442	1,566,015	386,670
Office supplies and equipment	1,706,080	422,611	1,700,527	419,883
License fees	1,108,418	274,565	298,681	73,748
Utilities	1,089,260	269,819	838,452	207,025
Communications	940,232	232,904	767,329	189,464
Security expenses	899,957	222,927	720,416	177,880
Professional services	829,278	205,419	778,994	192,344
Photocopies and printing	420,717	104,215	341,707	84,375
Board of Directors' fees	440,010	108,994	356,628	88,056
Other expenses	5,490,830	1,360,127	2,714,265	670,189
	<u>27,458,553</u>	<u>6,801,722</u>	<u>18,843,924</u>	<u>4,652,821</u>

23. CASH AND CASH EQUIVALENTS

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Bank overdrafts	-	-	(3,980,411)	(982,818)
Cash on hand	8,198,053	2,030,729	3,881,625	958,426
Balances with the Central Bank with original maturity of 3 months or less	2,974,073	736,703	29,140,590	7,195,207
Balances with banks with original maturity of 3 months or less	<u>89,398,093</u>	<u>22,144,685</u>	<u>31,965,626</u>	<u>7,892,747</u>
	<u>100,570,219</u>	<u>24,912,117</u>	<u>61,007,430</u>	<u>15,063,562</u>

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. RELATED PARTY TRANSACTIONS AND BALANCES

Relationship	Related party
Ultimate parent company	Lanka ORIX Leasing Company PLC
Immediate parent company	LOLC Micro Investments Ltd
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

The related party transactions and outstanding balances for the year ended 31 December 2016 are as follows:

(a) Board of Directors' fee

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Board fees	<u>440,010</u>	<u>108,994</u>	<u>356,628</u>	<u>88,056</u>

(b) Key management compensation

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Accrued salaries and short-term benefit payable	<u>766,103</u>	<u>189,770</u>	<u>616,473</u>	<u>152,215</u>

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Salaries and short-term benefit expenses	<u>2,026,568</u>	<u>501,999</u>	<u>1,184,804</u>	<u>292,544</u>

(c) Loans to key management

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Loan outstanding	-	-	317,008	78,274
Accrued interest receivable	-	-	423	104
	<u>-</u>	<u>-</u>	<u>317,431</u>	<u>78,378</u>

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Interest income	<u>-</u>	<u>-</u>	<u>7,422</u>	<u>1,821</u>

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Loans to shareholder [TPC-ESOP's representative]

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Loan outstanding	101,281	25,088	96,041	23,714
Accrued interest receivable	135	33	128	32
	<u>101,416</u>	<u>25,121</u>	<u>96,169</u>	<u>23,746</u>

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Interest income	<u>11,422</u>	<u>2,829</u>	<u>5,728</u>	<u>1,414</u>

(e) Deposits from related parties

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Shareholders:				
Deposit outstanding	169,259	41,927	158,168	39,054
Accrued interest payable	1,695	420	1,607	397
	<u>170,954</u>	<u>42,347</u>	<u>159,775</u>	<u>39,451</u>

Board of Directors:				
Deposit outstanding	230,750	57,159	26,732	6,600
Accrued interest payable	7,401	1,833	221	55
	<u>238,151</u>	<u>58,992</u>	<u>26,953</u>	<u>6,655</u>

Key management:				
Deposit outstanding	421,675	104,453	46,087	11,379
Accrued interest payable	24,784	6,139	136	34
	<u>446,459</u>	<u>110,592</u>	<u>46,223</u>	<u>11,413</u>

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Interest expenses in respect of deposit from related parties:				
Shareholders	935	232	1,868	461
Board of Directors	8,188	2,028	257	63
Key management	30,852	7,642	744	184
	<u>39,975</u>	<u>9,902</u>	<u>2,869</u>	<u>708</u>

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(f) Borrowing from shareholders

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Borrowing outstanding	7,357,952	1,822,629	11,496,800	2,838,716
Accrued interest payable	115,447	28,597	321,751	79,445
	<u>7,473,399</u>	<u>1,851,226</u>	<u>11,818,551</u>	<u>2,918,161</u>
	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Interest expense	735,001	182,066	374,129	92,377

25. COMMITMENTS

a) Operating lease commitments

These operating leases mainly relate to the office rentals, which are renewable upon mutual agreements. Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
No later than one year	3,754,417	930,002	2,704,499	667,778
Later than one year and no later than five years	10,990,283	2,722,389	8,322,107	2,054,841
Later than five years	1,864,031	461,737	46,401	11,457
	<u>16,608,731</u>	<u>4,114,128</u>	<u>11,073,007</u>	<u>2,734,076</u>

b) Other commitment

As at 31 December 2016, the Company had outstanding commitment of KHR 422 million (equivalent to US\$109 thousand) to be paid for core banking system project.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. 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 Central Bank, 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.

26.1 Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Company's credit committee.

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 and procedures implemented to ensure compliance with the guidelines of Central Bank.

(a) Credit risk measurement

The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flows. The credit committee is responsible for approving loans to customers.

(b) Risk limit control and mitigation policies

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified.

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 common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

(c) Impairment and provisioning policies

The Company is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning. The Central Bank requires microfinance institutions to classify their loan portfolio into four classes and ensure that the minimum mandatory level of specific provision is made depending on the classification concerned and regardless of the assets (except for cash) pledged as collateral (Refer to Note 2.7).

Moreover, the general provision has been provided on non-performing loan in addition to the existing specific provision to ensure the risk coverage ratio up to 100%.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
<i>Credit exposure relating to on-balance sheet assets:</i>				
Loans to customers (Note 7)	874,171,085	216,539,778	760,988,930	187,898,501
Balances with banks (Note 6)	89,398,093	22,144,685	70,717,376	17,461,080
Other assets	13,272,358	3,287,678	12,856,573	3,174,462
	<u>976,841,536</u>	<u>241,972,141</u>	<u>844,562,879</u>	<u>208,534,043</u>

The above table represents a worst case scenario for credit risk exposure to the Company at 31 December 2016 and 31 December 2015, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on gross carrying amounts less any impairment.

As shown above, 89.49% of total maximum exposure is derived from loans to customers (31 December 2015: 90.10%).

Management is confident in its ability to continue to control and sustain minimal credit risk exposure to the Company relating to its loans to customers on the following basis:

- 98.21% of the loans in the portfolio are considered to be neither past due nor impaired (31 December 2015: 99.7%)
- The Company has introduced a more stringent selection and collection process for granting loans to customers

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

(e) Loans to customers

Loans to customers are summarised as follows:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Loans to customers neither past due nor impaired	870,436,760	215,614,754	760,565,245	187,793,887
Loans to customers past due but not impaired	3,734,325	925,024	423,685	104,614
Loans to customers individually impaired	12,107,033	2,999,018	1,848,153	456,334
Gross loans	886,278,118	219,538,796	762,837,083	188,354,835
Provision for bad and doubtful loans	(12,107,033)	(2,999,018)	(1,848,153)	(456,334)
Net loans to customers	874,171,085	216,539,778	760,988,930	187,898,501

For the purpose of loan provisioning, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirements. The total provision for bad and doubtful loans is KHR12,107 million (31 December 2015: KHR1,848 million), which represents the specific provision required by the Central Bank and additional provision for the loan losses [Refer to 26.1(e-iii) below].

(i) *Loans to customers neither past due nor impaired*

Loans to customers not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) *Loans to customers past due but not impaired*

Loans to customers less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans to customers that were past due but not impaired are as follows:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Past due loan less than 30 days	3,734,325	925,024	423,685	104,614

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. FINANCIAL RISK MANAGEMENT (Continued)

26.1 Credit risk (continued)

(e) Loans to customers (continued)

(iii) *Loans to customers individually impaired*

In accordance with Prakas B7-02-186 dated 13 September 2002 on loan classification and provisioning, loans past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

The breakdown of the gross amount of individually impaired loans to customers by due date is as follows:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
<i>Short-term loans (less than one year)</i>				
Past due days 30 – 59 days	637,963	158,029	116,447	28,752
Past due days 60 – 89 days	524,835	130,006	101,700	25,111
Past due days 90 days or more	1,605,692	397,744	312,939	77,269
<i>Long-term loans (more than one year)</i>				
Past due days 30 – 179 days	6,877,714	1,703,670	821,222	202,771
Past due days 180 – 359 days	2,008,749	497,585	392,265	96,856
Past due days 360 days or more	452,080	111,984	103,580	25,575
	<u>12,107,033</u>	<u>2,999,018</u>	<u>1,848,153</u>	<u>456,334</u>

Most of the customers' collateral is in the form of land or house title receipts (which are not official land title deeds), as the Company generally issues loans to poor entrepreneurs in the provinces. The Company does not perform, during the period of loan, a revaluation of collateral either internally or externally. Since no legal official land title deeds have been obtained, no values have been ascribed to the collateral. Under the Central Bank's regulations, the value of collateral is not taken into account when determining the impairment of loans to customers.

(iv) *Loans to customers renegotiated*

There were no renegotiated/restructured loans to customers at 31 December 2016 and 31 December 2015.

(v) *Credit risk exposure by geographical*

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Cambodia	874,171,085	216,539,778	760,988,930	187,898,501
	<u>874,171,085</u>	<u>216,539,778</u>	<u>760,988,930</u>	<u>187,898,501</u>

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk (continued)

(f) Repossessed collateral

During the year ended 31 December 2016, the Company did not obtain any assets by taking possession of collateral held as security (31 December 2015: Nil).

26.2 Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk mainly arising from borrowings in various currency exposures, primarily with respect to US\$ and THB.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

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 Central Bank. The Company does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities by using forward contracts.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2016. Included in the table are the Company's financial instruments at carrying amount by currency in KHR'000.

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(i) Foreign exchange risk (continued)

	KHR'000			Total KHR'000
	KHR	US\$	THB	
As at 31 December 2016				
Financial assets				
Cash on hand	3,008,832	4,866,515	322,706	8,198,053
Balances with the Central Bank	2,640,367	333,706	-	2,974,073
Balances with banks	51,545,111	25,747,071	12,105,911	89,398,093
Loans to customers	246,494,419	578,655,635	49,021,031	874,171,085
Other assets	5,027,757	7,360,941	883,660	13,272,358
Total financial assets	308,716,486	616,963,868	62,333,308	988,013,662
Financial liabilities				
Deposits from banks and other financial institutions	-	24,222,052	-	24,222,052
Deposits from customers	8,489,014	45,140,005	271,749	53,900,768
Bank overdrafts	-	-	-	-
Borrowings	99,746,551	556,548,189	51,993,673	708,288,413
Other liabilities	11,859,294	9,341,599	1,473,462	22,674,355
Total financial liabilities	120,094,859	635,251,845	53,738,884	809,085,588
Net financial assets	188,621,627	(18,287,977)	8,594,424	178,928,074
As at 31 December 2015				
Financial assets				
Cash on hand	1,748,491	1,978,150	154,984	3,881,625
Balances with the Central Bank	13,411,925	18,178,716	-	31,590,641
Balances with banks	8,865,467	60,819,237	1,032,672	70,717,376
Loans to customers	261,716,816	451,775,832	47,496,282	760,988,930
Other assets	5,273,781	6,724,176	858,615	12,856,572
Total financial assets	291,016,480	539,476,111	49,542,553	880,035,144
Financial liabilities				
Deposits from banks and other financial institutions	-	-	-	-
Deposits from customers and other financial institutions	127,583	987,053	-	1,114,636
Bank overdraft	3,980,411	-	-	3,980,411
Borrowings	137,373,810	541,908,829	37,862,775	717,145,414
Other liabilities	11,498,900	7,706,118	1,170,243	20,375,261
Total financial liabilities	152,980,704	550,602,000	39,033,018	742,615,722
Net financial assets	138,035,776	(11,125,889)	10,509,535	137,419,422

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2016, if the KHR had weakened/strengthened by 1% [based on the fluctuation of exchange rate for the last three years] against US\$ with all other variables held constant, the recalculated net profit for the year would have been KHR183 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 2016, if the KHR had weakened/strengthened by 6% [based on the fluctuation of exchange rate for the last three years] against THB with all other variables held constant, the recalculated net profit for the year would have been KHR516 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of its financial assets and financial liabilities.

(ii) Price risk

The Company is not exposed to a securities price risk because it does not have any investment held and classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company does not currently have a policy to manage its price risk.

(iii) Interest rate risk

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The Company at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, management regularly monitors the mismatch.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Company's financial assets and financial liabilities bear fixed interest rates, except for borrowings from lenders of KHR178 million (US\$28 million dominated in US\$) as at 31 December 2016 bearing the floating interest rates using LIBOR plus certain margin. With all other variables held constant, if the floating interest rate fluctuates by 50% (based on the fluctuation for the last three years) against the average LIBOR rate of 0.77% per annum (2016), net profit for the year will fluctuate by KHR314 million.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(iii) Interest rate risk (continued)

	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
As at 31 December 2016							
Financial assets							
Cash on hand	-	-	-	-	-	8,198,053	8,198,053
Balances with the Central Bank	-	-	200,000	-	-	2,774,073	2,974,073
Balances with banks	73,207,838	-	4,037,000	4,844,399	-	7,308,856	89,398,093
Loans to customers	35,599,879	107,265,587	343,536,139	387,734,451	35,029	-	874,171,085
Other assets	-	-	-	-	-	13,272,358	13,272,358
Total financial assets	108,807,717	107,265,587	347,773,139	392,578,850	35,029	31,553,340	988,013,662
Financial liabilities							
Deposits from banks and other financial institutions	8,074,000	4,037,000	12,111,000	-	52	-	24,222,052
Deposits from customers	3,167,297	15,152,775	22,617,444	5,819,841	7,143,411	-	53,900,768
Borrowings	56,560,437	69,822,924	279,797,476	299,156,769	2,772,208	178,599	708,288,413
Other liabilities	-	-	-	-	-	22,674,355	22,674,355
Total financial liabilities	67,801,734	89,012,699	314,525,920	304,976,610	9,915,671	22,852,954	809,085,588
Total interest repricing gap	41,005,983	18,252,888	33,247,219	87,602,240	(9,880,642)	8,700,386	178,928,074
Equivalent in US\$	10,157,539	4,521,399	8,235,625	21,699,837	(2,447,521)	2,155,161	44,322,040

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk (continued)

(iii) Interest rate risk (continued)

	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
As at 31 December 2015							
Financial assets							
Cash on hand	-	-	-	-	-	3,881,625	3,881,625
Balances with the Central Bank	-	-	-	-	-	31,590,641	31,590,641
Balances with banks	11,911,967	4,904,130	38,751,750	-	-	15,149,529	70,717,376
Loans to customers	32,121,560	83,813,194	368,085,216	276,954,307	14,653	-	760,988,930
Other assets	-	-	-	-	-	12,856,572	12,856,572
Total financial assets	44,033,527	88,717,324	406,836,966	276,954,307	14,653	63,478,367	880,035,144
Financial liabilities							
Deposits from banks and other financial institutions	-	-	-	-	-	-	-
Deposits from customers	549,204	15,575	464,067	85,790	-	-	1,114,636
Bank overdrafts	-	-	3,980,411	-	-	-	3,980,411
Borrowings	59,265,481	23,342,003	219,431,123	373,964,787	40,831,020	311,000	717,145,414
Other liabilities	-	-	-	-	-	20,375,261	20,375,261
Total financial liabilities	59,814,685	23,357,578	223,875,601	374,050,577	40,831,020	20,686,261	742,615,722
Total interest repricing gap	(15,781,158)	65,359,746	182,961,365	(97,096,270)	(40,816,367)	42,792,106	137,419,422
Equivalent in US\$	(3,896,582)	16,138,209	45,175,646	(23,974,388)	(10,078,115)	10,565,952	33,930,722

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay lenders, depositors and fulfil commitments to lend.

(a) Liquidity risk management process

The Company's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key periods for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(b) Funding approach

The Company's main sources of liquidity arise from the shareholders' paid-up capital and borrowings. The sources of liquidity are reviewed regularly through management's review of the maturity of borrowings.

(c) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on the expected undiscounted cash flows.

LOLC (CAMBODIA) PLC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	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
As at 31 December 2016						
Liabilities						
Deposits from banks and other financial institutions	8,097,282	4,103,610	12,569,062	2	52	24,770,008
Deposits from customers	3,255,573	15,519,026	24,011,453	7,137,634	27,483,868	77,407,554
Borrowings	12,386,196	73,920,568	296,156,676	418,539,851	2,848,235	803,851,526
Other liabilities	5,919,482	11,206,448	5,429,315	101,936	17,174	22,674,355
Total financial liabilities (contractual maturing dates)	29,658,533	104,749,652	338,166,506	425,779,423	30,349,329	928,703,443
Total financial assets (expected maturing dates)	146,698,793	142,201,632	452,340,511	465,821,245	66,083	1,207,128,264
Net liquidity gap in KHR'000	117,040,260	37,451,980	114,174,005	40,041,822	(30,283,246)	278,424,821
Equivalent in US\$	28,898,830	9,277,181	28,281,894	9,918,707	(7,501,423)	68,875,189
As at 31 December 2015						
Liabilities						
Deposits from customers	549,204	15,575	464,067	85,790	-	1,114,636
Bank overdrafts	-	-	3,988,372	-	-	3,988,372
Borrowings	23,137,272	23,877,439	221,811,905	513,153,311	42,012,524	823,992,451
Other liabilities	5,915,467	9,770,481	4,689,313	-	-	20,375,261
Total financial liabilities (contractual maturing dates)	29,601,943	33,663,495	230,953,657	513,239,101	42,012,524	849,470,720
Total financial assets (expected maturing dates)	124,540,080	121,607,603	503,360,816	328,570,433	14,886	1,078,093,818
Net liquidity gap in KHR'000	94,938,137	87,944,108	272,407,159	(184,668,668)	(41,997,638)	228,623,098
Equivalent in US\$	23,441,515	21,714,595	67,261,027	(45,597,202)	(10,369,787)	56,450,148

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Liquidity risk (continued)

(d) Off-balance sheet items

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as disclosed in Note 25.

26.4 Fair value of financial assets and liabilities

As at the balance sheet date, the fair values of financial instruments of the Company approximate their carrying amounts.

The estimated fair values are based on the following methodologies and assumptions:

(i) *Balances with the Central Bank*

Balances with the Central Bank include current accounts and term deposits (less than 12 months). The fair value of balances with the Central Bank approximates the carrying amount.

(ii) *Balances with banks*

Balances with banks include non-interest bearing current accounts, savings deposits and term deposits. The fair value of balances with banks approximates the carrying amount. These balances will be mature within one year.

(iii) *Loans to customers*

Loans to customers are net of provision for bad and doubtful loans and their carrying value approximates fair value.

(iv) *Deposits from banks and customers*

The fair values of deposits payable on demand (current and savings accounts), or deposits are estimated to approximate their carrying amounts.

(v) *Borrowings*

The borrowings are not quoted in an active market and their value approximates the carrying amount.

LOLC (CAMBODIA) PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT (continued)

26.5 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The table below summarises the composition of regulatory capital:

	2016		2015	
	KHR'000	US\$	KHR'000	US\$
Tier 1 Capital				
Share capital	23,368,200	5,788,506	23,368,200	5,769,926
Reserves	4,279,558	1,060,084	4,279,558	1,056,681
Retained earnings	168,266,830	41,681,157	118,153,509	29,173,705
Less: Loan to related parties	(101,281)	(78,526)	(317,008)	(78,273)
	<u>195,813,307</u>	<u>48,451,221</u>	<u>145,484,259</u>	<u>35,922,039</u>
Tier 2 Capital				
Subordinated debt (*)	<u>48,444,000</u>	<u>12,000,000</u>	<u>16,200,000</u>	<u>4,000,000</u>
Total regulatory capital	<u>244,257,307</u>	<u>60,451,221</u>	<u>161,684,259</u>	<u>39,922,039</u>

(*) All subordinated debts were approved by the Central Bank.

The National Bank of Cambodia issued a Prakas No. B7-016-117, dated 22 March 2016, on "new minimum registered capital requirement for banks and financial institutions". It requires that Microfinance Deposit-taking Institutions (MDIs) must have a minimum registered capital of at least KHR 120 billion (equivalent to US\$30 million). The Prakas allows MDIs to increase its capital to meet the new minimum registered capital requirement within two years from the date this Prakas.

On 16 June 2016, NBC issued an Instruction on the implementation of its Prakas No. B7-016-117, dated 22 March 2016, on "new minimum registered capital requirement for banks and financial institutions". The Instruction requires the MDIs to increase the additional capital at least 50% of the amount to fulfill the minimum registered capital by end of March 2017 and the remaining amount by end of March 2018.

APPENDIX: NOTES ON REQUIREMENT OF THE CENTRAL BANK'S PRAKAS

**REQUIREMENT OF THE CENTRAL BANK PRAKAS
AS AT 31 DECEMBER 2016****1. SOLVENCY RATIO, Prakas No. B7-07-163**

A licensed deposit-taking microfinance institution shall at all times maintain a solvency ratio of more than 15% of the institution's net worth. As at 31 December 2016, the solvency ratio of the Company was 24.45%.

The solvency ratio calculation is detailed in Schedule 1.

2. LIQUIDITY RATIO, Prakas No. B7-015-349

A licensed deposit-taking microfinance institution shall at all times maintain a liquidity coverage ratio (LCR) of at least 60% from 01 September 2016. As at 31 December 2016, the liquidity coverage ratio of the Company was 155.71%

The liquidity ratio calculation is detailed in Schedule 2.

3. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No B7-07-134

A licensed microfinance institution shall at all times maintain a net open position in foreign currencies in either any foreign currency or an overall net open position in all foreign currencies, whether long or short, which shall not exceed 20% of the Company's net worth. As at 31 December 2016, the net open position in US\$ and THB were short 2.28% and long 3.54% respectively.

The net open position calculation is detailed in Schedule 3.

4. RESERVE REQUIREMENT, Prakas No. B7-07-163

A licensed microfinance institution shall deposit 8% of its voluntary deposits into an account maintained with the Central Bank. As at 31 December 2016, the reserve requirement was KHR 7,978 million which is higher by KHR 1,728 million than the Central Bank's requirement.

The reserve requirement calculation is detailed in Schedule 4.

**REQUIREMENT OF THE CENTRAL BANK PRAKAS
AS AT 31 DECEMBER 2016****5. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO,
Prakas No. B7-02-186**

Licensed micro-finance institutions shall classify their loan portfolios into the following four classes, depending on the financial situation of the borrower and the timeliness of principal and interest payments.

Loan term of one year or less

- **Standard:** good financial condition and punctual payment of principal and interest.
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
- **Doubtful:** some payments of principal and/or interest are overdue by 60 days or more.
- **Loss:** some payments of principal and/or interest are overdue by 90 days or more.

Loan term of more than one year

- **Standard:** good financial condition and punctual payment of principal and interest.
- **Sub-standard:** some payments of principal and/or interest are overdue by 30 days or more.
- **Doubtful:** some payments of principal and/or interest are overdue by 180 days or more.
- **Loss:** some payments of principal and/or interest are overdue by 360 days or more.

Mandatory provisions on the loans classified as follows:

- **Sub-standard:** 10% regardless of the collateral value except cash.
- **Doubtful** : 30% regardless of the collateral value except cash.
- **Loss** : 100%.

As at 31 December 2016, the mandatory provision provided by the Company was KHR 3,659 million.

Loan classification, provision and delinquency ratio calculation are detailed in Schedule 5.

SCHEDULE 1

NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2016

NET WORTH RATIO

	<u>KHR'000</u>
<i>I- Sub-total A : Items to be added</i>	
- Capital or endowment	23,368,200
- Reserve, other than revaluation reserves	4,279,558
- Premium related to capital (share premiums)	-
- Provision for general banking risks, with the prior agreement of the NBC	-
- Retained earnings	113,271,892
- Audited net profit for the latest financial year	54,994,938
- Other items approved by the National Bank of Cambodia	-
	<u>195,914,588</u>
<i>II- Sub-total B : Items to be deducted</i>	
- For shareholders, directors, managers and their next of kind	
> Unpaid portion of capital	-
> Advances, loans, security and the agreement of the persons concerned as defined above	101,281
- Holding of own shares at their book value	-
- Accumulated losses	-
- Formation expenses	-
- Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	-
	<u>101,281</u>
<i>III- Total C : BASE NET WORTH = A – B</i>	<u>195,813,307</u>
<i>IV- Sub-total D : Items to be added</i>	
- Revaluation reserves, with the prior agreement of the NBC	-
- Subordinated debt, with the prior agreement of the NBC, up to 100% of base net worth	48,444,000
- Other items, with the prior agreement of the NBC, could be included in the calculation of net worth and shall not be more than base net worth	-
	<u>48,444,000</u>
<i>V- Sub-total E : Items to be deducted</i>	
- Equity participation in banking and financial institutions	-
- Other items	-
	<u>-</u>
<i>VI- Total F: TOTAL NET WORTH = C + D – E</i>	<u>244,257,307</u>

SCHEDULE 1
NET WORTH AND SOLVENCY RATIO AS AT 31 DECEMBER 2016

SOLVENCY RATIO**KHR'000****I- Numerator (A)**

Net worth	<u>244,257,307</u>
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II- Denominator (B)

Assets (*)

	KHR '000	Weighting	
- Cash	8,198,053	0%	-
- Gold	-	0%	-
- Claims on the NBC	13,289,293	0%	-
- Assets collateralized by deposits	-	0%	-
- Claims on sovereigns rated AAA to AA-	-	0%	-
- Claims on sovereigns rated A+ to A-	-	20%	-
- Claims on banks rated AAA to AA-	-	20%	-
- Claims on sovereigns rated BBB to BBB-	-	50%	-
- Claims on banks rated A+ to A-	-	50%	-
- All other assets	<u>999,174,489</u>	100%	<u>999,174,489</u>
	<u>1,020,661,835</u>		<u>999,174,489</u>

III- Solvency ratio (A/B)24.45%

(*): The denominator of the ratio shall comprise the aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of risk. It excludes the items which are deducted in calculating the net worth according to the provisions of the Prakas on the calculation of microfinance institutions' net worth.

SCHEDULE 2
LIQUIDITY RATIO AS AT 31 DECEMBER 2016

ASSETS	No.	Weight		Non weighted amounts			Weighted amounts			TOTAL
				KHR	USD	Other currencies	KHR	USD	Other currencies	
				'000	'000	'000	'000	'000	'000	
	1.11	1	Notes and coins	3,008,832	4,866,515	322,706	3,008,832	4,866,515	322,706	8,198,053
HQLA	1.12	1	Reserves requirement with the NBC >minimum reserve requirement	302,079	1,426,494	-	302,079	1,426,494	-	1,728,573
	1.13	1	Reserves requirement with the NBC in KHR	679,121	-	-	679,121	-	-	679,121
	1.14	0.7	Reserves requirement with the NBC in USD	-	5,570,704	-	-	3,899,493	-	3,899,493
	1.15	1	Amounts deposited at the NBC excluding settlement account and capital guarantee account	2,640,367	333,706	-	2,640,367	333,706	-	2,974,073
TOTAL ASSETS			TOTAL 1	6,630,399	12,197,419	322,706	6,630,399	10,526,208	322,706	17,479,313
CASH OUTFLOWS	2.12	0.15	Less stable deposits	8,088,552	44,931,398	271,749	1,213,283	6,739,710	40,762	7,993,755
	2.21	0.25	operational deposits (unsecured funding generated by clearing, custody and cash management activities)	3,022	30,938	-	755	7,735	-	8,490
	2.24	1	non operational deposits from banks and financial institutions	-	24,222,052	-	-	24,222,052	-	24,222,052
	2.25	1	Non operational deposits from all other legal entities	397,441	177,668	-	397,441	177,668	-	575,109
	2.81	1	Other contractual outflows	2,461,879	9,466,970	174,881	2,461,879	9,466,970	174,881	12,103,730
				TOTAL2	10,950,894	78,829,026	446,630	4,073,358	40,614,135	215,643
CASH INFLOWS	3.31	0.5	from retail customers	22,160,574	29,289,946	3,682,204	11,080,287	14,644,973	1,841,102	27,566,362
	3.39	1	deposits with banks and financial institutions	51,068,261	10,033,666	12,105,911	51,068,261	10,033,666	12,105,911	73,207,838
			TOTAL3	73,228,835	39,323,612	15,788,115	62,148,548	24,678,639	13,947,013	100,774,200
TOTAL NET CASH OUTFLOWS			Total 4 = Total 2 - Min (Total 3 ; 75% Total 2)	84,179,729	118,152,638	16,234,745	1,018,339	15,935,496	53,911	11,225,784
LIQUIDITY COVERAGE RATIO			LCR= Total 1/Total 4				651.10	66.06	598.59	155.71

SCHEDULE 3
NET OPEN POSITION AS AT 31 DECEMBER 2016

Currency	Assets KHR'000	Liabilities and capital KHR'000	Net open position KHR'000	NOP/ Net worth %	Limit %
Khmer Riel (KHR)	328,004,220	(331,103,076)	(3,098,856)	-1.27%	20%
US Dollars (US\$)	630,314,864	(635,873,370)	(5,558,506)	-2.28%	20%
Thai Baht (THB)	62,444,032	(53,786,670)	8,657,362	3.54%	20%
Total	<u>1,020,763,116</u>	<u>(1,020,763,116)</u>	<u>-</u>		
Net worth			<u>244,257,307</u>		

**SCHEDULE 4
RESERVE REQUIREMENT AS AT 31 DECEMBER 2016**

	<u>KHR'000</u>
1-Voluntary	
1-1 Demand	-
1-2 Saving	7,143,462
1-3 Term	70,979,358
1-4 Other	-
1-5 Total Reservable Deposits	<u>78,122,820</u>
2- Compulsory	
2-1 Program	-
2-2 Program	-
2-3 Program	-
2-4 Total Compulsory saving	<u>-</u>
3- Total saving mobilized	<u>78,122,820</u>
8% Reservable Deposit	<u>6,249,826</u>

SCHEDULE 5
LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO
AS AT 31 DECEMBER 2016

	<u>Amount</u> KHR'000	<u>Rate</u> %	<u>Specific</u> <u>Provision</u> KHR'000
Loan classification			
1-Loans of one year or less			
1-1 Standard	142,943,708	0%	-
1-2 Substandard Past Due ≥ 30 days	637,962	10%	63,796
1-3 Doubtful Past Due ≥ 60 days	524,835	30%	157,449
1-4 Loss Past Due ≥ 90 days	1,605,692	100%	1,605,692
Sub-Total 1	<u>145,712,197</u>		<u>1,826,937</u>
2-Loans of more than one year			
2-1 Standard	731,227,377	0%	-
2-2 Substandard Past Due ≥ 30 days	6,877,714	10%	687,771
2-3 Doubtful Past Due ≥ 180 days	2,008,749	30%	602,625
2-4 Loss Past Due ≥ 360 days	452,081	100%	452,083
Sub-Total 2	<u>740,565,921</u>		<u>1,742,479</u>
Grand total 1+2	<u>886,278,118</u>		<u>3,569,416</u>
All loan past due ≥ 30 days (A)			<u>12,107,033</u>
Loan outstanding (B)			<u>886,278,118</u>
Delinquency ratio (A/B)			<u>1.37%</u>