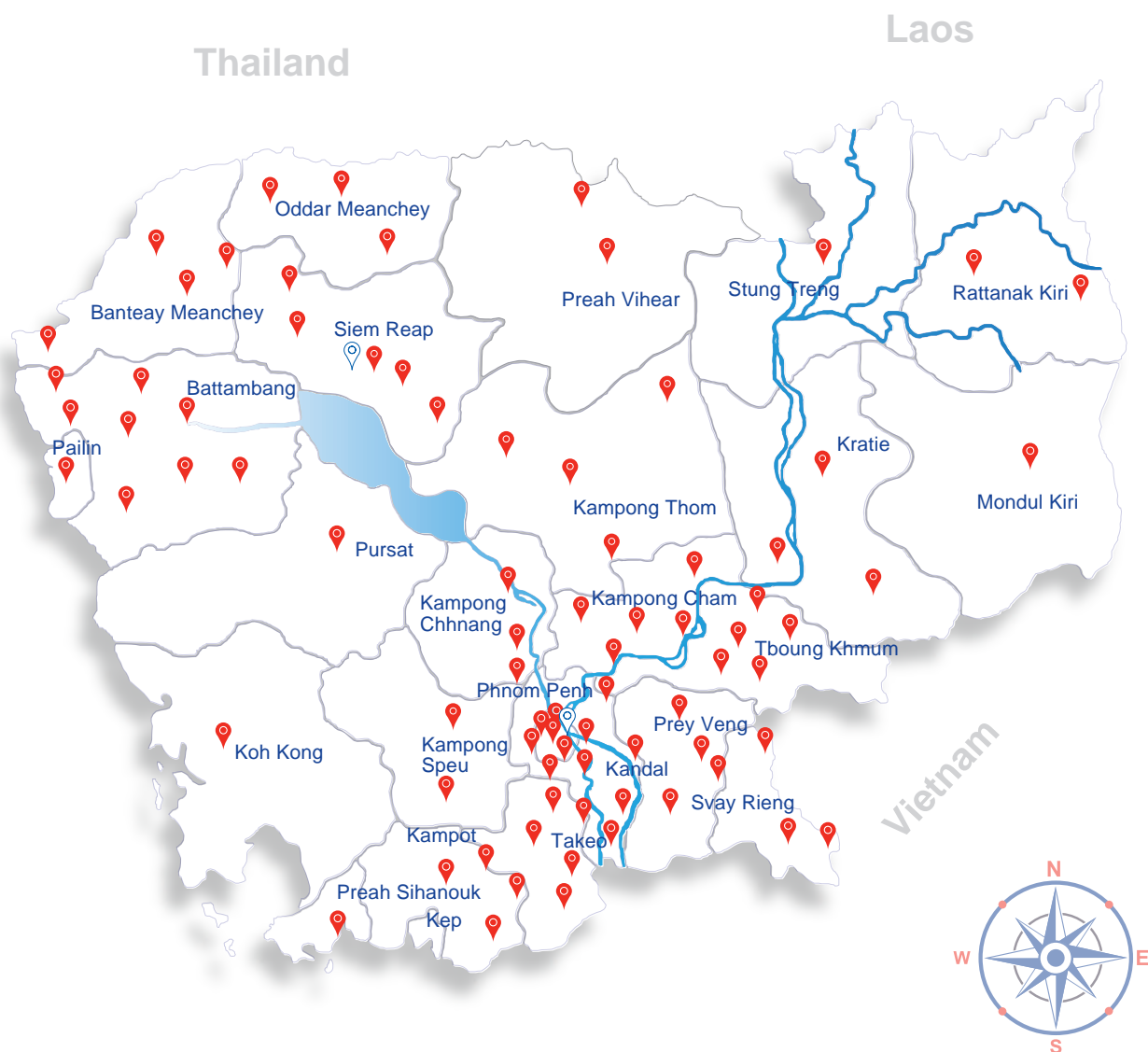







អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី  
LOLC (Cambodia) Plc.

# ANNUAL REPORT **2019**

## Map of Business Operating Areas



### Note

-  LOLC operating offices
-  Plan office opening in 2020
-  LOLC operating areas

### Number of branches

**79**

### Number of operating provinces

**25**

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



## **Vision Statement**

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



## **Mission Statement**

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

## Core Values



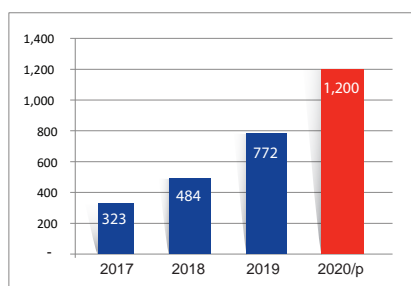


## Financial Performance and Perspective

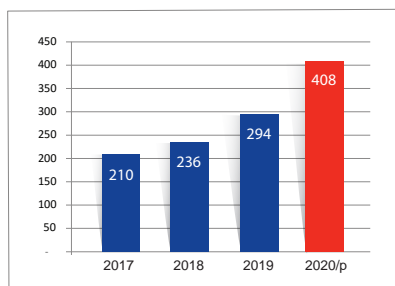
	Actual Performance			Perspective*
	2017	2018	2019	2020/p
Total Assets	371,430,754	610,328,369	1,009,351,504	1,455,473,129
Gross Loan Portfolio	322,647,698	483,845,307	772,214,266	1,199,993,423
Equity	60,379,130	81,170,614	135,805,441	222,740,958
Net Income	15,588,057	15,637,813	34,020,118	51,717,702
Number of Active Borrowers	210,227	235,613	294,152	408,327
Deposit Balance	91,834,678	236,910,385	457,661,470	724,633,076
Deposit Account	72,705	198,879	381,613	417,377
Depositors	65,694	180,305	336,002	367,491
Number of Offices (Including Head Office)	77	78	80	82
Number of Personnel	2,065	2,327	2,757	3,209
Operating Expense/ Loan Portfolio	8.08%	7.33%	6.07%	5.16%
PAR $\geq$ 30 Days	1.40%	0.96%	0.61%	1.25%
Gross Write-offs	0.40%	0.44%	0.27%	0.50%
Capital Adequacy Ratio (CAR)	20.68%	17.93%	20.05%	16.77%
Debt-to-Equity Ratio	5.0x	6.4x	6.0x	5.4x
Cost-to-Income Ratio (Including Provisions)	55.91%	61.28%	52.53%	52.00%
Return On Assets	4.99%	3.19%	4.20%	4.28%
Return On Equity	28.63%	22.94%	32.13%	28.06%

\* Perspective in 2020 is estimated before COVID-19 pandemic

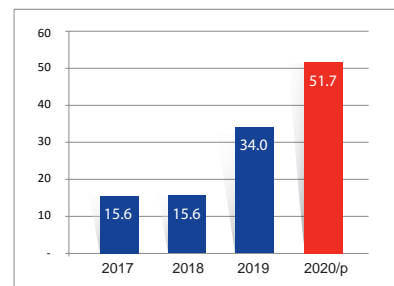
Gross Loan Portfolio  
(US\$ in million)



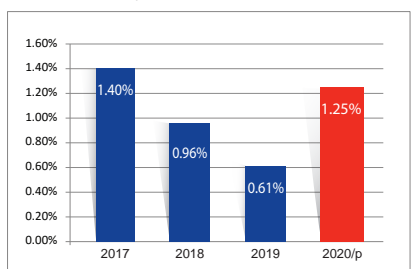
Active Borrowers  
(in thousand)



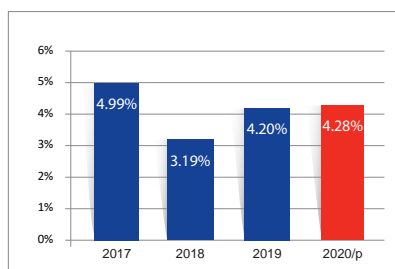
Net Income  
(US\$ in million)



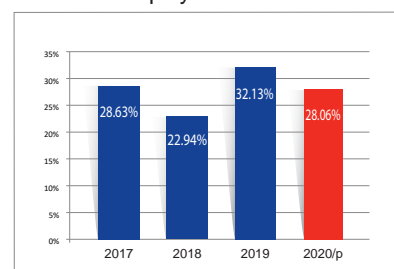
PAR $\geq$ 30 Days



Return on Assets



Return on Equity



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## ◆ Chairman's Statement

“

I take pleasure in presenting to you the Annual Report and Audited Financial Statements for the year ended 31<sup>st</sup> December 2019. It has been another good year in which the company continued to show exceptional growth fueled by creativity, innovation and a passion for excellence.

”

**BRINDLEY DE ZYLVA**  
Chairman of LOLC (Cambodia) Plc.

Despite internal and external challenges, the Cambodian economy reached even greater heights in 2019, with the government reporting economic growth of 7.1 percent—the highest in the ASEAN Region. Growth is expected to slow to around 6.5 percent in 2020 mainly because of the global economic downturn and the deceleration of global demand, as well as emerging risks stemming from China's economic slowdown, the partial loss of preferential market access to the European Union under the Everything-but-Arms (EBA) trade arrangement and domestic financial vulnerability. The wholesale and retail sub-sectors, including hotels and restaurants, are expected to maintain the growth of last year. The agricultural sector will also achieve the same growth rate of 1.7 percent as in 2019.

In terms of external challenges that could affect economic growth this year, it should be noted that a global economic slowdown could be sharper than expected and we have yet to understand the economic impact of the COVID-19 pandemic.

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


**THE COMPANY** has consolidated the fiscal year 2019 through outstanding financial performance and social results. With effective strategic policies and internal control, LOLC Cambodia achieved quality growth whilst ensuring social responsibility. Fast growth fueled by the acceptance of our products and services, we have consolidated our position as the country's 4<sup>th</sup> largest MDI in terms of deposit balance and gross loan portfolio (GLP) and the 3<sup>rd</sup> largest in terms of number of borrowers. Our ROA was the highest among the top 7 MDIs and ROE ranked 2<sup>nd</sup> both in 2017 and 2018, and ROA and ROE were the leading in 2019.

During 2019 we have expanded our business and outreach with products designed to cater to the fast growing middle income sector. The Small & Medium Business Enterprises (SMEs) demand sophisticated products. With Technical Support from the LOLC Group, the company keeps modifying existing products and services to fit client's needs. Further, LOLC Cambodia has been strengthening its customer service and will continue to develop new and diversified products to meet market needs, including planned savings accounts, children savings schemes and utility bill payment services. During 2019 LOLC Cambodia has been focusing on digital financial services. As a result, LOLC Cambodia rolled out its iPay Mobile Banking Application which allows customers to do transactions via their mobile phone and is a member of the FAST system a project of the National Bank of Cambodia. LOLC also issued ATM cards to its staff members which allows them to use ATMs linked to the Cambodia Shared Switch (CSS). This service will be expanded to all customers in 2020.

The Management and Staff of the company have shown resilience and the ability to adjust to macroeconomic changes in Cambodia whilst ensuring compliance with all laws and regulations. LOLC Cambodia follows regulations and prudential ratios issued by the National Bank of Cambodia, and has the capacity to comply with the requirements issued in 2018. Those include capital buffer, FAST payment and Cambodia Shared Switch (CSS), liquidity coverage ratio, and credit risk grading and impairment requirements. Beginning in 2019, the company has implemented the IFRS accounting standard, to meet requirement of the National Accounting Council, and particularly IFRS 9 to be fully compliant with the Prakas on credit risk grading and impairment. Aside from these, the company has adopted an integrated governance framework, which was formulated after taking into consideration the corporate governance regulations issued by the National Bank of Cambodia and other corporate governance best practices, to ensure high quality governance and the long-term sustainability of the company.

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

We reaffirm our commitment to all of our customers and shareholders that in 2020, we will continue to focus on areas that represent the best opportunities for LOLC Cambodia and to dedicate all our efforts to achieving a strong and sustainable growth. We are also committed to delivering on our strategic goals to enhance future returns as well as to strengthen the position of LOLC in the Kingdom of Cambodia.



**Brindley de Zylva**  
Chairman

“

The microfinance industry saw healthy growth in 2019, with the total loan portfolio in the MFI sector reaching US\$ 7.3 billion, an increase of 33 percent; while NPLs were only 0.81 percent, an improvement from last year. The total number of borrowers increased to more than 2.2 million. The deposit balance of the MDIs reached US\$ 3.8 billion, with the total number of depositors around 2.8 million (data calculated from 73 MFIs, 5 FLIs and 6 RCIs).

”

Sok Voeun  
CEO of LOLC (Cambodia) Plc.



Cambodia was able to achieve its GDP growth of 7.1 percent in 2019 and is expected to slow to just 6.5 percent in 2020 due to global economic downturn and the deceleration of global demand, as well as emerging risks stemming from China's economic slowdown, the partial loss of preferential market access to the European Union under the Everything-but-Arms (EBA) trade arrangement and domestic financial vulnerability.

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

### LOLC's MAIN ACHIEVEMENT IN 2019

Let me now briefly highlight the most significant achievements we experienced in 2019.

#### Loan Performance

LOLC maintained quality growth in 2019, increasing its loan portfolio by 60 percent to reach US\$ 772 million, while the portfolio at risk was only 0.61 percent. The number of borrowers increased by 25 percent to around 294 thousand. The borrowers are of groups and individuals, representing 42 percent and 58 percent respectively. The vast majority of loans outstanding are individual and group loans going to low-income clients, reflecting LOLC's mission to serve rural entrepreneurs and families at the base of the socio-economic pyramid.



## Loan Portfolio Quality

LOLC maintained its loan portfolio growth with quality and strong internal control. Its performance was better than the industry average. LOLC's Board of Directors and management team have worked together closely to strengthen credit risk management and internal control, including:

- Continuing to strengthen the credit process and internal controls;
- Continuing to strengthen credit monitoring after disbursement through various methods;
- Embedding risk management culture throughout LOLC;
- Continuing to strengthen the credit quality assurance team to ensure the implementation of internal control;
- Ensuring strong internal control implementation through the work of the Independent Internal Audit Department.
- Restructuring incentives for credit officers and other field staff to be based on credit quality;
- Requiring that the Credit Bureau of Cambodia checks 100 percent of borrowers and co-borrowers before disbursement to supplement rigorous in-person loan evaluations;
- Continuing to conduct training and retaining sessions to strengthen staff productivity;
- Integrating Client Protection Principles as a core part of risk management;
- Effectively implementing the Financial Literacy Training Program to provide clients, university students and other community members with the skills to manage their finances.

## Deposit Collection

The deposit base reached an impressive amount of US\$ 458 million, a growth of 93 percent compared to end of 2018. The number of depositors increased to more than 336 thousand with a growth of 86 percent. The fast growth of the deposit balance indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products. LOLC has the objective to double its deposit balance to catch up with peers by the end of 2020.

## Digital Banking Project

In order to support the business and new products development, LOLC Cambodia has been investing in digital banking projects which will improve customer

services and increase efficiency, such as those for tablets, ATMs, mobile banking applications and third-party connections. As a result, LOLC has rolled out its iPay mobile banking application, which allows our customers to view their bank accounts, do transactions (balance enquiry, mini-statement, transfer, payment, phone top up, open FD, standing order, deposit calculator, loan calculator, view office location, news, etc.) from their mobile.

Furthermore, LOLC has issued ATM Cards for its staff members in Q4 2019 and will issue them for all customers in Q1 2020, allowing clients to use LOLC ATM card across ATM shared switch members (Cambodia Share Switch - CSS).

Moreover, in 2020 LOLC will deploy tablet banking, which will enable our officers to operate their tasks (loan origination, loan late collection, open savings account) from the tablet devices, improving productivity, efficiency and effectiveness.

## Return on Assets and Return on Equity

LOLC's ROA and ROE increased to 4.2 percent and 32.13 percent respectively in 2019. Compared to peers, LOLC's ROA was the leading among the top 7 MDIs. ROE ranked 2<sup>nd</sup> both in 2017 and 2018, and was leading in 2019. LOLC has consolidated its position as the country's 4<sup>th</sup> largest MDI in terms of deposit balance and gross loan portfolio (GLP), and 3<sup>rd</sup> largest MDI in terms of number of borrowers.

## Social Performance

LOLC has continued to deliver its inclusive, responsible and environmentally friendly financial services to rural Cambodians. As of December 2019, over 92 percent of its loan clients live in rural areas, 70 percent of borrowers are female, 39 percent of borrowers are involved in agriculture that had no significant environmental risk exposure. Among clients, 11,024 had access to shelter, 9,594 had access to clean water, 9,957 had access to clean energy, 336,002 had access to savings and approximately 30 percent of clients were likely living below 150 percent of the National Poverty Line (using PPI tools for measuring poverty).

For its efforts and implementation of the industry standard, Universal Standard of Social Performance (USSPM), LOLC conducted a social rating in 2019 by Microfinanza and achieved a grade BB+, an improvement from a previous survey rating . It was assessed on various criteria such as social performance management system, client protection and social responsibility, outreach, and the quality of services.

The company's strategy is to integrate the social performance management standard into institutional policies, procedures, trainings, delivery of products and services, and monitoring tools. This is because management and Board of Directors understand the philosophy that the "company succeeds only if clients succeed."

Additionally, the social performance management unit has conducted financial literacy awareness through in-class trainings on financial management to university students and beneficiaries of the One Village One Product (OVOP) project. Furthermore, throughout the radio program "Idea for Growth," listeners were able to hear the financial literacy message, as well as insight on consumer protection, self-motivation and small business management. During the year, LOLC also allocated some of its budget to contribute to other social activities. These include donating to customers affected by floods, supporting the "Fresh Milk Nutrition Program" by the Royal Academy of Cambodia, sponsoring leaflets and supporting drug prevention campaign activities, sponsoring the 8<sup>th</sup> National Book Fair of the Ministry of Culture and Fine Arts, and contributing to the Cambodian Red Cross to support its social activities.

### STRATEGIC PRIORITIES FOR 2020

We see 2020 as a year of new opportunities and challenges for LOLC.

**On the lending side,** we will continue to follow our existing strategy and keep focusing on micro, small and medium-sized business loans and asset-backed lending/leasing, which are the core business of LOLC.

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

**On the digital side,** LOLC will launch technology-oriented delivery channels which will improve customer services and increase efficiency, such as for tablets, ATMs and third-party connections.

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

LOLC has issued corporate bonds to support LOLC's long-term growth.

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

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

Finally, I would like to express my sincere thanks to our shareholders, Board of Directors and committee members for their leadership, support and guidance throughout the year. I would also like to express my sincere gratitude to all LOLC staff who have worked very hard and smartly, and who are highly committed to performing their work with integrity, ethics, professionalism and responsibility. Additionally, I would like to express my sincere thanks to all LOLC's clients, investors and business partners for supporting LOLC and being part of its achievements. To the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks — both for your support in 2019 and in anticipation of happy and prosperous coming years.



---

**Sok Voeun**  
Chief Executive Officer

## ABOUT LOLC



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



## Cambodia at a Glance

### Geography & Demographic

A tropical country, the Kingdom of Cambodia – the descendant of the Khmer Empire – is a member of the Greater Mekong Sub-region, a member state of ASEAN since 1999, a member of WTO since 2004, a beneficiary of the USA Generalized System of Preferences (GSP) since 1997, and a beneficiary of the EU's Everything But Arms (EBA) agreement since 2001. Cambodia geographically is a favorable country in terms of water, natural resources, eco-tourism (mountains, beaches, forests and wildlife) and cultural tourism (temples). Based on the census in 2019, it has an estimated 16.5 million population (15.3 million living in the country and more than 1.2 million migrant workers) and keeps growing at a rate of about 1.2 percent. More importantly, it has one of the youngest populations in the world, with about half of its inhabitants under 25 years of age.

### Macroeconomic

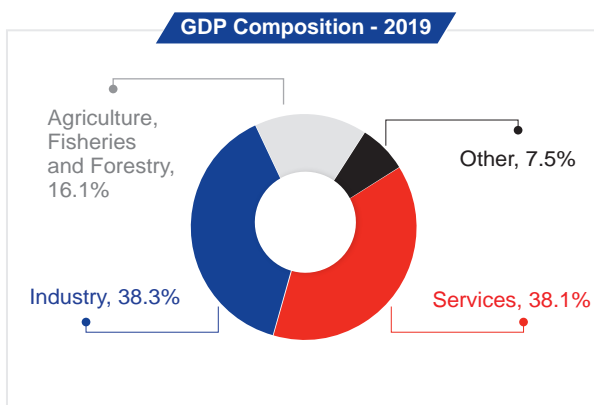
The National Bank of Cambodia and the Ministry of Economy and Finance have concluded that its GDP growth was 7.1 percent in 2019, while the inflation rate was reported at about 1.9 percent. Cambodia's GDP is composed of three main sectors: industries (38.3 percent) including construction, textile and garment and mining; services (38.1 percent) including tourism, trade and finance; and agriculture (16.10 percent).

GDP per capita has grown to around US\$ 1,650, making Cambodia a lower-middle-income country, above the World Bank's threshold of US\$ 1,045 per capita. Cambodia is known as having a dollarized economy. However, the exchange rate remains stable through a managed float for the last decades. As of December 2019, the exchange rate stood at KHR 4,055 per US\$ 1, according to NBC annual report.

Projecting into 2020, IMF has forecasted GDP growth of 6.5 percent and an inflation rate of 2.5 percent.

### Microfinance Sector

According to Cambodia Microfinance Association data, the Cambodian microfinance industry enjoyed 33.16 percent portfolio growth, reaching 7.5 billion people in 2019 and 0.81 percent PAR 30 days. In the average portfolio, a borrower has about US\$ 3,000, and there are almost 2.25 million borrowers. There are big microfinance deposit-taking institutions (MDI) licensed to collect deposits. As of December 2019, there were almost 3 million depositors and almost US\$ 3.8 billion deposit balance. Microfinance providers in Cambodia are quite inclusive, with countrywide operations and innovative products both in terms of digital access and product diversification. This includes unsecured lending, leasing, asset-backed lending, SME and agriculture lending, etc., The top seven MDIs took up 85 percent of the portfolio market size. Moreover, Fin-tech is also popular in the industry, such as mobile banking, payment and digital lending.



## Brief Overview of LOLC

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

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

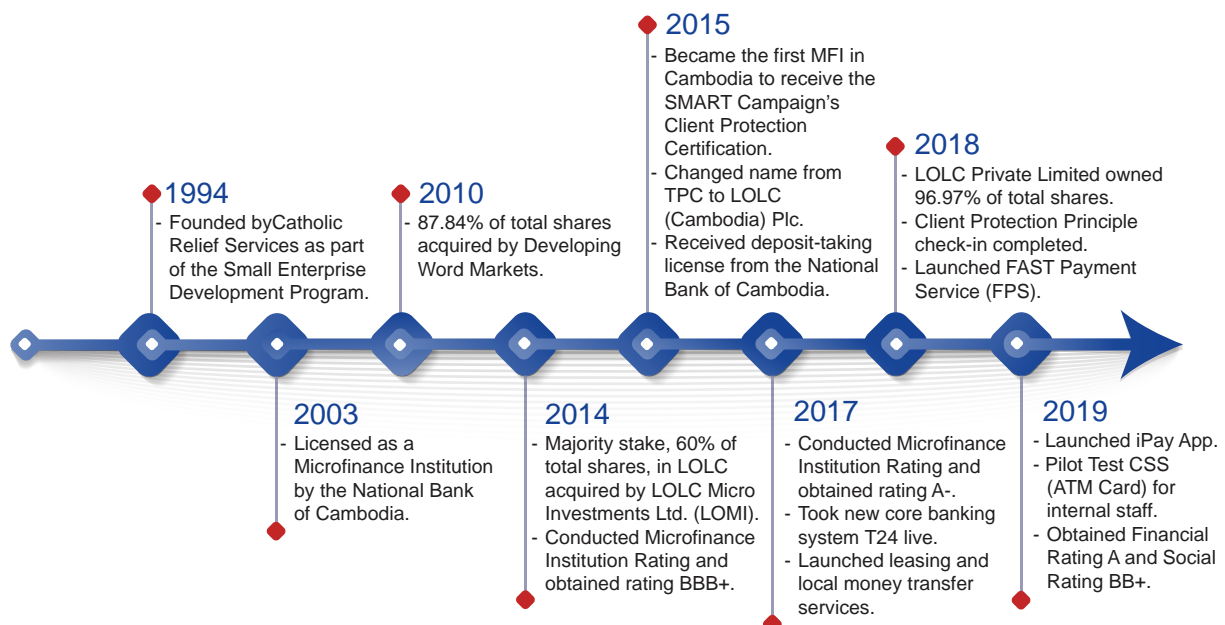
Currently, LOLC is the 4<sup>th</sup> largest MDI/MFI in Cambodia in terms of deposit balance and gross loan portfolio

(GLP) and the 3<sup>rd</sup> largest in terms of number of borrowers. Through its network of 79 offices nationwide, LOLC serves more than 294,000 clients with a collective loan portfolio of around US\$ 772 million. Since receiving a deposit-taking license in 2015, LOLC has broadened its financial products and services to include savings and fixed deposit products. In 2016, LOLC rolled out deposit products to all branches nationwide, achieving significant deposit growth to reach a deposit balance of nearly US\$ 458 million in December 2019, up from US\$ 19 million at the end of 2016. The fast growth of its deposit balance indicates that LOLC is a trustworthy microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.



















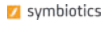







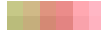




















Going forward, LOLC will continue its expansion in rural and urban areas, developing new and innovative financial products and services for its clients as well as launching technology-oriented delivery channels which will improve customer services and increase efficiency. With its experienced management team, strong governance and social commitment, LOLC is well positioned to broaden its reach and impact across Cambodia.

## Brief History of LOLC

**26-year track record in providing socially responsible microfinance services in Cambodia.**



## Lenders and Partners

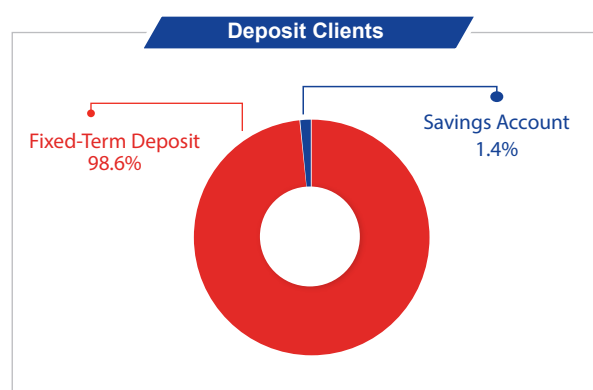
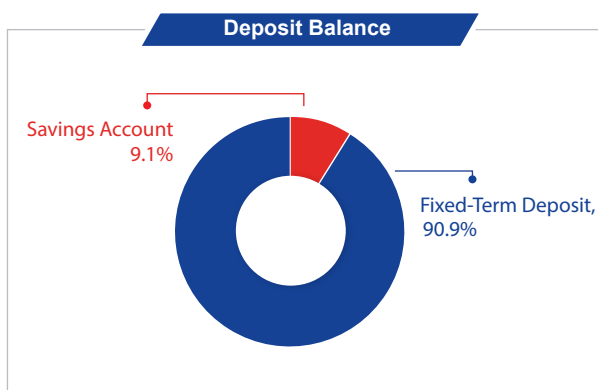
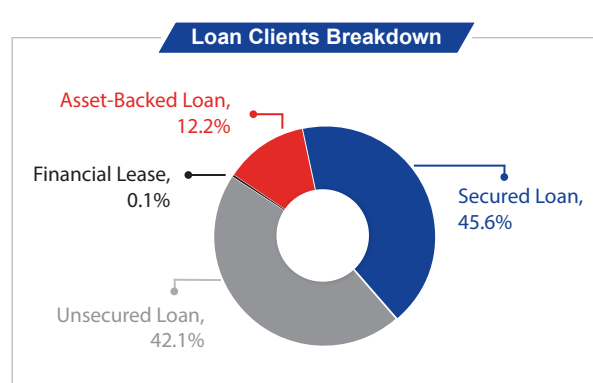
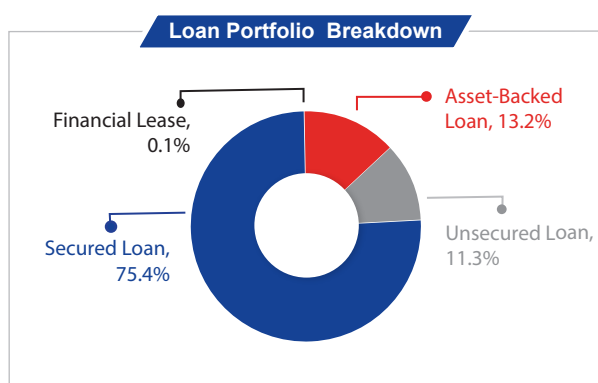
	Industrial and Commercial Bank of China Limited		MicroVest Purposeful Investing
	Sathapana Bank		Fonds Desjardins
	Advanced Bank of Asia Limited		KCD-Mikrofinanzfonds
	Phnom Penh Commercial Bank		Developing World Markets
	Vattanac Bank		Grameen Crédit Agricole
	responsAbility		Agence Française de Développement
	Oikocredit		FMO
	Cyrano-Management		MCE Social Capital
	Overseas Private Investment Corporation		Triple Jump BV
	Symbiotics SA		Hatton National Bank
	Incofin Invesment Management		Alterfin c.v.b.a.
	Instituto de Crédito Oficial		PG Impact
	BlueOrchard		Union Commercial Bank Plc.
	PPB (People's Bank)		Foreign Trade Bank of Cambodia
	FIRST COMMERCIAL BANK		Nordic Microfinance Initiative
	BANK OF CHINA (HONG KONG)		CAMKO Specialized Bank
	Deutsche Bank		WaterEquity
	Chailease International Finance Corp.		J Trust Royal Bank
	The Shangha   Commercial & Savings Bank. LTD.		TAISHIN INTERNATIONAL BANK
	Cambodia Microfinance Association		Microcredit Summit Campaign
	Credit Bureau Cambodia		USAID
	The Smart Campaign		Wing (Cambodia) Limited Specialised Bank
	Agence Française de Développement		MIX Market
	Water.org		

## Principle Activities of LOLC

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

As of Dec-19	Loan Portfolio (US\$)	Number of Accounts
Unsecured Loan	87,728,698	142,353
Secured Loan	587,433,782	154,491
Financial Lease	427,198	359
Asset-Backed Loan	102,967,809	41,442

As of Dec-19	Portfolio (US\$)	Number of Accounts
Savings Account	40,748,102	335,971
Fixed-Term Deposit	407,759,101	4,781







# BUSINESS REVIEW



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



## Responsible Growth

LOLC (Cambodia) Plc. (“LOLC”) is a rapidly growing, regulated microfinance institution with a focus on serving entrepreneurs and families at the base of the socioeconomic pyramid with economic opportunities to transform the quality of their lives. With LOLC, families at the base of the socio-economic pyramid are empowered to live their lives with dignity, social and economic security and justice. LOLC is currently the 3<sup>rd</sup> largest MDI/MFI in Cambodia by number of clients. Also, LOLC is currently the 4<sup>th</sup> largest MDI/MFI in Cambodia by number of borrowers, GLP and deposit balance. Due to its commitment to serving clients responsibly, focusing on customer service, innovating products and maintaining fair and transparent pricing, LOLC has become a trusted provider of financial services for Cambodians. Our long-term commitment to empowering entrepreneurs and families at the base of the socio-economic pyramid in Cambodia was realized through the development of new products tailored to meet our clients’ needs, sound internal control policies and financial literacy training programs aimed at enhancing clients’ financial management and experience.

LOLC’s gross loan portfolio grew by 60 percent from US\$ 484 million at the end of 2018 to US\$ 772 million at the end of 2019. LOLC maintained its loan portfolio growth with quality and risk control, and it achieved a better performance than the industry average. LOLC’s deposit product performed very well, reaching an impressive amount of more than US\$ 458 million in just four years, almost double its deposit balance from US\$ 237 million in 2018. The fast growth of both the deposit balance and loan portfolio indicate that LOLC is a trusted microfinance institution offering excellent customer service, guaranteeing client protection and providing competitive and innovative deposit and loan products.

LOLC’s ROA slightly increased from 3.19 percent in 2018 to 4.2 percent in 2019, while ROE slightly increased from 22.94 percent to 32.13 percent. However, LOLC’s ROA is leading among the top seven MDIs, whilst the ROE of LOLC stands at second. LOLC has consolidated its position as the country’s 3<sup>rd</sup> MDI in terms of number of borrowers, and 4<sup>th</sup> largest MDI in

terms of gross loan portfolio (GLP) and deposit balance.

LOLC’s long-term commitment to preventing over-indebtedness among its clients and to generating fair customer outcomes - illustrated by its strict credit - is pushed forward by its implementation of Client Protection Principles in day-to-day operations. LOLC Cambodia also took steps towards effective social performance management, such as the implementation of an environmental footprint, environment and social assessments for SME loans, Universal Standard of Social Performance (USSPM), serving clients with Green Lending & WASH Loans, and its self-assessment SPI4 to determine the next steps of social performance best practices for the company. In the last several years, LOLC has achieved many milestones. These include its Progress out of Poverty Index certificates; renewing its SMART Client Protection Principle Certification, which was assessed by M-CRIL; its GIIRS ratings; its Social Rating grade BB+; and its Financial Rating grade A from Microfinanza, which assessed the company through various criteria including external context, governance and strategy, financial profile, loan portfolio quality, systems and control and client protection. Additionally, we have provided financial literacy to clients, partners and community through in-class training and the radio program named “Idea for growth,” which aims to deliver financial literacy messages, consumer protection, self-motivation and small business management mentality to rural people. These initiatives and their derived processes contribute to the reduction of all client-related risks and ensure that LOLC treats its clients fairly.

Finally, our operations and projects have been supported by growing our staff from 2,327 people in 2018 to 2,757 in 2019. LOLC had a network of 79 branches as of 2019, operating in 25 provinces throughout the country. Our staff members all receive extensive training on LOLC’s credit process, internal controls and credit policies, as LOLC is dedicated to aligning our growth path with the quality of our loan portfolio.

## Trend in Product Mix

LOLC has been improving and diversifying its product offerings over the years to meet its clients' evolving demands and needs. Our mission to empower people at the base of the socio-economic pyramid is shaping our product design. Furthermore, we intend to be as flexible as possible in product application and delivery, removing any barriers of access to our services. We have also expanded the size of our individual lending and designed new products aimed at meeting clients' needs. LOLC's group loan is still LOLC's most well-established loan product among Cambodians in the countryside. Group loans account for 11 percent of the company's total gross loan portfolio and represent 42 percent of LOLC borrowers. Although this product is well functioning and satisfies clients, we are always looking for new ways to improve the quality. LOLC increased the loan size of its group loans in 2019 to further fit the growth of the local economy.

LOLC also has many individual loans which have terms and conditions different from group loans. The individual loans account for 89 percent of the GLP and 58 percent of clients. With a larger loan size, the Individual Loan (IL) is intended for entrepreneurs whose growing businesses need working capital, such as farmers, workers, organizations and entrepreneurs looking to expand their businesses. LOLC's Seasonal Loan (SNL) is intended for clients with agricultural activities who need to finance their inputs and will repay the loan once the harvest is sold. The SNL allows for balloon and semi-balloon repayments of the loan principal. Small and Medium Enterprise (SME) loans have a maximum loan size of US\$ 70,000 and provide small and medium-sized business owners ample capital to grow their businesses. LOLC offers loans for household improvement up to US\$ 20,000 and Housing loans up to US\$ 100,000. The Home Improvement Loan is a term loan that allows homeowners to improve their homes without extracting capital from their businesses.

Likewise, the Life Improvement Loan (LIL) provides clients who have stable sources of income with the opportunity to finance further consumption and personal purchases against an affordable interest rate and loan term. Asset-backed lending/financial lease offers

long-term financing periods to clients who wish to purchase brand new or second-hand motorbikes, tricycles, cars and agricultural machinery for their daily business or personal activities, without investing their own capital or using working capital. Currently, LOLC also offers inventory loans up to US\$ 100,000 without home/land collateral needed, which is very popular for business clients.

Furthermore, the Loan for Agricultural Machinery (LAM) can be accessed for an amount up to US\$ 35,000 with a good repayment term. This is due to the loan's purpose, which is primarily for purchasing agricultural machinery for farmers and service providers (machine rental businesses) to raise productivity, yield, and ultimately generate more profits. The LAM is available at all branches in either US\$ or THB.

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

LOLC was granted a deposit-taking license from the National Bank of Cambodia and started pilot testing deposit product at some branches in October 2015. In 2016, LOLC rolled out deposit products at all branches nationwide, achieving a deposit balance of US\$ 458 million and increase over US\$ 237 million in December 2018. LOLC provides two types of deposit products: savings accounts and fixed-deposit accounts. With savings accounts, customers can deposit and withdraw at any time during business hours without an amount limit. The fixed-deposit account aims to save and increase income for customers through a high interest rate and safety, unlike keeping cash at home. The earned interest can be withdrawn monthly or at maturity.



## Business Performance

### Loan Performance by Sectors

#### Number of Accounts

No.	Sectors	2017	2018	2019
1	Agriculture	120,679	115,903	150,367
2	Production	1,479	8,650	1,417
3	Trade	26,454	28,326	34,295
4	Service	19,324	23,900	61,622
5	Salary and Wage	48,678	72,610	89,842
6	Others	1,406	362	1,102
<b>Total</b>		<b>218,020</b>	<b>249,751</b>	<b>338,645</b>

#### Loan Portfolio (US\$)

No.	Sectors	2017	2018	2019
1	Agriculture	143,624,818	183,815,866	263,829,064
2	Production	5,565,587	4,037,055	4,013,154
3	Trade	52,630,772	71,492,112	121,039,235
4	Service	64,634,068	109,925,691	185,126,342
5	Salary and Wage	54,252,136	111,987,043	195,916,414
6	Others	1,940,317	2,587,540	2,290,057
<b>Total</b>		<b>322,647,698</b>	<b>483,845,307</b>	<b>772,214,266</b>

LOLC has grown its loan portfolio by 60 percent compared to the previous year, reaching more than US\$ 772 million by the end of 2019.

In terms of sectors, agriculture make up the biggest portion with roughly around 34 percent of the total loan portfolio, followed by salary and wage 25 percent, service 24 percent, trade 16 percent and production 0.5 percent, respectively.

### Loan Performance by Products

#### Number of Accounts

No.	Products	2017	2018	2019
1	Group Loan (GL)	107,500	98,940	142,353
2	Individual Loan (IL)	62,947	78,329	94,835
3	Small and Medium Enterprise (SME)	2,661	4,554	12,278
4	Seasonal Loan (SNL)	18,931	18,963	20,404
5	Home Improvement Loan (HIL)	7,156	10,060	10,912
6	Life Improvement Loan (LIL)	10,825	29,742	47,866
7	WASH Loan (WIL)	7,795	8,558	9,594
8	Inventory Loan (IVL)	-	-	44
9	Financial Lease (FL)	205	605	359
<b>Total</b>		<b>218,020</b>	<b>249,751</b>	<b>338,645</b>

The client base of LOLC Cambodia remained large in 2019, with more than 338,000 clients. Product diversification has responded to all segments of the Cambodian population. Most clients use group loan products, followed by individual loan products and seasonal loan products.

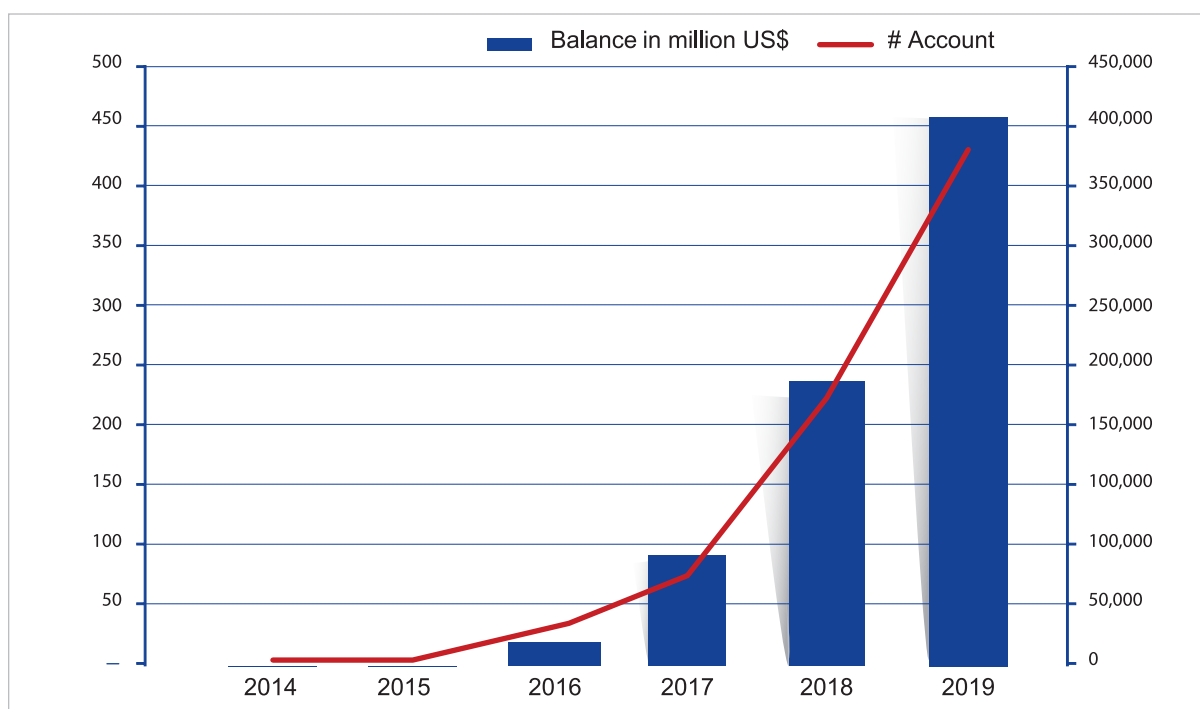
#### Loan Portfolio (US\$)

No.	Products	2017	2018	2019
1	Group Loan (GL)	45,275,098	46,239,261	85,267,427
2	Individual Loan (IL)	150,427,432	213,823,782	282,869,367
3	Small and Medium Enterprise (SME)	39,884,738	67,109,402	164,637,619
4	Seasonal Loan (SNL)	44,387,948	52,470,281	70,316,183
5	Home Improvement Loan (HIL)	23,507,925	37,527,477	48,544,505
6	Life Improvement Loan (LIL)	15,070,143	61,729,790	114,330,274
7	WASH Loan (WIL)	4,014,296	3,807,624	4,274,185
8	Inventory Loan (IVL)	-	-	1,561,119
9	Financial Lease (FL)	80,118	1,137,690	413,587
	<b>Total</b>	<b>322,647,698</b>	<b>483,845,307</b>	<b>772,214,266</b>

LOLC has grown its loan portfolio by 60 percent compared to the previous year, reaching more than US\$ 772 million by the end of 2019 with most clients using individual loan, small medium and enterprise loan, group loan and seasonal loan products.

#### Summary of Achievement of Deposit Product, LOLC ATM Card and iPay Cambodia as of 31 December 2019

**Deposit Product:** Total deposit balance: US\$458 million. Total number of accounts: 381,613. Deposit balance and the number of accounts have been increased 93 percent and 92 percent respectively compared to 2018.



- **iPay Cambodia:** Total user registration: 3,788; Total transactions: 36,125; Total transaction amount: US\$ 955,294.

Month	#Users Registered	#Transactions	Transaction amt. in US\$
As of October 2019	2,843	22,667	455,787
As of November 2019	3,274	26,990	626,919
As of December 2019	3,788	36,125	955,294

- **LOLC ATM Card:** LOLC has issued ATM Cards for employee testing, with CSS members totalling 213; Total transactions 656; Total transaction amount: US\$11,723.

Month	#Card Issued	#Transactions	Transaction amt. in US\$
As of October 2019	12	339	1,153
As of November 2019	38	386	1,622
As of December 2019	213	656	11,723

## Savings Account

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

### Summary of Savings Account:

Currency	KHR/US\$/THB
Minimum Balance	0
Term	Unlimited
Yearly Interest Rate	5%
Savings Account Passbook	Free

## Fixed-Deposit

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

### Summary of Fixed Deposit:

Currency	KHR/US\$/THB
Minimum Balance	KHR200,000, US\$50, THB2,000
Term	1, 3, 6, 9, 12, 24, 36 months
Highest Yearly Interest Rate	8.50%

## Local Money Transfer

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

### Summary of Local Money Transfer:

Description	Fee		Remark
	KHR	US\$	
Transfer within branches	Free		Account to account, deposit, withdraw cross branches
Loan payment cross branches			
Transfer cross branches			

## Inter-Bank Transfer (FAST)

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

### Summary of Inter-Bank Transfer (FAST):

Condition	Description
Currency	KHR
Max. amount per transaction	KHR40,000,000
Transfer fee	≤ KHR4million: KHR4,000 > KHR4 million to 20 million: KHR8,000 > KHR20 million to 4 0 million: KHR12,000
Fee charge	Sender is responsible for paying fee

## iPay Cambodia

LOLC (Cambodia) Plc. has launched a mobile banking application called iPay Cambodia to its customers. It aims to benefit them by creating cash and non-cash movement management through smart phones at any time and place where there is an internet connection. Through iPay Cambodia, customers are able to perform transactions such as view balance inquiry, bill payment, money transfer, account opening, mobile top-up and other functions. Customers are able to download the iPay App to smart phones (iOS & Android) easily, quickly and conveniently.

### Transaction Limitation of iPay Cambodia:

Transaction	Maximum Amount
Per transaction	KHR 4,000,000 / US\$ 1,000 / THB 40,000
Transactions per day	KHR 10,000,000 / US\$ 2,500 / THB 100,000

## LOLC ATM Card

Through the Cambodian Shared Switch (CSS) project developed by the National Bank of Cambodia, LOLC shall launch the debit ATM Card to its public customers after pilot testing is done by LOLC employees successfully. With the LOLC ATM Card, customers will be able to do financial transactions via ATM and POS machines at all institutions that are CSS members. These transactions include withdrawal, transfer and other transactions within 25 cities, provinces and towns.

### ATM Card Transactions via ATM Machine

- Cash Withdrawal/ Fast Cash Withdrawal
- Balance Inquiry
- Mini Statement
- Interbank Funds Transfer ( FAST )
- PIN Change

### ATM Card Transactions via POS Machine

- Purchase
- Cash Withdrawal
- Refund
- Purchase Reversal
- Balance Inquiry

### Transaction Limitation via ATM Machine

Transactions Per Transaction/Day	Amount	Transaction
Cash withdrawal	KHR 4,000,000 or US\$ 1,000	Unlimited
Inter-bank transfer		
Fund transfer within LOLC		

### Transaction Limitation via POS Machine

Transactions Per Transaction/Day	Amount	Transaction
ATM Card Transaction through POS Machine	KHR 4,000,000 or US\$ 1,000	Unlimited

## Financial Highlights

### Profit & Loss Summary

Profit & Loss Summary (US\$ '000)	FY2017 Audited	FY2018 Audited	FY2019 Audited	YOY %
Net Interest Income	41,503	43,583	63,180	45.0%
Other Income	2,629	10,045	17,457	73.8%
<b>Net Operating Income</b>	<b>44,133</b>	<b>53,628</b>	<b>80,638</b>	<b>50.4%</b>
Operating Expenses	(21,896)	(29,546)	(38,103)	29.0%
Allowance for Bad and Doubtful				
Financial Instruments	(2,780)	(3,314)	(4,254)	28.3%
<b>Profit Before Tax</b>	<b>19,458</b>	<b>20,767</b>	<b>38,281</b>	<b>84.3%</b>
Income Tax Expense	(3,870)	(5,129)	(4,261)	-16.9%
<b>Net profit for the year</b>	<b>15,588</b>	<b>15,638</b>	<b>34,020</b>	<b>117.6%</b>

LOLC (Cambodia) Plc. managed to achieve 117.6 percent YoY growth in net profit to reach US\$ 34.02 million (2018: US\$ 15.63 million) despite the challenging operating environment. This generated the Return on Average Equity of 32.13 percent and Return on Average Asset of 4.2 percent.

### Balance Sheet Summary

Balance Sheet Summary (US\$ '000)	FY2017 Audited	FY2018 Audited	FY2019 Audited	YOY %
Asset	371,431	610,328	1,009,352	65.4%
Gross Loan Portfolio	322,648	483,845	772,214	59.6%
Liabilities	311,052	529,158	873,546	65.1%
Deposit Balance	91,835	236,910	457,661	93.2%
Borrowing Balance	206,346	272,997	379,643	39.1%
Equity	60,379	81,171	135,805	67.3%

LOLC (Cambodia) Plc.'s total assets grew by 65.4 percent to US\$ 1,009.35 million as of 31 December 2019. This was mainly due to its gross loan portfolio, which registered a growth rate of 59.6 percent YoY to US\$ 772.21 million.

Deposit products grew significantly by 93.2 percent to US\$ 457.66 million as LOLC (Cambodia) Plc. continued to benefit from improving trust with depositors.

Among the two products, savings accounts accounted for 8.9 percent of deposits and fixed-deposit accounts made up 91.1 percent. Borrowing also grew by 39.1 percent to US\$ 379.64 million, in which local borrowings grew by 83.9 percent to US\$ 99.33 million (2018: US\$ 54.02 million) and overseas borrowings grew by 28.0 percent to US\$ 280.31 million (2018: US\$ 218.98 million).

Key Ratio Indicators	FY2017	FY2018	FY2019
Return on Equity	28.63%	22.94%	32.13%
Return on Asset	4.99%	3.19%	4.20%
Operating Expense to Average Gross Loan Portfolio	8.08%	7.33%	6.07%
Cost to Income Ratio (Including Provision)	55.91%	61.28%	52.53%
Deposit to Loan Ratio	28.46%	48.96%	59.27%
Liquidity Coverage Ratio	262.88%	234.00%	281.90%
Solvency Ratio	20.68%	17.93%	20.05%
Non-Performing Loan to Gross Loan Portfolio	1.23%	0.83%	0.60%

LOLC (Cambodia) Plc. maintained high performance in reducing its Operating Expense to Average Gross Loan Portfolio to 6.07 percent (2018: 7.33 percent), as well as significantly reducing the Cost to Income Ratio (including Provision) to 52.53 percent (2018: 61.28 percent)

LOLC (Cambodia) Plc. also maintained a high Liquidity Coverage Ratio at 281.9 percent compared to the Central Bank's requirement of 90 percent starting from 1<sup>st</sup> Jun 2019 (from 1<sup>st</sup> January 2020 at 100 percent). In addition, the Solvency Ratio was also well maintained at 20.05 percent, which was above the minimum requirement by the central bank of 'not less than 15 percent'.

Asset quality was also the key focus for management and board of directors. Asset quality was improved to 0.60 percent (2018: 0.83 percent).

## 2020 OUTLOOK

In 2020, LOLC (Cambodia) Plc. will look to expand its income by growing its interest bearing assets such as

Asset-backed lending/leasing, microbusiness loans and Small and Medium Enterprise loans, including Green lending products.

To support such growth in its assets, management needs to continue expanding its deposit mobilization and expanding partnerships with existing and potential lenders.

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

LOLC (Cambodia) Plc. will also continue to focus on preserving healthy liquidity levels, as measured by its Liquidity Coverage Ratio and adequate Capital Adequacy Ratio, to maintain compliance with regulator requirements as well as support healthy growth.





## Customer Perspective

LOLC (Cambodia) Plc. is one of the largest microfinance institutions in Cambodia. We always focus on the quality of our services and making it convenient for consumers to access products and services. LOLC has received tremendous support from loan products, financial leases, and deposit products, helping us rapidly grow.

LOLC always accepts complaints, feedback and suggestions from its valuable customers to further improve products and services based on customers' needs. LOLC always maintains a good relationship with customers, partners, authorities and other relevant

parties to keep them informed and try our best to fulfill their needs.

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

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

### Summary of Customer Complaints in 2019

Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Number of Complaints	3	6	8	11	5	4	6	2	1	3	3	5

## Human Resource Development

In 2019, the Human Resources Department is proud of the huge achievements made in each department with participation and cooperation from all level of employees and their respective management. The total employee headcount as of December 2019 was 2,757.

Staff were equipped with various kinds of training that enabled them to improve skills and capacity to carry out their tasks. New credit officers receive orientation at the head office, where they were trained in the company's vision, mission, core values and various policies and practices. This was followed by on-the-job training at branch offices where they shadowed existing credit officers, received guidance from supervisors and got practical lessons from the job. Aside from that, branch staff also receive regular refresher training at their branch offices about policies, procedures, technical skills and soft skills.

Besides internal training, LOLC (Cambodia) also engages with external trainers to deliver customized

training courses to staff. We also send staff to attend external training locally and internationally, as well as on exposure visits to learn best practices from the group company in Sri Lanka.

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

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

Finally, LOLC (Cambodia) also provides internship opportunities for students, helping them gain knowledge and job experience by learning to be in a professional career. This can lead to a job opportunity with LOLC (Cambodia) if they prove to be capable.

# SOCIAL AND ENVIRONMENTAL PERFORMANCE REVIEW



- How Do We Translate Our Mission as of December 2019?
- Measuring LOLC's Social Goal
- Environmental and Social Assessment
- Measuring Poverty Outreach through PPI
- Green Lending
- WASH Loan
- Other Social Activities



## How Do We Translate Our Mission as of December 2019?



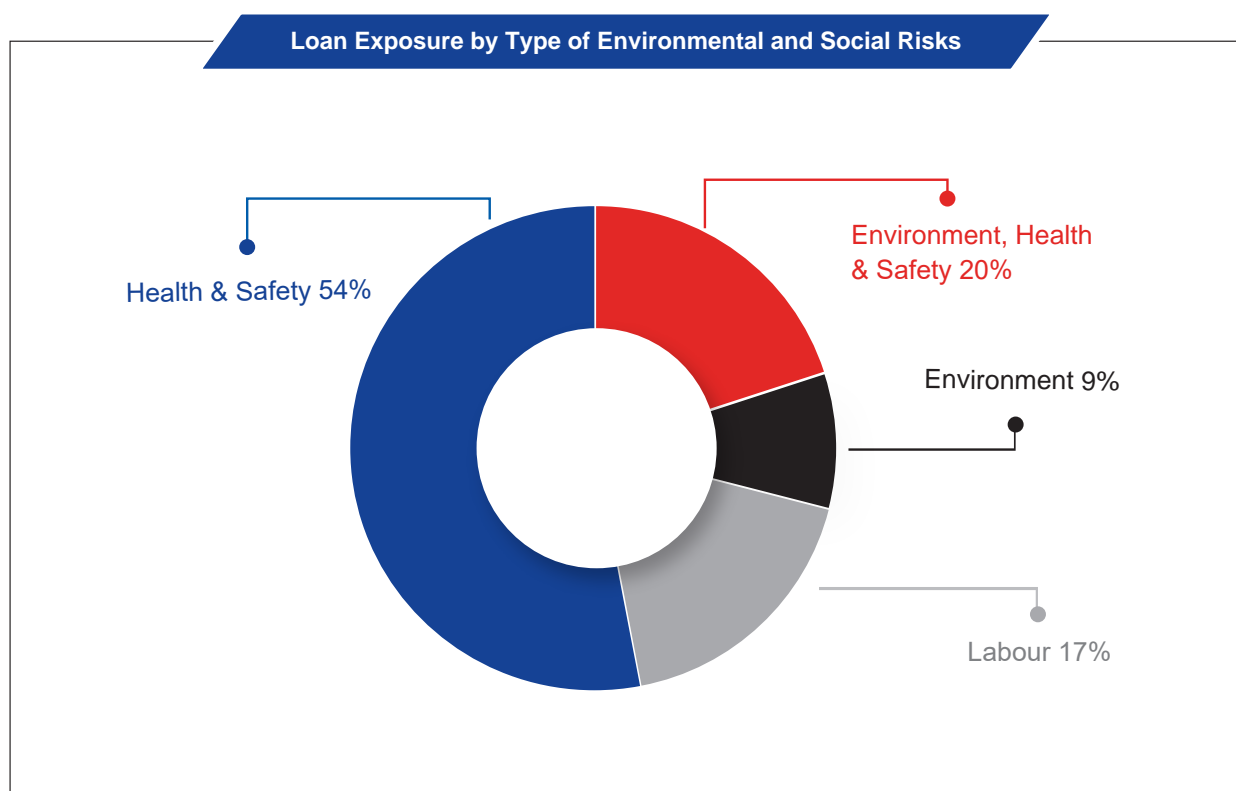
## Measuring LOLC's Social Goal

Relevant Social Goals	Annual Measurable KPIs	Annual Target	2017	2018	2019
Increased access to financial services	Number of borrowers in rural areas	>= 85%	94%	93%	92%
	Number of borrowers involved in agriculture	>= 40%	55%	46%	39%
	Percentage of female borrowers	>= 67%	78%	72%	70%
Poverty outreach	Percentage of new group loan borrowers below 150% National Poverty Line	>= 20%	33%	29.62%	29.40%
Environmental sustainability	Result of environmental assessment in Monitoring	'Monitoring'	'Medium' Monitoring	'Medium' Monitoring	'Medium' Monitoring

## ◆ Environmental and Social Assessment

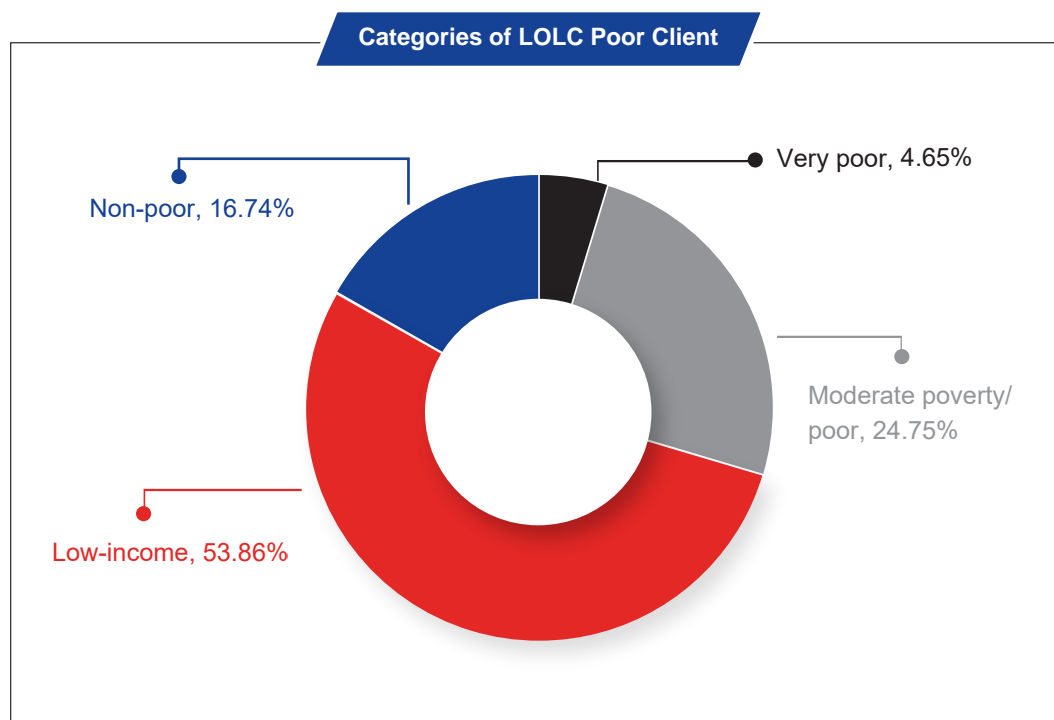
Recently, Social and Environmental Assessment was fully integrated into the SME loan lending process. As a result, from January to December 2019, 276 SME loans for the amount of US\$ 30,000 were assessed .

Environment and Social Assessment	# of Loans	Remarks
Low	136	<ul style="list-style-type: none"> <li>- Client's risk management quality is high</li> <li>- Client's risk level is low</li> </ul> Therefore, no action taken is required.
Medium	140	<ul style="list-style-type: none"> <li>- Client's risk management quality ranged from medium to high</li> <li>- Client's risk level ranged from low to medium</li> </ul> Therefore, monitoring should be tracked to see the progress of the risks.
Total	276	



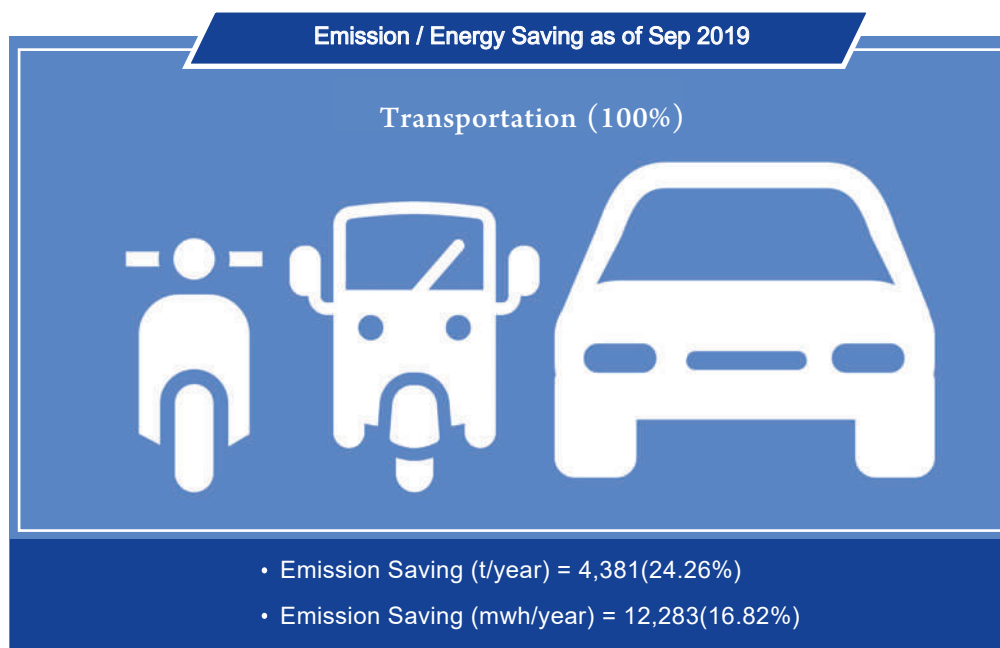
## Measuring Poverty Outreach through PPI

The Poverty Probability Index (PPI) is used to measure LOLC Cambodia's outreach to poor clients, to determine any transformation of quality of clients' lives, and to ensure that appropriate products are extended to the right clients. Moreover, using PPI, LOLC can determine its categories of clients as below:



## Green Lending

Currently, LOLC is offering Green Lending leasing and loans through existing products such as its Life Improvement Loan (LIL) and Life Improvement Loan Asset Backed (LILAB). LOLC received technical assistance from ResponAbility, including tools to measure the impact of Green Lending on CO<sub>2</sub> emissions and energy saved. As of December 2019, LOLC was offering Green Lending to 9,900 clients with a collective gross loan portfolio of US\$ 34.5 million. The dashboard below shows emission savings (CO<sub>2</sub>) and energy-saving (MWh) through green lending.



## **WASH Loan**

LOLC started serving clients with the WASH Loan product in 2016. The WASH Loan helps clients to improve water access, sanitation and hygiene in their community. Target clients are those in good standing with LOLC who want to build or renovate latrines, wells, ponds, water storage or buy water filters etc. As of December 2019, LOLC was providing the WASH Loan product to 9,600 clients, with a gross loan portfolio of US\$ 4.4 million.

## **Other Social Activities**

### **Financial Literacy Awareness Training**

From January to December 2019, there are 532 beneficiaries of One Village One Product (OVOP) in 8 provinces (Kampong Cham, Prey Veng, Siem Reap, Kampong Thom, Pursat, Kampong Chhang, Kampot and Takeo Province) and 294 students from the Preah Sihamoniraja Buddhist University were trained in Financial Management.



### **Radio Program**

Through the media, LOLC, led by its staff, produces a radio program named “Idea for growth” which is broadcast every Friday from 10:00–11:50 a.m. on Woman Media Center FM 103.5, which reaches 18 provinces. From March 2018 to February 2019, the radio program was co-produced by the Cambodia Microfinance Association, LOLC (Cambodia) Plc, and the Credit Bureau of Cambodia, with sponsorship by BlueOrchard Finance. The educational aims of “Idea for growth” are to deliver financial literacy messages, consumer protection, self-motivation, and small-business management mentality to rural people. Guest speakers who have extensive experience in the financial sector were invited to speak on the show.





### • Community Event

Community events are part of LOLC's contribution to society. The company is involved in activities such as road maintenance, bench installment in public spaces, school activities, tree planting, providing books to libraries, well building, cleaning public spaces, and more.



### • TVK Children Song Contest

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



### • Anti-Drug Leaflet

LOLC (Cambodia) Plc. sponsored 100,000 anti-drug leaflets this year. LOLC continued to sponsor and deliver them to Mr. Lim Tong Hout, the director of the Department of Legislation Education and Rehabilitation of the general secretariat of the National Authority for Combating Drugs. LOLC hopes this leaflet will contribute to preventing trafficking and drug use.





### • Donations to Customers and People Affected by Flooding

LOLC has a vision of helping people live with dignity, safety, social connection, economic stability and justice. This year, LOLC branch staff visited and donated rice, fish sauce, noodles and other foods to community members negatively impacted by flooding.



### • The Cambodia Book Fair

This year, LOLC has also been a Gold Sponsor to the 8<sup>th</sup> National Book Fair, a three-day event aimed at encouraging authors, institutes, organizations, publishing houses and print publications to showcase their achievements to students, as well as to encourage young boys and girls, students and civil servants to turn their interest to reading. LOLC has been actively contributing to the program, creating the slogan "Reading for a Better Life," along with participating in activities such as distributing LOLC's new leaflets, New Year's calendars, and books to representatives of these groups. We also organized drawing competitions, quizzes, challenges and group competitions that focus on financial literacy for boys and girls and provide them with prizes from LOLC.



### • Cambodian Red Cross

LOLC contributes to the Cambodian Red Cross every year as a social contribution to the active charity work being done on-site. In 2019, LOLC contributed US\$ 3,000 to support Cambodian Red Cross charity activities.

### • Child Nutrition Campaign

In 2019, LOLC contributed a US\$ 10,000 to the Royal Academy of Cambodia for its "Fresh Milk Nutrition Program." The program distributed fresh milk to the children of various orphanages through organizations including the Cambodian Children's Fund Organization, Sacrifice and Orphanage Development Association, Orphanage Support Organization, KKEV Cambodia Organization, an Orphanage in Kampong Speu, and National Borey for Infants and Children.







# CORPORATE GOVERNANCE

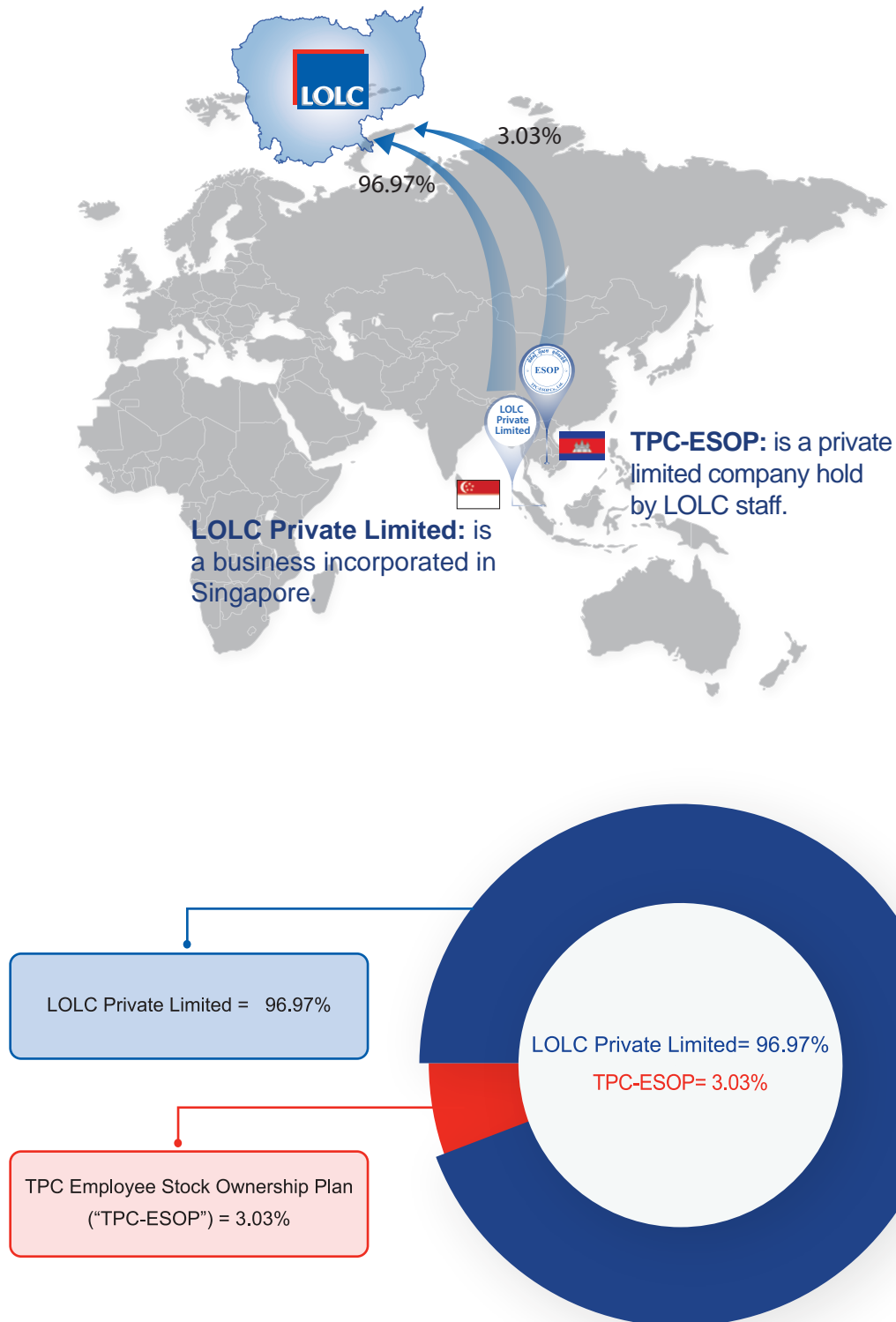


- Ownership Structure
- Organizational Chart
- Policy and Practice Guidelines for Corporate Governance
- Duties and Responsibilities of Board Committees
- Report of the Board of Directors
- Management Team
- Risk Management and Internal Control

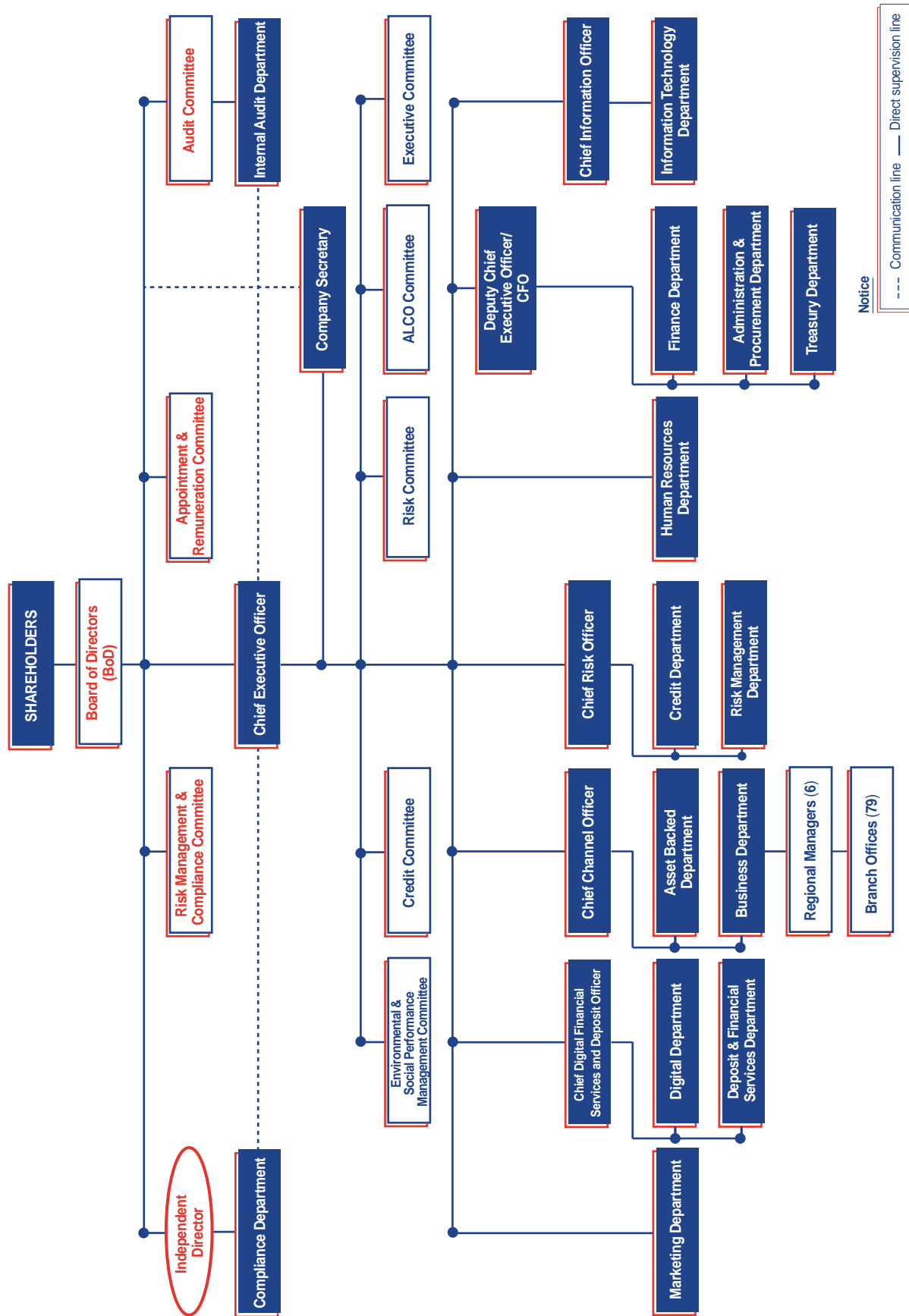


## Ownership Structure

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



# Organizational Chart



## Policy and Practice Guidelines for Corporate Governance

### Selection of Directors

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

### Board of Directors

#### Board Composition

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

### Board of Directors' Profile

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



**Mr. Brindley de Zylva**

Chairman

**Mr. Brindley de Zylva** is the Chairman of the Board of LOLC (Cambodia) Plc. He is also a managing director of LOLC Myanmar Microfinance Ltd. Prior to joining the company, he served as the Managing Director and Chief Executive Officer of LOLC Finance Plc. (LOFC), Sri Lanka. He has served in the Non-Bank Financial Services Industry (NBFI) for the past 33 years in both licensed finance companies and specialized leasing companies, holding board and general management positions, prior to taking over as the chairman of LOLC (Cambodia) Plc. He has a wide range of expertise and experience in the NBFI sector covering marketing and sales, credit and recovery management and finance. Mr. de Zylva, who is a fellow of the Sri Lanka Institute of Credit Management, was elected as its honorary secretary in 2010. He also served as a member of the Council of Management of the Finance Houses Association of Sri Lanka for nine years, four of which he was one of its vice chairmen. Additionally, as a director of the Financial Ombudsman Sri Lanka (Guarantee) Limited, he provided guidance for the benefit of the NBFIs in Sri Lanka. These positions were relinquished in 2015 to take over a regional assignment for the LOLC Group in Myanmar & Cambodia. He also served (2006-2015) in an honorary capacity as a non-executive director of Navajeevana Rehabilitation – Tangalle, Sri Lanka, which is a non-governmental organization serving the disabled. Mr. de Zylva joined LOLC (Cambodia) Plc. in October 2015.



**Mr. Conrad Dias**

Director

**Conrad Dias** is a director of LOLC (Cambodia) Plc. the CIO of the LOLC Group and the Co-founder/Director of iPay. He holds a Master of Business Administration from the University of Leicester and is a fellow of the Chartered Institute of Management Accountant, a Chartered Global Management Accountant, a fellow of the British Computer Society and a fellow member of the Institute of Certified Management Accountant of Sri Lanka . Mr. Dias counts over 25 years of experience and possesses domain expertise in sectors such as trading, banking and finance, assets management and manufacturing. In recognition of his contributions to the LOLC Group and the local IT Industry as a whole, Mr. Dias was awarded the CSSL CIO of the year in 2016. He was also awarded the Professional Excellence Award of 2017 at an event organized by the Institute of Certified Management of Accountants of Sri Lanka. Mr. Dias joined LOLC (Cambodia) Plc. in February 2018.



**Mr. Dulip Rasika Samaraweera**

Director

**Dulip Rasika Samaraweera** is a director of LOLC (Cambodia) Plc. Mr. Samaraweera is a graduate of the University of Sri Jayawardenepura, carrying a degree in physical sciences and specializing in statistics. He was also a past finalist of the Chartered Institute of Management Accountants (UK). He started his career in investment research in 2004 and joined the LOLC Group in 2007. He serves as a director of LOLC Myanmar Microfinance Limited . He is an experienced professional in financial management, process improvement, strategic planning, investments and acquisitions. Mr. Samaraweera joined LOLC (Cambodia) Plc. in July 2018.



**Mr. Michael Moormann**

Independent Director

**Mr. Michael Moormann** is an independent director of LOLC (Cambodia) Plc. He started his career in the Netherlands within the foreign division of ABN AMRO Bank in 1971 and was transferred to Indonesia in 1973. He gained much experience serving in a variety of positions and working in many different countries before taking up senior management positions. In 1992, he became the regional manager of private banking in Latin America for AB AMRO, and in 1994, started serving as country manager for the same bank in several countries including the Philippines, Sri Lanka and Vietnam. Since 2005, Mr. Moormann has completed several consulting assignments in microfinance and currently serves as a director on the board of two microfinance institutions. His professional strengths include internal auditing, human resource management and change management. Mr. Moormann joined LOLC (Cambodia) Plc. in February 2013.



**Mr. Indrajith Wijesiriwardana**

Independent Director

**Mr. Indrajith Wijesiriwardana** is currently an independent director of LOLC (Cambodia) Plc. Mr. Wijesiriwardana is a highly skilled consultant in international development finance with over 20 years' international experience from nearly 30 countries. His key areas of experience include microfinance and SME finance (MSME) and capacity building in the financial sector. He is skilled and experienced in strategy and business design developing inclusive financial systems, developing capacity in financial institutions focusing on MSME, institutional transformations and product design and process improvements. Prior to his work in consulting, he prepared and evaluated project proposals and monitored projects. His responsibilities included loan financing for small, medium and large enterprises, trade financing, equity financing, restructuring, loan syndication and leasing. He developed and managed financial support services such as planning, budgeting and monitoring, accounting, financial administration and MIS. Mr. Wijesiriwardana joined LOLC (Cambodia) Plc. in January 2015.

### Board Meeting

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

### Code of Ethics

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

### Professional Conduct

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



## Prohibited Actions

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

## Independency and Transparency

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

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

# Duties and Responsibilities of Board Committees

## Appointment and Remuneration Committee

### 1. Policy and Procedure

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

### 2. Appointment and Review Process

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

### 3. Remuneration

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

### 4. Reporting Procedure

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

## Risk Management and Compliance Committee

### 1. Risk Management Framework

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

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

### 2. Policy and Report

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

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

### **3. Insurance and Compliance**

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

## **Audit Committee**

### **1. Financial reporting**

The committee shall review and challenge where necessary;

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

### **4. Other Matters**

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

### **5. Reporting Procedures**

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

### **2. Internal Controls and Risk Management Systems**

The committee shall:

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

### **3. Compliance, Whistleblowing and Fraud**

The committee shall:

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

#### 4. Internal Audit

The committee shall

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

#### 5. External Audit

The committee shall

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

the firm, office and partner and other related requirements;

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

The committee shall also

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

#### 6. Other Matters

The committee shall

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

#### 7. Reporting Procedures

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

## Report of the Board of Directors

The Board of Directors takes pleasure in presenting this annual report for the financial year 2019.

### Principal Activities

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

### The Board of Directors

The Board of Directors for the year under review is comprised of the following:

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

### Board Committees

The board has appointed three committees: the audit committee, risk management and compliance committee, and appointment and remuneration committee.

These committees function within their respective regulatory guideline or board-approved terms of reference, and are further aided by pre-approved agendas which ensure all essential items are covered, while being flexible enough to encourage committee members to raise any other issues they feel merit attention.

The board has empowered the committees to call for additional information and to invite key management personnel to provide further details, or to discuss recommended courses of action. This assures the board that operational, risk, governance or regulatory related matters are given the in-depth discussion they require, and that the optimal solutions are found. As committee meeting minutes are tabled at board meetings, the entire board is kept apprised of the discussions among each committee and can contribute when and where necessary.

#### 1. Audit Committee is composed of the following:

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

### Results of Audit Committee

In 2019, Audit Committee convened 4 meetings (the meeting is convened quarterly), which discussed and approved the following:

- Reviewed management's implementation following recommendation from internal audit and Audit Committee
- Discussed and resolved internal audit findings
- Reviewed and discussed fraud case report in 2018
- Approved annual report of "Organization and Effectiveness of the Internal Control for the year ended 2018"
- Reviewed and approved annual report 2018
- Reviewed the progress of ACL software
- Reviewed training report for internal auditors
- Evaluated annual performance of Head of Internal Audit Department
- Conducted quarterly meeting with external auditors
- Approved the budget (additional cost) for CIFRS report Q2 2019
- Approved internal control report Q2 2019 for SECC
- Approved audit work plan 2020
- Approved training budget and plan for internal auditors
- Approved on the appointment of external auditors for 3 years period 2020
- Reviewed and approved audit work plan for 2020
- Reviewed and approved TOR of Appointment and Remuneration Committee
- Reviewed and discussed staff turnover rate and salary scale of internal auditors



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

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

### Results of Risk Management and Compliance Committee

In 2019, Risk Management Committee convened 4 meetings (the meeting is convened quarterly), which discussed and approved the following:

- Reviewed Risk Report every quarter
- Analyzed impact of EBA withdrawal and drop down of agriculture commodity price
- Reviewed compliance to CMA Lending Guideline
- Analyzed risk of key person's resignation and defined strategy to prevent risk
- Reviewed compliance report every quarter
- Reviewed progress report responding to NBC's onsite visit report
- Reviewed progress of IFRS implementation
- Approved Transfer Pricing Policy
- Approved Scenario and Liquidity Stress Test Result in 2018 and 2019
- Approved budget for report of CBC Portfolio Review
- Reviewed and discussed FinTech Risk
- Reviewed and discussed FX Risk related to bond issuance
- Reviewed and discussed percentage of group loan clients graduated to individual loan
- Reviewed loan growth report at Phnom Penh branches
- Reviewed and discussed strategy to maintain GLP in KHR more than 20%
- Analyzed treat from competitors' business
- Approved ECL tools (CIFRS 9)
- Analyzed survey on three-wheelers' income
- Discussed and defined who engaged as related parties

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

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

### Results of Appointment and Remuneration Committee

In 2019, Appointment and Remuneration Committee convened 4 meetings (the meeting is convened quarterly), which discussed and approved the following:

- Reviewed HR and training report every quarter
- Reviewed management's capacity building plan
- Discussed the staff's promotion and revised institution's organizational chart
- Reviewed staff satisfaction survey
- Reviewed survey conducted by Mercer on salary and benefit for staff of the 5 biggest MDIs in Cambodia
- Approved on function allowance
- Approved annual bonus 2018 and salary increment 2018
- Evaluated CEO and CFO's performance in 2018 and goal for 2019
- Discussed and approved HRIS system
- Discussed the compliance to Prakas from Ministry of Labour and Vocational Training on Seniority Payment
- Discussed the request from management to rename position of credit officer, head credit officer, and accountant
- Reviewed and approved internship program
- Approved training budget for 2020
- Approved to increase medical allowance to all staff
- Approved to buy medical insurance for management team
- Authorized management to increase minimum salary scale to drivers, cleaners, and guards in accordance with government's Prakas.

### **Directors Meetings**

Board meetings are held quarterly. At each meeting, the directors review the performance of the company. The board is also kept informed of developments in the financial sectors, including changes in statute or regulations and how they could impact the company.

### **Directors Interests in Contracts**

The directors have made declarations on conflict of interest required by the company. These shall be noted by the board, recorded in the minutes and entered into the interest register, which is maintained by the company. So far, no directors have been found to have conflicts of interest with the company.

### **Directors Shareholdings**

Currently, no directors hold shares in LOLC Cambodia.

### **Terms of Directors**

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

### **Compliance with Laws and Regulations**

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

### **Corporate Governance**

The board believes that good corporate governance benefits all stakeholders. The Report of the Corporate Governance can be found on page 35 to 55.

### **Internal Controls**

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

### **Going Concern**

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

### **Financial Statements**

The financial statements, together with the notes thereon, can be found on pages 57 to 145 and follow the Cambodian International Financial Reporting Standards (CIFRS).

### **Auditors**

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

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

## Management Team



**Mr. Sok Voeun**  
Chief Executive Officer

Mr. Sok Voeun, Chief Executive Officer, obtained his Master's Degree of Business Administration, majoring in Finance and Banking at Build Bright University in Cambodia in 2005. He received a Bachelor's Degree of Economic Science in Management of Enterprise at the former Faculty of Law and Economics in 2000. He has attended microfinance training programs at the Boulder Institute of Microfinance in Italy, and other pertinent trainings in the United States, South Africa, India, Bangladesh and Thailand. He has also participated in trainings in Cambodia on credit management, financial management, human resource management, risk management, good governance and leadership, among others. He served in ACLEDA Bank Plc. as Credit Officer from 2000-2001 and he was promoted to Head of Credit Control Unit in Head Office from 2001 to 2005. From 2005 to 2010, he was the Operations Manager in SATHAPANA Ltd. (MFI) in charge of day-to-day operations which included managing loans, savings, money transfer transactions and market expansion. He started working for LOLC as Chief Operations Officer in April 2010 and he was promoted to be Deputy Chief Executive Officer in December 2012. Currently, he is Chief Executive Officer as appointed by Board of Directors effective from June 1<sup>st</sup>, 2014.



**Mr. Sok Sophal**  
Deputy Chief Executive Officer /  
Chief Finance Officer

Mr. SOK Sophal, obtained his Master's Degree of Finance at the National University of Management in 2007. He received his Bachelor's Degree of Arts in English, majoring in International Business at Institute of Foreign Languages (IFL) in 2005 and his Bachelor's Degree of Economics Science, majoring in Management of Enterprise at the former Faculty of Law and Economics in 2000. He has attended numerous training courses such as Leadership and Diversity for Innovation Program by Women World Banking with the support from Wharton University of Pennsylvania (USA), Advance Management Program by Cornell University at Colombo (Sri Lanka), Syndication Loan Pricing & Structuring by Universal Network Intelligence (Malaysia), and several other workshops and training courses in the areas of Financing Alternative through Capital Market and Dissemination of Provision on Debt/Bond Securities, Impact Investing, Microfinance Forum, Financial Analysis, Accounting and Marketing. In 2018, he attended the Certified Management Accountant Program Australia, the 6<sup>th</sup> intake training course on the ultimate business professional focus on strategic cost management and strategic business analysis, Board Leadership Program Class 1/2018 (Cambodia) with Thai Institute of Director, and Microfinance Training Program in Turin, Italy in 2019. He worked with ACLEDA Bank Plc. for almost 10 years from 2001 to 2010 with several positions as an Accountant from the start, Assistant Manager of the Management Accounting Unit (2003 – 2007), and Manager of the Management Accounting Unit (2007 – 2008). In 2008, he was promoted to be Assistant Senior Vice President (responsible for investment) of the Legal and Corporate Affairs Division in ACLEDA Bank. Hereafter, in January 2009, he was promoted to be Deputy Head of Capital Market Division of ACLEDA Bank Plc. Mr. SOK Sophal starts working with LOLC Cambodia in August 2010 as a Chief Finance Officer and he has been promoted to be Deputy Chief Executive Officer since March 2019.



**Ms. Svoeuy Sodyna**

Chief Risk Officer

Ms. Svoeuy Sodyna, Chief Risk Officer, has completed ACCA Qualification from the largest professional accounting institute in the United Kingdom. She received her Bachelor's Degree of Business Administration, majoring in Accounting from National University of Management in 2006. In addition to her academic qualification, she obtained Advance Diploma in Accounting from CamEd Business School in early 2013. She attended numerous professional courses including risk management, financial management, strategic planning and other microfinance-related courses. She worked with one of the "big four" international accounting firm as Audit Senior for nearly 4 years in which the responsibility included leading the audit teams and completing the statutory and compliances audit for various industries included Banks and MFIs. She started working with LOLC in May 2011 and was promoted to be Chief Risk Officer in March 2018.



**Mr. Romesh Perera**

Chief Channel Officer

Mr. Romesh Perera, Chief Channel Officer prior to joining the company, he served in LOLC Finance Plc. (LOFC) Sri Lanka for the last 13 years. He holds an Assistant General Manager position there. He has served the Non-Bank Financial Service (NBFI) during the past 20 years in both license finance companies and specialized bank in Sri Lanka, holding senior managerial positions prior to taking over as Chief Channel Officer in LOLC (Cambodia) Plc. He has a wide range of expertise and experience in both specialized banking and in the NBFI sector covering Sales & Marketing, Credit risk, Recovery management and Finance. His responsibilities included; Conventional and Islamic financing, trade financing, leasing, asset financing, savings and deposits growth, pawning operations and cross operational functions. The expertise and the performance in the managerial positions he held in Sri Lanka opened him a new opportunity to take over a new assignment for the LOLC group in Cambodia. Mr. Romesh joined LOLC (Cambodia) Plc in June 2017 as Specialist - Leasing and Asset Finance. Currently he is the Chief Channel Officer effective from August 2018.



**Mrs. Chheang Kagna**

Chief Deposit and Financial  
Services Officer

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





**Mr. Duleep Liyanage**

Chief Information Officer

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

Mr. Liyanage joined LOLC (Cambodia) Plc. Since November 2018 as Chief Information Officer, and under his leadership, LOLC Cambodia has gone live with Mobile Banking (in April 2019), Connecting to Cambodia Shared ATM Switch (in July 2019) Connecting NBC FAST system in to Mobile Channel (in August 2019), Getting certified with ISO 27001:2013 certification for Information Security Management System (Jan 2020), Connecting to Real Time Fund Transfer network (Feb 2020) & many other enhancements related to Information Technology.



**Mr. Teng Pheap**

Head of Internal Audit  
Department

Mr. TENG Pheap, Head of Internal Audit Department, obtained his Master's Degree of Business Administration, majoring in Accounting and Finance at Western University in 2008. He obtained his Bachelor's Degree of Business Administration in Accounting from National Institute of Business in 2004. He has attended numerous training courses in the areas of internal professional practice framework in Malaysia, business planning and managing growth in Philippines, effective internal control in Mongolia, bank experience sharing in Sri Lanka, and other training courses in Cambodia on risk management, advance internal auditing, report writing and leadership skill. Pheap has more than 15 years of experience working with Microfinance institutions and Non-Government Organizations in Cambodia, including Catholic Relief Services in 1999-2003 as an internal auditor and as branch manager in 2004 after CRS incorporated as LOLC, Angkor Microfinance Kampuchea (2004-2008) as an audit team leader and regional manager. He starts working at LOLC as Head of Internal Audit Department in December 2008.





**Ms. Leng Thavy**

Head of Human Resources  
Department

Ms. Leng Thavy joined LOLC (Cambodia) Plc. in August, 2014. Prior to this she had more than 10 years' experience working with humanitarian organizations and microfinance institutions such as World Vision Cambodia, VisionFund Cambodia, and CARE Cambodia. Besides working locally, Thavy also spent more than one year working overseas which includes a three months secondment with World Vision Sri Lanka in Sri Lanka and thirteen months part-time job with Monash University in Australia. Most of these professional experiences have been dedicated to human resource management from operational to strategic leadership levels. Thavy holds a Master of Human Resources Management from Monash University in Australia which was sponsored by Australian Government through Australian Development Scholarship Award. In addition, she also graduated her Bachelor of Business Administration major in Accounting from National Institute of Management in Cambodia. She has attended numerous international trainings in different countries such as UK, Australia, Singapore, the Philippines, Sri Lanka, and Thailand.



**Ms. Try Sola**

Head of Treasury Department

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



**Ms. Keo Taraty**

Head of Finance Department

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



**Ms. Siv Bopha**  
Head of Administrative and  
Procurement Department

Ms. Siv Bopha, Head of Administration and Procurement Department, obtained Bachelor's Degree in Accounting at Vanda Institute of Accounting in 2008. She got the Diploma of English from Pannasastra University of Cambodia, PUC in 2003. She has attended various trainings and workshops in relevant courses on financial and managerial accounting, tax accounting, internal control and audit, administrative affair and leadership. She had been working for textile sector from 2002 to 2020 as Accounting Manager and Financial Manager. She has been working for LOLC (Cambodia) Plc. since April 2020 as Head of Administration and Procurement Department.



**Mr. Hul Sovutha**  
Head of Information  
Technology Department

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



**Mr. Muth Pisey**  
Head of Credit Department

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



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

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



**Mr. Nuth Theng**  
Head of Business Department

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



**Mr. Ban Phalleng**  
Head of Compliance Department

Mr. Ban Phalleng, Head of Compliance Department, obtained Master Degree of Risk Management in Insurance, Banking and Finance from RULE, and Master Degree of Bank and assurance in South East Asia from Nantes. Additionally, he holds bachelor degree in Economics and English Literature, and attended numerous courses such as professional banker, leadership, Cambodia tax law, and renewable energy, client protection principles, advanced statistics, microfinance management, project management etc at locally and overseas. His experiences include business plan development for transforming NGOs/family businesses into standard businesses, analytics, research, project management, policies, and procedure development. He previously worked as project officer at VisionFund until 2010, worked as microfinance technical officer at CMI until 2012. After joining LOLC at the end of 2012 as a social performance specialist, Mr. Phalleng became Head of Social Performance Department in 2015, and starting 2018 serves as Head of Compliance to ensure LOLC in compliant with all related regulations and also supervise the social performance management.





**Mr. Chhuon Sokcheth**

Head of Marketing Department

Mr. Chhuon Sokcheth, Head of Marketing Department, obtained his Master's Degree of Business Administration from Norton University in 2012, obtained a Bachelor's Degree of Economics Science, majoring in Management of Enterprise from Royal University of Law and Economic in 2003, and received a Diploma in Economic Planning from the Planning and Statistics Training Center in 2001. He has also attended numerous training courses in Cambodia, Philippine, Japan and Thailand. In his 16 years of working experience, Sokcheth served for many institutions such as ACLEDA Bank Plc., SEILANITHIH MFI, and TOYOTA (CAMBODIA) Co., LTD. in variety of positions such as Credit Officer, Chief Credit Officer, Marketing Manager and Parts Sales Leader. He started working at LOLC in September 2010 as Brand and Promotion Unit Manager and he was promoted to be Head of Marketing Department in August 2015.



**Mr. Yin Pholy**

Head of Asset Backed  
Department

Mr. Yin Pholy obtained his Master Degree in finance from National University of Management and a Bachelor's Degree in accounting from Maharishi Vedic University. He has also earned an Advance Diploma in Accounting at CamEd Business School and joined a Microfinance Winter Academy organized by Frankfurt School of Finance and Management. Before joining LOLC, he has intensive experiences for more than fifteen years in management and financial business development, auditing and corporate governance. He had worked with GL Finance Plc. for more than 5 years in management of financial lease operations, 4 years at Toyota Tsusho Corporation in business management and development and more than 5 years in auditing at Coca Cola and National Audit Authority. In his fifteen-year career, Mr. Yin Pholy has lots of achievements in provision of good and flexible financial services to customers to fit market demands, business development and expansion utilizing market opportunities, especially concentrating on product quality, customer services and proper, convenient, and innovative financial solutions in order to fulfill a certain market demand.



**Ms. Kheng Navy**

LOLC's Company Secretary

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

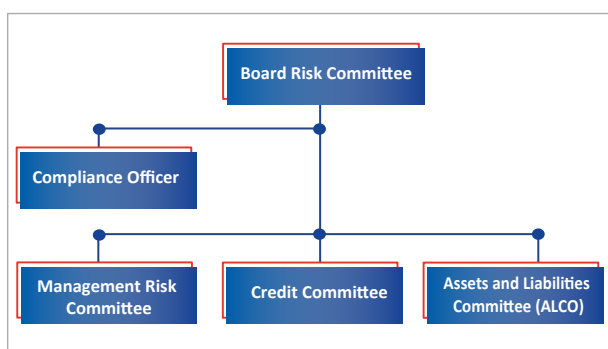


## Risk Management and Internal Control

Managing risk is inherent in any financial institution's strategic business plan, and LOLC (Cambodia) Plc. is no exception. LOLC's risk philosophy is that risk management should responsibly help advance our business strategy, assist in the decision-making process and enhance management's effectiveness. LOLC's risk frameworks aims to strengthen the company's ability to identify, measure and manage risks in order to maximize shareholder value while aligning a necessary level of risk with corporate strategy, assessing the impact of emerging risk and developing risk mitigation strategies that reflect the company's culture of strong corporate governance. LOLC applies the following risk management principles in its day-to-day business operations:

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

### Risk Management Governance



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

Financial risks are managed and controlled by the assets and liabilities committee (ALCO), with its primary goal being to evaluate, monitor and approve practices relating to liquidity risk, interest rate risk, regulatory risk, currency risk and other financial risks, in order to optimize returns while maintaining a safe level of liquidity. The ALCO is chaired by the chief financial officer and normally meets once per month.

### Credit Risk

Credit risk is defined as the possibility of losses due to an obligor failing to perform its contractual obligations to LOLC. Credit risk is undertaken by the well structure of the Credit Risk Policy, Credit Operating Guideline and other related rules implemented to manage LOLC's portfolio quality. Credit exposures are actively monitored, reviewed and reported to the risk management committee on a monthly basis. Senior management and relevant departments have discussed, analyzed and identified any issues with timely and appropriate actions.

### Liquidity Risk

Liquidity risk arises from the organization's inability to efficiently meet its present and future funding needs and obligations when they are due. Liquidity risk is primarily monitored and managed based on cash flow projections regularly arising from the maturity profiles of assets, liabilities, off-balance sheet commitments and stress conditions. LOLC also performs liquidity stress tests annually to identify vulnerable areas in its portfolio and expected financial impacts, and to enable management to take proactive steps.

### Operational Risk

Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from potential inadequate information systems, technology failures, breaches in internal controls, fraud, or other operational problems that may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities. LOLC has identified and assessed the operational risk inherent in all products, activities, processes and systems and its vulnerability to these risks. LOLC will also ensure that before new products, activities, processes and systems are introduced or undertaken, the operational risks inherent in them are subject to adequate control.

### Market Risk

Market risk refers to the risk of losses in LOLC's trading books due to changes in equity prices, interest rates, foreign exchange rates and other indicators whose values are set in a public market.

Interest rate risk arises primarily from the different maturity dates and repricing of cash flows. Interest rate risk is currently measured by the interest sensitivity gap. ALCO is responsible for monitoring the interest rate risk profile of LOLC based on its interest sensitivity gaps. ALCO is responsible for monitoring of the interest rate risk profile of LOLC based on its interest sensitivity gaps.





# FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORTS



- Report of the Board of the Directors
- Report of the independent auditors
- Statement of financial position
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements

## Report of the Board of Directors

The Board of Directors (“the Directors” or “the Board”) hereby submit their report together with the audited financial statements of LOLC (Cambodia) Plc. (“the Company”) for the year ended 31 December 2019.

### Principal activities

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

medium enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia. Its corporate objective is to provide reliable and affordable access to financial services to micro-entrepreneurs and small and medium enterprises.

There were no significant changes to these principal activities during the financial year.

### Financial results

The financial results of the Company were as follows:

	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
Profit before income tax	160,998,914	82,294,303	39,733,196	20,344,696
Income tax expense	(17,266,072)	(20,747,922)	(4,261,123)	(5,129,276)
Net profit for the year	<u>143,732,842</u>	<u>61,546,381</u>	<u>35,472,073</u>	<u>15,215,420</u>

### Dividends

No dividend was declared or paid and the Directors does not recommend any dividend to be paid for the year under audit.

### Share capital

On 10 November 2018, the Company sent the request to the NBC to increase the share capital from KHR120,000,000 thousand (equivalent to US\$ 29,204,327) to KHR140,846,600 thousand (equivalent to US\$34,563,583). The request was approved by the NBC on 22 February 2019.

On 10 June 2019, the Company sent the request to the NBC to increase the share capital from KHR140,846,600 thousand (equivalent to US\$34,563,583) to KHR 182,612,000 thousand (equivalent to US\$44,812,761). The request was approved by the NBC on 19 August 2019.

On 19 August 2019, the Company sent the request letter to the NBC to increase the share capital from KHR182,612,000 thousand (equivalent to US\$ 44,812,761) to KHR224,377,400 thousand (equivalent to US\$55,444,746). The request was approved by the NBC on 28 October 2019.

### Reserves and provisions

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

### Loans to customers

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and the making of allowance for doubtful loans, and satisfied themselves that all known bad loans to customers had been written off and adequate allowance had been made for losses loans to customers.

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



### Current assets

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they might be expected to realise.

At the date of this report, the management is not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Company misleading.

### Valuation methods

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

### Contingent and other liabilities

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

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

### Change of circumstances

At the date of this report, the 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.

### Items of unusual nature

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

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

### Events since the reporting date

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

### The Board of the Directors

The Directors who served during the year and at the date of this report are:

Mr. Brindley Chrisantha Gajanayake de Zylva, Chairman

Mr. Indrajith Wijesiriwardana, Member

Mr. Hans Michael Theodor Moormann, Member

Mr. Dulip Rasika Samaraweera, Member

Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member

### Directors' interests

None of the Directors held or dealt directly in the shares of the Company during the financial year.

### Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

## Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i). adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii). comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii). oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv). assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v). effectively control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

## Approval of the financial statements

I, the undersigned, hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 118 which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

Signed on behalf of the Company,



**Mr. Sok Voeun**  
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia  
Date: 30 MAR 2020

# Report of the Independent Auditors

To the shareholders LOLC (Cambodia) Plc.

## **Opinion**

We have audited the financial statements of LOLC (Cambodia) Plc. (“the Company”), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 118 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

## **Basis for Opinion**

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

## **Other Matter**

As stated in Note 36 to the financial statements, the Company adopted CIFRSs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of financial position as at 31 December 2018 and 1 January 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2018 and related explanatory notes disclosures. We were not engaged to audit on the restated comparative information and it is unaudited.

Our responsibilities in respect of this comparative information is to determine whether the financial

statements include the comparative information required by CIFRSs and whether such information is appropriately classified.

## **Other Information**

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the Report of the Board of Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG Cambodia Ltd**

**Nge Huy**  
*Partner*

Phnom Penh, Kingdom of Cambodia  
Date: 30 MAR 2020



# Statement of financial position

AS AT 31 DECEMBER 2019

		31 December		31 December		1 January 2018	
		2019	2018	2019	2018	KHR'000	US\$
Note		KHR'000	KHR'000	US\$	US\$		(Note 5)
				(Note 5)			(Note 5)
<b>ASSETS</b>							
Cash and cash equivalents	6	753,196,844	368,244,617	184,833,582	91,648,735	127,316,430	31,537,387
Placements with banks	7	200,181	200,340	49,125	49,861	5,377,104	1,331,955
Statutory deposits	8	187,099,453	106,248,047	45,913,976	26,443,018	43,880,336	10,869,541
Loans to customers to customers – net	9	3,115,481,925	1,922,394,751	764,535,442	478,445,682	1,284,446,599	318,168,590
Other assets	10	15,331,600	18,134,179	3,762,355	4,513,235	4,617,456	1,143,784
Investment – equity instrument		61,125	60,270	15,000	15,000	60,555	15,000
Intangible assets	11	5,100,225	4,505,809	1,251,589	1,121,406	3,389,765	839,674
Property and equipment	12	7,841,251	6,544,540	1,924,233	1,628,805	7,500,097	1,857,839
Right-of-use assets	13	19,667,509	18,384,941	4,826,383	4,575,645	18,473,235	4,575,981
Deferred tax assets – net	21A	9,127,261	7,581,894	2,239,819	1,886,982	4,404,378	1,091,003
<b>Total assets</b>		<b>4,113,107,374</b>	<b>2,452,299,388</b>	<b>1,009,351,504</b>	<b>610,328,369</b>	<b>1,499,465,955</b>	<b>371,430,754</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY Liabilities</b>							
Deposits from customers	14	1,864,970,492	951,905,926	457,661,470	236,910,385	370,736,597	91,834,678
Borrowings	15	1,426,459,591	1,011,797,243	350,051,433	251,816,138	787,804,195	195,145,949
Debt securities	16	81,755,899	-	20,062,797	-	-	-
Subordinated debts	17	120,587,586	85,105,957	29,592,046	21,181,174	45,213,597	11,199,801
Lease liabilities	18	18,602,031	16,891,194	4,564,916	4,203,881	16,418,402	4,066,981
Other liabilities	19	30,852,745	35,607,866	7,571,226	8,862,087	21,705,780	5,376,710
Provision for employee benefits	20	2,850,672	4,323,740	699,552	1,076,093	-	-
Current income tax liability	21B	13,621,187	20,523,933	3,342,623	5,107,997	13,836,836	3,427,505
<b>Total liabilities</b>		<b>3,559,700,203</b>	<b>2,126,155,859</b>	<b>873,546,063</b>	<b>529,157,755</b>	<b>1,255,715,407</b>	<b>311,051,624</b>

	Note	31 December		31 December		1 January 2018	
		2019	2018	2019	2018	KHR'000	US\$
		KHR'000	KHR'000	US\$	US\$		(Note 5)
<b>Shareholders' equity</b>							
Share capital	22	224,377,400	120,000,000	55,460,850	29,701,373	71,684,100	17,756,775
Advance capital contribution	23	-	20,846,600	-	5,153,671	-	-
General reserves		210,415,116	110,415,116	51,979,374	27,300,203	7,168,410	1,775,677
Regulatory reserves	24	10,694,760	8,384,769	2,645,229	2,075,142	4,632,244	1,147,447
Retained earnings		107,919,895	66,497,044	26,740,647	16,517,832	160,265,794	39,699,231
Currency translation reserves		-	-	(1,020,659)	422,393	-	-
Total shareholder's equity		553,407,171	326,143,529	135,805,441	81,170,614	243,750,548	60,379,130
<b>Total liabilities and shareholders' equity</b>		<b>4,113,107,374</b>	<b>2,452,299,388</b>	<b>1,009,351,504</b>	<b>610,328,369</b>	<b>1,499,465,955</b>	<b>371,430,754</b>

## Statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Note	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
<b>Operating income</b>					
Interest income	25	471,493,078	314,855,256	116,360,582	77,838,135
Interest expense	26	(215,485,800)	(138,562,482)	(53,180,109)	(34,255,249)
<b>Net interest income</b>		<u>256,007,278</u>	<u>176,292,774</u>	<u>63,180,473</u>	<u>43,582,886</u>
Impairment losses on loans to customers	9	(17,565,493)	(12,314,067)	(4,335,018)	(3,044,269)
Impairment losses on placements with banks		<u>328,885</u>	<u>(1,092,433)</u>	<u>81,166</u>	<u>(270,070)</u>
<b>Total operating profit</b>		<u>238,770,670</u>	<u>162,886,274</u>	<u>58,926,621</u>	<u>40,268,547</u>
Other income	27	70,736,898	40,630,762	17,457,280	10,044,688
Commission expenses	28	(3,543,768)	(2,398,475)	(874,573)	(592,948)
Personnel expenses	29	(100,060,719)	(76,035,389)	(24,694,156)	(18,797,377)
Depreciation and amortisation		(10,307,083)	(9,034,468)	(2,543,703)	(2,233,491)
General and administrative expenses	30	(36,166,742)	(33,444,843)	(8,925,652)	(8,268,194)
Gain/(loss) on foreign exchange - Net		<u>1,569,658</u>	<u>(309,558)</u>	<u>387,379</u>	<u>(76,529)</u>
<b>Total operating expenses</b>		<u>(148,508,654)</u>	<u>(121,222,733)</u>	<u>(36,650,705)</u>	<u>(29,968,539)</u>
<b>Profit before income tax</b>		<u>160,998,914</u>	<u>82,294,303</u>	<u>39,733,196</u>	<u>20,344,696</u>
Income tax expense	21	(17,266,072)	(20,747,922)	(4,261,123)	(5,129,276)
<b>Net profit for the year</b>		<u><u>143,732,842</u></u>	<u><u>61,546,381</u></u>	<u><u>35,472,073</u></u>	<u><u>15,215,420</u></u>
<b>Other comprehensive (loss)/income</b>					
Currency translation difference		<u>-</u>	<u>-</u>	<u>(1,451,955)</u>	<u>422,393</u>
<b>Total comprehensive income for the year</b>		<u><u>143,732,842</u></u>	<u><u>61,546,381</u></u>	<u><u>34,020,118</u></u>	<u><u>15,637,813</u></u>



# Statement of changes in equity

For the year ended 31 December 2019

	Share capital		Advance capital contribution		General reserves		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
	KHR'000	US\$ (Note 5)	KHR'000	US\$ (Note 5)	KHR'000	US\$ (Note 5)	KHR'000	US\$ (Note 5)	KHR'000	US\$ (Note 5)	KHR'000	US\$ (Note 5)	KHR'000	US\$ (Note 5)
At 1 January 2018	71,684,100	17,756,775	-	-	7,168,410	1,775,677	4,632,244	1,147,447	160,265,794	39,699,231	-	-	243,750,548	60,379,130
Additional share capital	48,315,900	11,944,598	20,846,600	5,153,671	-	-	-	-	(48,315,900)	(11,944,598)	-	-	20,846,600	5,153,671
Transfer to general reserves	-	-	-	-	103,246,706	25,524,526	-	-	(103,246,706)	(25,524,526)	-	-	-	-
Transfer of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
to regulatory reserves	-	-	-	-	-	-	3,752,525	927,695	(3,752,525)	(927,695)	-	-	-	-
Comprehensive income														
Net profit for the year	-	-	-	-	-	-	-	-	61,546,381	15,215,420	-	-	61,546,381	15,215,420
Currency translation difference	-	-	-	-	-	-	-	-	-	-	-	422,393	-	422,393
	-	-	-	-	-	-	-	-	61,546,381	15,215,420	-	422,393	61,546,381	15,637,813
At 31 December 2018	120,000,000	29,701,373	20,846,600	5,153,671	110,415,116	27,300,203	8,384,769	2,075,142	66,497,044	16,517,832	-	422,393	326,143,529	81,170,614
At 1 January 2019	120,000,000	29,701,373	20,846,600	5,153,671	110,415,116	27,300,203	8,384,769	2,075,142	66,497,044	16,517,832	-	422,393	326,143,529	81,170,614
Transfer from advance capital														
contribution to share capital	20,846,600	5,144,768	(20,846,600)	(5,153,671)	-	-	-	-	-	-	-	8,903	-	-
Additional share capital issued	83,530,800	20,614,709	-	-	-	-	-	-	-	-	-	-	83,530,800	20,614,709
Transfer of retained earnings to regulatory reserves							2,309,991	570,087	(2,309,991)	(570,087)	-	-	-	-
Transfer to general reserves					100,000,000	24,679,171	-	-	(100,000,000)	(24,679,171)	-	-	-	-
Comprehensive income														
Net profit for the year	-	-	-	-	-	-	-	-	143,732,842	35,472,073	-	-	143,732,842	35,445,829
Currency translation difference	-	-	-	-	-	-	-	-	-	-	-	(1,451,955)	-	(1,451,955)
	-	-	-	-	-	-	-	-	143,732,842	35,472,073	-	(1,451,955)	143,732,842	34,020,118
At 31 December 2019	224,377,400	55,460,850	-	-	210,415,116	51,979,374	10,694,760	2,645,229	107,919,895	26,740,647	-	(1,020,659)	553,407,171	135,805,441



# **Statement of cash flows**

for the year ended 31 December 2019

	Note	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
<b>Cash flows from operating activities</b>					
Net profit for the year		143,732,842	61,546,381	35,472,073	15,215,420
<i>Adjustments for:</i>					
Net interest income		(256,007,278)	(176,292,774)	(63,180,473)	(43,582,886)
Depreciation		4,381,555	3,943,169	1,081,331	974,825
Amortisation		394,062	226,194	97,251	55,919
Depreciation on right-of-use assets		5,531,466	4,865,105	1,365,120	1,202,745
Income tax expense		17,266,072	20,747,922	4,261,123	5,129,276
(Reversal of)/provision for					
employee benefits		(1,473,068)	4,323,740	(363,541)	1,068,910
Gains on disposals of property					
and equipment		(15,072)	(156,553)	(3,720)	(38,703)
Impairment allowance for loans					
to customers	9	17,565,493	12,314,067	4,335,018	3,044,269
Impairment losses on					
placements with other banks		(328,885)	1,092,433	(81,166)	270,070
		(68,952,813)	(67,390,316)	(17,016,984)	(16,660,155)
<i>Changes in:</i>					
Loans to customers		(1,202,682,685)	(641,561,690)	(296,812,114)	(158,606,104)
Regulatory deposits – increase					
in reserve requirement		(70,413,667)	(57,536,121)	(17,377,509)	(14,224,010)
Other assets		2,801,721	(13,516,438)	691,442	(3,341,517)
Deposits from customers		913,064,566	581,169,329	225,336,764	143,675,978
Other liabilities		(4,713,596)	13,902,086	(1,163,276)	3,436,857
Cash used in operations		(430,896,474)	(184,933,150)	(106,341,677)	(45,718,951)
Interest received		464,392,506	305,424,639	114,608,220	75,506,709
Interest paid		(213,549,696)	(125,399,131)	(52,702,294)	(31,001,021)
Income tax paid	21	(25,714,185)	(17,238,339)	(6,346,049)	(4,261,641)
Net cash used in operating activities		(205,767,849)	(22,145,981)	(50,781,800)	(5,474,904)

Note	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
<b>Cash flows from operating activities</b>				
Term deposit with original maturity of more than three months	(159)	5,176,764	(39)	1,279,793
Capital guaranteed deposit with the NBC	(10,437,740)	(4,831,590)	(2,575,948)	(1,194,460)
Proceeds from disposals of property and equipment	16,135	165,991	3,982	41,036
Acquisition of property and equipment	(5,685,615)	(2,997,049)	(1,403,163)	(740,927)
Acquisition of intangible assets	(988,478)	(1,342,238)	(243,948)	(331,826)
Net cash used in investing activities	<u>(17,095,857)</u>	<u>(3,828,122)</u>	<u>(4,219,116)</u>	<u>(946,384)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings and subordinated debts	737,561,531	595,465,956	182,024,070	147,210,372
Repayments of borrowings and subordinated debts	(290,240,889)	(343,446,449)	(71,629,045)	(84,906,415)
Proceeds from share issuance	41,765,400	-	10,307,354	-
Advance capital contribution	41,765,400	20,846,600	10,307,354	5,153,671
Proceeds from issuance of corporate bonds	80,531,351	-	19,874,470	-
Payments of lease liabilities	<u>(5,624,871)</u>	<u>(4,871,384)</u>	<u>(1,388,172)</u>	<u>(1,204,298)</u>
Net cash generated from financing activities	<u>605,757,922</u>	<u>267,994,723</u>	<u>149,496,031</u>	<u>66,253,330</u>
<b>Net increase in cash and cash equivalents</b>	382,894,216	242,020,620	94,495,115	59,832,042
<b>Cash and cash equivalents at beginning of the year</b>	369,337,050	127,316,430	91,149,321	31,475,014
Currency translation difference	-	-	(1,047,806)	613,564
<b>Cash and cash equivalents at end of the year</b>	<u>752,231,266</u>	<u>369,337,050</u>	<u>184,596,630</u>	<u>91,920,620</u>

**Cash and cash equivalents in the statement of cash flows comprises of:**

	Note	<b>2019</b> <b>KHR'000</b>	<b>2018</b> <b>KHR'000</b>	<b>2019</b> <b>US\$</b> (Note 5)	<b>2018</b> <b>US\$</b> (Note 5)
Cash and cash equivalents	6	753,977,565	369,337,050	185,025,170	91,920,620
Overdraft	15	(1,746,299)	-	(428,540)	-
		<u>752,231,266</u>	<u>369,337,050</u>	<u>184,596,630</u>	<u>91,920,620</u>

**Significant non-cash transactions:**

During the year, the significant non-cash transaction is as follows:

		<b>2019</b> <b>KHR'000</b>	<b>2018</b> <b>KHR'000</b>	<b>2019</b> <b>US\$</b> (Note 5)	<b>2018</b> <b>US\$</b> (Note 5)
Transfers from advance capital					
contribution to share capital	23	20,846,600	-	5,144,768	-
Transfers from retained earnings					
to the general reserves		100,000,000	103,246,706	24,679,171	25,524,526
Transfers from retained earnings					
to the share capital		<u>-</u>	<u>48,315,900</u>	<u>-</u>	<u>11,944,598</u>

The accompanying notes form an integral part of these financial statements.

# Notes to the financial statements

for the year ended 31 December 2019

## 1. Reporting entity

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

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

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

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

The Company has 79 office locations (78 branches and a head office in Phnom Penh). The Company's registered office is at Building No. 666B, Street 271, Sangkat Boeung Tumpun 2, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2019, the Company had 2,757 employees (2018: 2,327 employees).

## 2. Basis of accounting

The financial statements of the Company have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs"). These are the Company's first financial statements prepared in accordance with CIFRSs and CIFRS 1, First-time Adoption of Cambodian International Financial Reporting Standards has been applied.

In the previous financial years, the financial statements were prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements. An explanation of how the transition to CIFRSs have affected the reported financial position, financial performance and cash flows is provided in Note 36.

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements.

Details of the Company's accounting policies are included in Note 35.

## 3. Functional and presentation currency

The Company transacts its business and maintains its accounting records in three currencies, Khmer Riel ("KHR"), United States Dollars ("US\$") and Thai Baht ("THB"). Management have determined the KHR to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company. Transactions in currencies other than KHR are translated into KHR at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the profit or loss.

These financial statements are presented in KHR, which is the Company's functional currency. All amounts have been rounded to the nearest thousand riels or the nearest dollar, except when otherwise indicated.



#### 4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Note 35C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are 'the solely payments for interest and principle' ("SPPI") on the principal amount outstanding.
- Note 35C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of 'the expected credit loss' ("ECL") and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 35C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 35C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 35C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

#### 5. Translation of Khmer Riel into United States Dollars

The financial statements are expressed in Khmer Riel ("KHR"). The translations of KHR amounts into United States Dollars ("US\$") are included solely for presentation purpose.

Assets and liabilities are translated at the closing rate as at the reporting date. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency Translation Difference" in the other comprehensive income.

The Company uses the following exchange rates:

			Closing rate	Average rate
31 December 2019	US\$1	=	KHR4,075	KHR4,052
31 December 2018	US\$1	=	KHR4,018	KHR4,045
1 January 2018	US\$1	=	KHR4,037	N/A

These convenience translations should not be construed as representations that KHR amounts have been, could have been, or could in the future be, converted into US\$ at this or any other rate of exchange.

## 6. Cash and cash equivalents

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR'000	US\$
	KHR'000	KHR'000	US\$	US\$		(Note 5)
Cash on hand	105,185,581	49,019,393	25,812,413	12,199,949	18,201,556	4,508,684
Cash equivalents with NBC	570,719,826	211,074,359	140,053,945	52,532,195	18,023,246	4,464,515
Cash equivalents with other banks	78,072,158	109,243,298	19,158,812	27,188,476	91,091,628	22,564,188
	753,977,565	369,337,050	185,025,170	91,920,620	127,316,430	31,537,387
Allowance for impairment losses	(780,721)	(1,092,433)	(191,588)	(271,885)	-	-
	753,196,844	368,244,617	184,833,582	91,648,735	127,316,430	31,537,387

During the year, the Company reversed allowance for impairment losses on placement with banks amounting to KHR328,885 thousand (2018: additional allowance of KHR1,092,433 thousand).

## 7. Placements with banks

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR'000	US\$
	KHR'000	KHR'000	US\$	US\$		(Note 5)
Negotiable certificate of deposit ("NCD")	200,181	200,340	49,125	49,861	5,377,104	1,331,955

Placements with other banks represent the negotiable certificate of deposit ("NCD") with NBC which will mature in 5 months and earned interest 0.61% per annum (2018: 1.17% per annum).

## 8. Statutory deposits

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR'000	US\$
	KHR'000	KHR'000	US\$	US\$		(Note 5)
Capital guarantee	22,437,740	12,000,000	5,506,194	2,986,560	7,168,410	1,775,677
Reserve requirements on customers' deposits	164,661,713	94,248,047	40,407,782	23,456,458	36,711,926	9,093,864
	187,099,453	106,248,047	45,913,976	26,443,018	43,880,336	10,869,541

### A. Capital guarantee

The Capital guarantee is maintained with the NBC in compliance with Prakas No. B7-07-163 on the Licensing of Micro-Finance Deposit taking Institutions, the amounts of which are determined at 10% of the Company's registered share capital. This deposit is not available for use in the Company's day-to-day operations and is refundable should the Company voluntarily cease its operations in Cambodia.

The deposit on registered capital placed with NBC earns interest at the rate of 3% per annum (2018: 3% per annum).

### B. Reserve requirements on customers' deposits

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas No. B7-07-163 on Licensing of Micro-finance Deposit Taking Institutions. The reserve requirement on customers' deposits fluctuates depending on the level of the customers' deposits. The reserve requirement relating to customers' deposits does not earn interest.

## 9. Loans to customers

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
<b>Group loans:</b>						
Fixed term	18,118,906	36,427,565	4,446,357	9,066,094	63,755,343	15,792,753
End of cycle	339,375,537	151,811,520	83,282,340	37,782,857	117,943,196	29,215,555
Individual loans:						
Fixed term	2,506,993,213	1,540,976,788	615,213,058	383,518,364	930,005,172	230,370,367
End of cycle	287,546,919	211,849,035	70,563,661	52,724,996	179,846,476	44,549,536
Staff loans	20,587,185	17,691,324	5,052,071	4,403,018	15,003,961	3,716,612
Gross loans	3,172,621,760	1,958,756,232	778,557,487	487,495,329	1,306,554,148	323,644,823
Interest receivables	29,411,283	18,259,714	7,217,493	4,544,478	13,508,930	3,346,279
Unearned processing fees	(55,259,912)	(32,925,500)	(13,560,715)	(8,194,500)	(17,534,322)	(4,343,404)
	3,146,773,131	1,944,090,446	772,214,265	483,845,307	1,302,528,756	322,647,698
Allowance for impairment losses	(31,291,206)	(21,695,695)	(7,678,823)	(5,399,625)	(18,082,157)	(4,479,108)
Loans to customers, net	3,115,481,925	1,922,394,751	764,535,442	478,445,682	1,284,446,599	318,168,590



The movements of allowance for impairment losses on loans to customers during the year were as follows:

	<b>2019</b> <b>KHR' 000</b>	<b>2018</b> <b>KHR' 000</b>	<b>2019</b> <b>US\$</b> <b>(Note 5)</b>	<b>2018</b> <b>US\$</b> <b>(Note 5)</b>
At 1 January	21,695,695	18,082,157	5,399,625	4,479,108
Allowance for the year	17,565,493	12,314,067	4,335,018	3,044,269
Written off for the year	(8,639,417)	(8,538,802)	(2,132,136)	(2,110,952)
Others	669,435	(161,727)	165,211	(39,982)
Currency translation difference	-	-	(88,895)	27,182
At 31 December	<u>31,291,206</u>	<u>21,695,695</u>	<u>7,678,823</u>	<u>5,399,625</u>

Gross amounts of loans to customers by maturity are as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
Within 1 month	115,339,754	67,093,284	28,304,234	16,698,179	58,084,527	14,388,042
1 to 3 months	287,018,083	142,701,507	70,433,885	35,515,557	91,331,417	22,623,586
3 to 6 months	422,687,371	208,616,538	103,726,962	51,920,492	147,726,401	36,593,114
6 to 12 months	675,894,102	331,719,718	165,863,583	82,558,417	271,717,353	67,306,751
1 to 3 years	1,201,762,081	880,997,562	294,910,940	219,262,708	574,782,385	142,378,594
3 to 5 years	426,482,339	295,398,612	104,658,243	73,518,818	149,253,676	36,971,433
Over 5 years	17,589,402	17,563,226	4,316,418	4,371,136	9,632,997	2,386,178
	3,146,773,131	1,944,090,446	772,214,265	483,845,307	1,302,528,756	322,647,698

For additional analysis of gross amount of loans to customers, refer to Note 33B.

## 10. Other assets

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
Security deposits	463,039	239,143	113,629	59,518	194,333	48,138
Others	14,868,561	17,895,036	3,648,726	4,453,717	4,423,123	1,095,646
	15,331,600	18,134,179	3,762,355	4,513,235	4,617,456	1,143,784

## 11. Intangible assets

	2019			2018		
	Work in progress	Software and license	Total	Work in progress	Software and license	Total
	KHR' 000	KHR' 000	KHR' 000	KHR' 000	KHR' 000	KHR' 000
<b>Cost</b>						
At 1 January	910,792	4,180,234	5,091,026	-	3,748,788	3,748,788
Additions	56,132	932,346	988,478	910,792	431,446	1,342,238
At 31 December	966,924	5,112,580	6,079,504	910,792	4,180,234	5,091,026
<b>Less: Accumulated amortisation</b>						
At 1 January	-	585,217	585,217	-	359,023	359,023
Amortisation for the year	-	394,062	394,062	-	226,194	226,194
At 31 December	-	979,279	979,279	-	585,217	585,217
<b>Carrying amounts</b>						
At 31 December	966,924	4,133,301	5,100,225	910,792	3,595,017	4,505,809
US\$ equivalents – Note 5	237,282	1,014,307	1,251,589	226,678	894,728	1,121,406
At 1 January 2018	-	-	-	-	3,389,765	3,389,765
US\$ equivalents – Note 5	-	-	-	-	839,674	839,674

## 12. Property and equipment

2019	Office furniture and equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total
	KHR' 000	KHR' 000	KHR' 000	KHR' 000	US\$ (Note5)
<b>Cost</b>					
At 1 January 2019	3,120,511	12,594,687	7,607,103	1,387,500	24,709,801
Additions	706,878	615,901	4,150,080	212,756	5,685,615
Disposals	(25,411)	(41,891)	(242,263)	-	(309,565)
Currency translation difference	-	-	-	-	(93,510)
At 31 December 2019	3,801,978	13,168,697	11,514,920	1,600,256	30,085,851
<b>Less: Accumulated depreciation</b>					
At 1 January 2019	2,257,292	10,368,477	4,999,739	539,753	18,165,261
Depreciation for the year	476,724	1,353,951	2,341,489	209,391	4,381,555
Disposals	(25,410)	(41,892)	(234,914)	-	(302,216)
Currency translation difference	-	-	-	-	(68,920)
At 31 December 2019	2,708,606	11,680,536	7,106,314	749,144	22,244,600
<b>Carrying amounts</b>					
At 31 December 2019	1,093,372	1,488,161	4,408,606	851,112	7,841,251
					1,924,233

## 12. Property and equipment (Continued)

2018	Office furniture and equipment	Motor vehicles	Computer equipment	Leasehold improvements	Total	
	KHR' 000	KHR' 000	KHR' 000	KHR' 000	KHR' 000	US\$ (Note5)
<b>Cost</b>						
At 1 January 2018	2,622,768	12,458,251	6,330,598	1,080,946	22,492,561	5,571,603
Additions	563,394	645,154	1,481,947	306,554	2,997,049	745,906
Disposals	(41,886)	(321,891)	(68,890)	-	(432,667)	(107,682)
Write off	(23,765)	(186,827)	(136,552)	-	(347,142)	(86,398)
Currency translation difference	-	-	-	-	-	26,347
At 31 December 2018	3,120,511	12,594,687	7,607,103	1,387,500	24,709,801	6,149,776
<b>Less: Accumulated depreciation</b>						
At 1 January 2018	1,770,988	9,256,663	3,585,914	378,899	14,992,464	3,713,764
Depreciation of the year	551,011	1,617,382	1,613,922	160,854	3,943,169	981,376
Disposals	(41,886)	(321,891)	(65,619)	-	(429,396)	(106,868)
Write off	(22,821)	(183,677)	(134,478)	-	(340,976)	(84,862)
Currency translation difference	-	-	-	-	-	17,561
At 31 December 2018	2,257,292	10,368,477	4,999,739	539,753	18,165,261	4,520,971
<b>Carrying amounts</b>						
At 31 December 2018	863,219	2,226,210	2,607,364	847,747	6,544,540	1,628,805
At 1 January 2018	851,780	3,201,588	2,744,684	702,047	7,500,097	1,857,839



### 13. Right-of-use assets

Information about the Company's leases is disclosed within this note and Note 18.

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
Right of use assets	19,667,509	18,384,941	4,826,383	4,575,645	18,473,235	4,575,981

The Company leases office building for its operations. Information about leases for which the Company is a lessee is presented below.

	2019	2018	2019	2018
Right-of-use assets	KHR' 000	KHR' 000	US\$	US\$
At 1 January	18,384,941	18,473,235	4,575,645	4,575,981
Additions	6,452,378	4,895,228	1,592,393	1,210,492
Depreciation for the year	(5,531,466)	(4,865,105)	(1,365,120)	(1,203,043)
Foreign exchange gain/(loss)	361,656	(118,417)	89,254	(29,282)
Currency translation difference	-	-	(65,789)	21,497
At 31 December	19,667,509	18,384,941	4,826,383	4,575,645

#### 14. Deposits from customers

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
			(Note 5)	(Note 5)		
Saving accounts	166,048,516	99,881,780	40,748,102	24,858,581	37,192,735	9,212,964
Fixed deposits	1,661,618,338	835,202,484	407,759,101	207,865,228	327,406,490	81,101,434
	1,827,666,854	935,084,264	448,507,203	232,723,809	364,599,225	90,314,398
Interest payable	37,303,638	16,821,662	9,154,267	4,186,576	6,137,372	1,520,280
	1,864,970,492	951,905,926	457,661,470	236,910,385	370,736,597	91,834,678

Deposits from customers, excluding accrued interest, are analysed as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
<b>A. By maturity:</b>			(Note 5)	(Note 5)		
Within 1 month	256,409,609	134,263,974	62,922,603	33,415,623	75,625,597	18,733,118
1 to 3 months	264,148,701	120,602,623	64,821,767	30,015,586	61,511,274	15,236,877
3 to 6 months	267,530,423	155,907,123	65,651,638	38,802,171	55,614,561	13,776,210
6 to 12 months	290,106,706	124,281,879	71,191,830	30,931,279	89,441,088	22,155,335
1 to 3 years	358,507,291	188,415,639	87,977,249	46,892,892	75,199,122	18,627,476
3 to 5 years	332,750,160	175,078,606	81,656,481	43,573,570	2,735,374	677,576
Over 5 years	58,213,964	36,534,420	14,285,635	9,092,688	4,472,209	1,107,806
	1,827,666,854	935,084,264	448,507,203	232,723,809	364,599,225	90,314,398
<b>B. By customer type:</b>						
Individuals	1,694,128,872	827,771,229	415,737,147	206,015,737	320,853,047	79,478,089
Business enterprises	133,537,982	107,313,035	32,770,056	26,708,072	43,746,178	10,836,309
	1,827,666,854	935,084,264	448,507,203	232,723,809	364,599,225	90,314,398

Deposits from customers, excluding accrued interest, are analysed as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$ (Note 5)	US\$ (Note 5)		(Note 5)
<b>C. By residency status:</b>						
Residents	1,810,335,399	926,672,042	444,254,085	230,630,175	355,818,282	88,139,282
Non-residents	17,331,455	8,412,222	4,253,118	2,093,634	8,780,943	2,175,116
	<u>1,827,666,854</u>	<u>935,084,264</u>	<u>448,507,203</u>	<u>232,723,809</u>	<u>364,599,225</u>	<u>90,314,398</u>
<b>D. By interest rate (per annum):</b>						
Saving accounts	1.00% – 5.00%		1.00% – 5.00%			
Fixed deposits	3.25% – 12.00%		2.00% – 12.00%			

## 15. Borrowings

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

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
Local banks (*)	404,777,025	217,044,635	99,331,785	54,018,077	143,543,037	35,556,859
Borrowings from overseas	1,021,682,566	794,752,608	250,719,648	197,798,061	644,261,158	159,589,090
	<u>1,426,459,591</u>	<u>1,011,797,243</u>	<u>350,051,433</u>	<u>251,816,138</u>	<u>787,804,195</u>	<u>195,145,949</u>

(\*) Included the overdraft balance of KHR1,746,299 thousand (2018: Nil).

Movements of borrowings during the year were as follows:

	2019	2018	2019	2018
	KHR' 000	KHR' 000	US\$	US\$
			(Note 5)	(Note 5)
At 1 January	1,011,797,243	787,804,195	251,816,138	195,145,949
Additions	696,881,531	550,637,141	171,984,583	136,127,847
Accrued interest expense	102,495,948	87,173,191	25,295,150	21,695,667
Repayment of principal	(284,976,488)	(336,595,049)	(70,329,834)	(83,212,620)
Payments for interest	(99,738,643)	(77,222,235)	(24,614,670)	(19,090,787)
Currency translation difference	-	-	(4,099,934)	1,150,082
At 31 December	<u>1,426,459,591</u>	<u>1,011,797,243</u>	<u>350,051,433</u>	<u>251,816,138</u>



Borrowings are analysed as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
<b>A. By relationship:</b>						
Non-related parties	1,426,459,591	1,011,797,243	350,051,433	251,816,138	787,804,195	195,145,949
<b>B. By residency status:</b>						
Within 1 month	3,123,134	12,650,016	766,413	3,148,336	3,055,958	756,987
1 to 3 months	81,547,338	67,074,240	20,011,617	16,693,439	54,276,405	13,444,737
3 to 6 months	82,137,097	102,592,602	20,156,343	25,533,250	133,615,328	33,097,679
6 to 12 months	124,116,577	163,617,391	30,458,056	40,721,102	122,914,704	30,447,041
1 to 3 years	974,152,155	615,984,113	239,055,743	153,306,150	453,860,539	112,425,202
1 to 5 years	161,383,290	40,572,245	39,603,261	10,097,621	20,081,261	4,974,303
Over 5 years	-	9,306,636	-	2,316,235	-	-
	1,426,459,591	1,011,797,243	350,051,433	251,816,133	787,804,195	195,145,949

**C. By interest rate (in currency and per annum):**

	2019	2018
Khmer Riel	6.00% – 11.00%	6.00% – 11.00%
US Dollars	2.55% – 10.50%	2.55% – 10.50%
Thai Baht	6.85% – 9.80%	6.85% – 9.80%

## 16. Debt securities

On 18 May 2018, the lenders of the Company resolved to authorise the Company to issue corporate bond as additional source of fund to the existing local and international lenders. The Company obtained approval on public bond issuance from the NBC and the Securities and Exchange Commission of Cambodia ("SECC") on 22 February 2019 and 22 April 2019, respectively. The Cambodia Securities Exchange ("CSX") approved for the corporate bond listing on 7 May 2019.

The Company issued bond payables on 26 April 2019 with par value in amount of KHR80,000,000 thousands with maturity date for three-year period. These bonds are divided into two types, as plain bond and foreign exchange-indexed bond with coupon rate of 9% and 8% per annum, respectively.

## 17. Subordinated debts

The movement of subordinated debts are as follows:

	2019 KHR' 000	2018 KHR' 000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
At 1 January	85,105,957	45,213,597	21,181,174	11,199,801
Additional borrowing	40,680,000	44,828,815	10,039,487	11,082,525
Accrued interest expense	9,354,833	6,779,014	2,308,695	1,675,900
Repayment of principal	(5,264,400)	(6,851,400)	(1,299,210)	(1,693,795)
Payment for interest	(9,288,804)	(4,864,069)	(2,292,400)	(1,202,489)
Currency translation difference	-	-	(345,700)	119,232
At 31 December	120,587,586	85,105,957	29,592,046	21,181,174

Subordinated debts are obtained from lenders with interest and principal repayments on monthly and quarterly basis according to each contract. The subordinated debts bear interest at rates ranging from 10.17% to 12.21% per annum (2018: 10.47% to 12.21% per annum).

Further analysis by maturity period are as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$ (Note 5)	US\$ (Note 5)		(Note 5)
<b>A. By maturity:</b>						
Within 1 year	6,588,480	6,488,373	1,616,804	1,614,827	4,042,831	1,001,444
1 to 3 years	59,782,451	39,430,142	14,670,541	9,813,375	20,409,956	5,055,724
3 to 5 years	36,144,437	19,593,721	8,869,801	4,876,486	20,760,810	5,142,633
Over 5 years	18,072,218	19,593,721	4,434,900	4,876,486	-	-
	120,587,586	85,105,957	29,592,046	21,181,174	45,213,597	11,199,801

## 18. Lease liabilities

	31 December		31 December		1 January 2018
	2019	2018	2019	2018	
	KHR' 000	KHR' 000	US\$	US\$	KHR' 000
			(Note 5)	(Note 5)	US\$
					(Note 5)
Present value of lease liabilities					
Current	4,321,097	3,593,378	1,060,392	894,320	3,593,376
Non-current	14,280,934	13,297,816	3,504,524	3,309,561	12,825,026
	18,602,031	16,891,194	4,564,916	4,203,881	16,418,402
Less than one year	6,253,079	5,905,773	1,534,498	1,469,829	4,143,521
One to five years	14,008,297	14,586,239	3,437,619	3,630,224	7,916,674
More than five years	7,232,198	3,927,173	1,774,773	977,395	692,144
Total undiscounted lease liabilities	27,493,574	24,419,185	6,746,890	6,077,448	12,752,339
Amounts recognised in profit or loss					
	2019	2018	2019	2018	
	KHR' 000	KHR' 000	US\$	US\$	
			(Note 5)	(Note 5)	
Interest on lease liabilities	1,380,818	1,297,451	340,774	320,755	
Amounts recognised in the statement of cash flows					
	2019	2018	2019	2018	
	KHR' 000	KHR' 000	US\$	US\$	
			(Note 5)	(Note 5)	
Total cash outflow for leases	5,624,871	4,871,384	1,387,144	1,204,595	

## 19. Other liabilities

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
Other tax payables	2,058,690	1,311,765	505,200	326,472	947,097	234,604
Staff bonuses and incentives	22,379,018	14,802,266	5,491,784	3,683,989	12,023,987	2,978,446
Accrued expenses	4,459,097	12,017,016	1,094,257	2,990,795	877,622	217,395
Other payables	1,955,940	7,476,819	479,985	1,860,831	7,857,074	1,946,265
	<u>30,852,745</u>	<u>35,607,866</u>	<u>7,571,226</u>	<u>8,862,087</u>	<u>21,705,780</u>	<u>5,376,710</u>



## 20. Provision for employee benefits

	31 December		31 December	
	2019	2018	2019	2018
	KHR' 000	KHR' 000	US\$ (Note 5)	US\$ (Note 5)
At 1 January	4,323,740	-	1,076,093	-
Reversed/recognised in profit or loss	(1,473,068)	4,323,740	(363,272)	1,068,910
Currency translation difference	-	-	(13,269)	7,183
	<u>2,850,672</u>	<u>4,323,740</u>	<u>699,552</u>	<u>1,076,093</u>

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year.

The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

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

## 21. Income tax

### A. Deferred tax assets – net

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
Deferred tax assets – net	9,127,261	7,581,894	2,239,819	1,886,982	4,404,378	1,091,003

Deferred taxes are attributable to the following:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR' 000	US\$
	KHR' 000	KHR' 000	US\$	US\$		(Note 5)
Allowance for impairment losses	8,594,435	6,771,656	2,109,064	1,685,330	3,758,724	931,069
Depreciation and amortisation	182,426	207,666	44,767	51,684	104,994	26,008
Deferred income	350,400	602,572	85,988	149,968	540,660	133,926
	9,127,261	7,581,894	2,239,819	1,886,982	4,404,378	1,091,003

The movements of deferred tax are as follows:

	<b>2019</b> <b>KHR' 000</b>	<b>2018</b> <b>KHR' 000</b>	<b>2019</b> <b>US\$</b> <b>(Note 5)</b>	<b>2018</b> <b>US\$</b> <b>(Note 5)</b>
At 1 January	7,581,894	4,404,380	1,886,982	1,091,003
Recognised in profit or loss	1,545,367	3,177,514	381,384	785,541
Currency translation difference	-	-	(28,547)	10,438
	<u>9,127,261</u>	<u>7,581,894</u>	<u>2,239,819</u>	<u>1,886,982</u>

#### B. Current income tax liability

	<b>2019</b> <b>KHR' 000</b>	<b>2018</b> <b>KHR' 000</b>	<b>2019</b> <b>US\$</b> <b>(Note 5)</b>	<b>2018</b> <b>US\$</b> <b>(Note 5)</b>
At 1 January	20,523,933	13,836,836	5,107,997	3,427,505
Income tax expense	18,811,439	23,925,436	4,642,507	5,914,817
Income tax paid	(25,714,185)	(17,238,339)	(6,341,353)	(4,262,695)
Currency translation difference	-	-	(66,528)	28,370
At 31 December	<u>13,621,187</u>	<u>20,523,933</u>	<u>3,342,623</u>	<u>5,107,997</u>

#### C. Income tax expense

	<b>2019</b> <b>KHR' 000</b>	<b>2018</b> <b>KHR' 000</b>	<b>2019</b> <b>US\$</b> <b>(Note 5)</b>	<b>2018</b> <b>US\$</b> <b>(Note 5)</b>
Current income tax	18,811,439	23,925,436	4,642,507	5,914,817
Deferred tax income	<u>(1,545,367)</u>	<u>(3,177,514)</u>	<u>(381,384)</u>	<u>(785,541)</u>
	<u>17,266,072</u>	<u>20,747,922</u>	<u>4,261,123</u>	<u>5,129,276</u>

The reconciliations of income tax computed at the statutory tax rate of 20% to the income tax expense shown in profit or loss are as follows:

	2019		2018	
	KHR' 000	US\$ (Note 5)	KHR' 000	US\$ (Note 5)
Profit before income tax	160,998,914	39,733,196	82,294,303	20,344,698
Income tax using statutory rate	16,099,891	3,973,320	16,458,861	4,068,940
Non-deductible expenses	3,475,377	857,694	4,647,309	1,148,902
Others	(2,309,196)	(569,891)	(358,248)	(88,566)
Income tax expense	17,266,072	4,261,123	20,747,922	5,129,276
		11%		26%

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher. Having been successfully listed on CSX, the Company is entitled to a reduction on the tax on profit 50% for the period of 3 years in accordance with the Sub-decree No. 01 of the Royal Government of Cambodia ("RGC") dated on 4 January 2019. On 10 January 2020, the Company submitted a letter to the General Department of Taxation ("GDT") requesting for the written approval on the 50% reduction on the tax on profit of Company starting from 2019. As of the date of these financial statements, the Company is awaiting written approval from the GDT.

The calculation of taxable income is subject to the final review and approval of the tax authorities.

## 22. Share capital

There was no change in shareholders and shareholding structure during the year. The share capital structure and the details of authorised and registered shareholding are as follows:

	Registered, issued and fully paid				1 January 2018			
	As at 31 December 2019		As at 31 December 2018		As at 31 December 2018		1 January 2018	
	Number of shares	Amount KHR'000	%	Number of shares	Amount KHR'000	%	Number of shares	Amount KHR'000
LOLC Micro Investments Ltd	-	-	-	-	-	-	430,107	43,010,700
DWM Investment Asia Ltd	-	-	-	-	-	-	265,015	26,501,500
LOLC Private Limited	2,175,792	217,579,200	96.97%	1,163,642	116,364,200	96.97%		
TPC-ESOP Co., Ltd.	67,982	6,798,200	3.03%	36,358	3,635,800	3.03%	21,719	2,171,900
	2,243,774	224,377,400	100.00%	1,200,000	120,000,000	100.00%	716,841	71,684,100
US\$ equivalents – Note 5		55,444,746			29,704,327			17,756,775

## 23. Advance capital contribution

On 22 February 2019, the Company transferred the advance capital contribution amounting to KHR20,846,600 thousand to share capital. On 10 June 2019, the Company sent the request to the NBC to increase the share capital from KHR140,846,600 thousand to KHR182,612,000 thousand. The request was approved by the NBC on 19 August 2019. On 19 August 2019, the Company sent another request letter to the NBC to increase the share capital from KHR182,612,000 thousand to KHR224,377,400 thousand. The request was approved by the NBC on 28 October 2019.



## 24. Regulatory reserves

These represent the reserves transferred from retained earnings by the Company to comply with the Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

During the year, the Company transferred the retained earnings amounting to KHR2,309,991 thousand (2018: KHR3,752,525 thousand) to regulatory reserves.

## 25. Interest income

	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
Loans to customers	469,993,964	313,698,746	115,990,613	77,552,224
Placements with banks	<u>1,499,114</u>	<u>1,156,510</u>	<u>369,969</u>	<u>285,911</u>
	<u>471,493,078</u>	<u>314,855,256</u>	<u>116,360,582</u>	<u>77,838,135</u>

## 26. Interest expense

	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
Borrowings	111,850,781	93,952,205	27,603,845	23,226,750
Customers' deposits	97,665,614	43,312,826	24,103,065	10,707,744
Debt securities	4,588,587	-	1,132,425	-
Lease liabilities	<u>1,380,818</u>	<u>1,297,451</u>	<u>340,774</u>	<u>320,755</u>
	<u>215,485,800</u>	<u>138,562,482</u>	<u>53,180,109</u>	<u>34,255,249</u>

## 27. Other income

	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
Fees and commission incomes				
on loans	58,172,133	33,559,807	14,356,400	8,296,615
Recovery from loans written off	2,046,275	1,263,853	505,004	312,449
Penalty income	8,544,358	4,716,080	2,108,676	1,165,903
Gain on disposal of property and equipment	<u>15,072</u>	<u>156,553</u>	<u>3,720</u>	<u>38,703</u>
Other income	<u>1,959,060</u>	<u>934,469</u>	<u>483,480</u>	<u>231,018</u>
	<u>70,736,898</u>	<u>40,630,762</u>	<u>17,457,280</u>	<u>10,044,688</u>

## 28. Commission expenses

Commission expenses represent payments to the group loan collection coordinators and to Credit Bureau

Cambodia ("CBC") on borrowers' information enquiry.

## 29. Personnel expenses

	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
Salaries and wages	90,682,833	68,251,668	22,379,771	16,873,095
Other short-term benefits	9,377,886	7,783,721	2,314,385	1,924,282
	<u>100,060,719</u>	<u>76,035,389</u>	<u>24,694,156</u>	<u>18,797,377</u>

## 30. General and administrative expenses

	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
Advertising	1,724,821	1,394,803	425,672	344,822
Professional fees	3,945,372	1,968,668	973,685	486,692
Repairs and maintenance	433,678	306,977	107,028	75,890
Vehicle expenses	3,642,299	3,704,918	898,889	915,925
Office supplies and stationery	2,124,046	1,806,897	524,197	446,699
Communication	1,566,216	1,293,275	386,529	319,722
Utilities	1,590,393	1,354,888	392,496	334,954
Rental	3,384,545	2,335,009	835,278	577,258
Security guard	1,171,990	1,079,717	289,237	266,926
Insurance	4,407,865	1,720,969	1,087,825	425,456
BOD expenses	697,375	549,552	172,106	135,860
Charitable contributions	186,009	80,249	45,905	19,839
Others	11,292,133	15,848,921	2,786,805	3,918,151
	<u>36,166,742</u>	<u>33,444,843</u>	<u>8,925,652</u>	<u>8,268,194</u>

## 31. Commitments and contingencies

### A. Lease commitments

As at 31 December, the Company has commitments in respect of short-term and low-value lease related to staff motorbikes and staff housing as follows:

	31 December		31 December	
	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
Within 1 year	<u>1,373,248</u>	<u>740,916</u>	<u>336,993</u>	<u>184,399</u>

## B. Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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

## 32. Related Parties

### A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice

versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company have related party relationships with shareholders and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain senior management members of the Company.

Key management have banking relationships with Company entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

### B. Transactions with related parties

	2019 KHR'000	2018 KHR'000	2019 US\$ (Note 5)	2018 US\$ (Note 5)
<b>(a) Board of Directors' fee</b>				
Board fees	<u>697,375</u>	<u>549,552</u>	<u>172,106</u>	<u>135,860</u>
<b>(b) Key management personnel</b>				
Salaries and short-term benefit expense	<u>3,473,103</u>	<u>2,287,926</u>	<u>857,133</u>	<u>565,618</u>
<b>(c) Interest income</b>				
Shareholders	15,641	14,846	3,860	3,670
Key management personnel	<u>14,706</u>	<u>-</u>	<u>3,629</u>	<u>-</u>
<b>(d) Interest expenses in respect of deposit from related parties:</b>				
Shareholders	3,099	31,885	765	7,883
Board of Directors	16,756	33,027	4,135	8,165
Key management personnel	<u>87,384</u>	<u>152,544</u>	<u>21,566</u>	<u>37,712</u>
	<u>107,239</u>	<u>217,456</u>	<u>26,466</u>	<u>53,760</u>

**C. Balance with related parties**

	<b>31 December</b>		<b>31 December</b>		<b>1 January 2018</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>KHR'000</b>	<b>US\$</b>
	<b>KHR'000</b>	<b>KHR'000</b>	<b>US\$</b>	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>
			(Note 5)	(Note 5)		(Note 5)
<b>(a) Loans to related parties:</b>						
<b>Loan to shareholders</b>						
Outstanding	142,654	136,647	35,007	34,009	121,110	30,000
Accrued interest receivables	174	182	43	45	121	30
	<u>142,828</u>	<u>136,829</u>	<u>35,050</u>	<u>34,054</u>	<u>121,231</u>	<u>30,030</u>
<b>Loan to key management personnel</b>						
Outstanding	113,237	-	27,788	-	-	-
Accrued interest receivables	151	-	37	-	-	-
	<u>113,388</u>	<u>-</u>	<u>27,825</u>	<u>-</u>	<u>-</u>	<u>-</u>

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR'000	US\$
	KHR'000	KHR'000	US\$	US\$		(Note 5)
			(Note 5)	(Note 5)		
<b>(b) Deposits from related parties</b>						
<b>Shareholders:</b>						
Deposit outstanding	153,053	294,793	37,559	73,368	1,959,477	485,379
Accrued interest payables	-	8,678	-	2,160	14,557	3,606
	<u>153,053</u>	<u>303,471</u>	<u>37,559</u>	<u>75,528</u>	<u>1,974,034</u>	<u>488,985</u>
<b>Board of Directors:</b>						
Deposit outstanding	687,448	589,058	168,699	146,605	299,506	74,190
Accrued interest payables	15,385	15,670	3,775	3,900	3,690	914
	<u>702,833</u>	<u>604,728</u>	<u>172,474</u>	<u>150,505</u>	<u>303,196</u>	<u>75,104</u>
<b>Key management:</b>						
Deposit outstanding	2,045,000	2,513,161	501,840	625,476	884,353	219,062
Accrued interest payables	11,040	29,448	2,709	7,329	20,191	5,001
	<u>2,056,040</u>	<u>2,542,609</u>	<u>504,549</u>	<u>632,805</u>	<u>904,544</u>	<u>224,063</u>
<b>Browns Machinery (Cambodia) Co., Ltd.</b>	<u>1,599,874</u>	<u>825,656</u>	<u>392,607</u>	<u>205,489</u>	<u>-</u>	<u>-</u>



### 33. Financial risk management

#### A. Introduction and overview

The Company has exposure to the following risks from financial instruments:

- credit risk;
- market risk;
- liquidity risk; and
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### ***Risk management functional and governance structure***

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Asset and Liability Management Committee ("ALCO"), which is responsible for approving and monitoring Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Audit Committee.

#### B. Credit risk

'Credit risk' is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans to customers and other banks, and investment debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans to customers and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

##### ***(i) Management of credit risk***

The Board of Directors created the Company's Credit Committee for the oversight of credit risk. A separate Company Credit Department, reporting to the Company Credit Committee, is responsible for managing the Company's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Company's Credit, the Head of Company Credit, the Company Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Company Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Company's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 5 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Company Risk.*
- *Developing and maintaining the Company's processes for measuring ECL: This includes processes for:*
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- *Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Company Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.*
- *Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.*

*Each business unit is required to implement Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Company Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.*

*Regular audits of business units and Company Credit processes are undertaken by Internal Audit.*

#### **(ii) Concentration of risk**

The following table presents the Company's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

*Type of credit exposure*

**31 December 2019**

	Maximum credit exposure KHR'000	Maximum credit exposure US\$ (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
Cash and cash equivalents	753,196,844	184,833,582	-	-	100.00%
Placements with banks	200,181	49,125	-	-	100.00%
Loans to customers, net	3,115,481,925	764,535,442	86.67%	0.33%	13.00%
Other assets	9,081,668	2,228,630	-	-	100.00%
Other investments	61,125	15,000	-	-	100.00%
Total	3,878,021,743	951,661,779	69.63%	0.27%	30.10%

**31 December 2018**

	Maximum credit exposure KHR'000	Maximum credit exposure US\$ (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
Cash and cash equivalents	368,244,617	91,648,735	-	-	100.00%
Placements with banks	200,340	49,861	-	-	100.00%
Loans to customers, net	1,922,394,751	478,445,682	88.13%	-	11.87%
Other assets	3,759,713	935,717	-	-	100.00%
Other investments	60,270	15,000	-	-	100.00%
Total	2,294,659,691	571,094,995	73.83%	0.00%	26.17%

**Concentration risk by industrial sectors**

	Cash and cash equivalents	Placements with other banks	Loans to customers, net	Other assets	Other investments	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
<b>31 December 2019</b>						
Services	-	-	416,584,199	-	-	416,584,199
Trade and Commerce	-	-	488,531,857	-	-	488,531,857
Construction	-	-	295,336,287	-	-	295,336,287
Financial institutions	753,196,844	200,181	-	-	-	753,397,025
Manufacturing	-	-	16,086,941	-	-	16,086,941
Agriculture	-	-	1,061,495,269	-	-	1,061,495,269
Transport and storage	-	-	36,426,972	-	-	36,426,972
Staff loans	-	-	19,975,241	-	-	19,975,241
Others	-	-	781,045,159	15,331,600	61,125	796,437,884
Total (KHR'000)	753,196,844	200,181	3,115,481,925	15,331,600	61,125	3,884,271,675
Total (US\$– Note 5)	184,833,582	49,125	764,535,442	3,762,355	15,000	953,195,504

	Cash and cash equivalents	Placements with other banks	Loans to customers, net	Other assets	Other investments	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
<b>31 December 2018</b>						
Services	-	-	238,905,262	-	-	238,905,262
Trade and Commerce	-	-	283,787,527	-	-	283,787,527
Construction	-	-	177,737,917	-	-	177,737,917
Financial institutions	368,244,617	200,340	-	-	-	368,444,957
Manufacturing	-	-	15,814,247	-	-	15,814,247
Agriculture	-	-	727,835,941	-	-	727,835,941
Transport and storage	-	-	21,534,503	-	-	21,534,503
Staff loans	-	-	17,149,597	-	-	17,149,597
Others	-	-	439,629,757	18,134,179	60,270	457,824,206
Total (KHR'000)	368,244,617	200,340	1,922,394,751	18,134,179	60,270	2,309,034,157
Total (US\$ – Note 5)	91,648,735	49,861	478,445,682	4,513,235	15,000	574,672,513

## Concentration risk by residency and relationship, and large-exposures for loans to customers:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	KHR'000	US\$
	KHR'000	KHR'000	US\$	US\$		(Note 5)
<b>By residency status:</b>						
Residents	3,146,773,131	1,944,090,447	772,214,265	483,845,308	1,302,528,755	322,647,698
<b>By relationship:</b>						
External customers	3,129,176,251	1,927,847,735	767,896,012	479,802,821	1,291,550,186	319,928,211
Staff loans	17,596,880	16,242,712	4,318,253	4,042,487	15,003,961	3,716,612
	3,146,773,131	1,944,090,447	772,214,265	483,845,308	1,302,528,755	322,647,698
<b>By exposure:</b>						
Large exposures (*)	-	-	-	-	-	-
Non-large exposures	3,146,773,131	1,944,090,447	772,214,265	483,845,308	1,302,528,755	322,647,698
	3,146,773,131	1,944,090,447	772,214,265	483,845,308	1,302,528,755	322,647,698

(\*) A "large exposure" is defined under the NBC's Prakas as the overall gross exposure of the aggregate balance of loans to customers with one single beneficiary, which exceeds 10% of the Company's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.



**(iii). Collateral**

Whilst the Company's maximum exposure to credit risk is the carrying amount of the assets, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Company's exposure.

The description of collateral for each class of financial asset is set out below.

**Cash and cash equivalents, placements with other banks, investments and other assets**

Collateral is generally not sought for these assets.

**Loans to customers, contingent liabilities and commitments**

Certain Loans to customers are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

The table below summarises the Company's security coverage of its loans to customers:

	Collateral/credit enhancement				
	Properties KHR'000	Floating assets KHR'000	Fixed deposits KHR'000	Others KHR'000	Unsecured credit exposure KHR'000
<b>31 December 2019</b>					<b>Total KHR'000</b>
Loans to customers	2,324,331,670	-	228,206	413,224,459	3,146,773,131
Others					
	2,324,331,670	-	228,206	413,224,459	3,146,773,131
<b>31 December 2018</b>					
Loans to customers	1,504,051,914	-	797,583	208,467,762	1,944,090,446
Others					
	1,504,051,914	-	797,583	208,467,762	1,944,090,446

**(iv). Credit quality of gross loans to customers**

Pursuant to the NBC guideline Prakas B7-017-344, it has defined each credit grading according to its credit quality as follows:

**Normal:**

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weakness in repayment capability, business, cash flow and financial position of the counterparty.

**Special mention:**

A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Institution.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

**Substandard**

A facility ranked in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realization of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

**Doubtful**

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

**Loss**

A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

**Recognition of ECL**

The Company apply a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Underperforming	Nonperforming
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basic of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

The Company will measure ECL by using the general approach. The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while

lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Company will assess credit risk of each account as compared to the risk level at origination date.

#### Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} < 30$	Performing
2	Credit risk increased significantly	Special Mention	$30 \leq \text{DPD} < 90$	Underperforming
3	Credit impaired assets	Substandard	$90 \leq \text{DPD} < 180$	Nonperforming
		Doubtful	$180 \leq \text{DPD} < 360$	
		Loss	$\text{DPD} \geq 360$	

#### Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special Mention	$15 \leq \text{DPD} \leq 30$	Underperforming
3	Credit impaired assets	Substandard	$31 \leq \text{DPD} \leq 60$	Nonperforming
		Doubtful	$61 \leq \text{DPD} \leq 90$	
		Loss	$\text{DPD} \geq 91$	

The Company will use the day past due (“DPD”) information and NBC’s classification for staging criteria.

criteria is required. In this case, it will be either performing (stage1) or non-performing.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging

The table below summarises the credit quality of the Company's gross financing according to the above classifications.

31 December 2019				
	Stage 1 KHR'000	Stage 2 KHR'000	Stage 3 KHR'000	Total KHR'000
<b>Loans customers at amortised cost</b>				
Normal	3,127,279,541	-	-	3,127,279,541
Special mention	42,694	3,646,766	-	3,689,460
Substandard	14,145	-	3,328,739	3,342,884
Doubtful	13,663	-	5,655,224	5,668,887
Loss	-	-	6,792,359	6,792,359
	3,127,350,043	3,646,766	15,776,322	3,146,773,131
ECL allowance for impairment losses	(24,377,268)	(552,581)	(6,361,357)	(31,291,206)
Carrying amount (KHR'000)	3,102,972,775	3,094,185	9,414,965	3,115,481,925
Carrying amount (US\$)	761,465,712	759,309	2,310,421	764,535,442

31 December 2018				
	Stage 1 KHR'000	Stage 2 KHR'000	Stage 3 KHR'000	Total KHR'000
<b>Loans customers at amortised cost</b>				
Normal	1,925,285,368	-	-	1,925,285,368
Special mention	49,836	2,666,446	-	2,716,282
Substandard	19,750	-	3,091,504	3,111,254
Doubtful	21,260	-	6,045,162	6,066,422
Loss	-	-	6,911,120	6,911,120
	1,925,376,214	2,666,446	16,047,786	1,944,090,446
ECL allowance for impairment losses	(14,482,901)	(438,766)	(6,774,028)	(21,695,695)
Carrying amount (KHR'000)	1,910,893,313	2,227,680	9,273,758	1,922,394,751
Carrying amount (US\$)	475,583,204	554,425	2,308,053	478,445,682

#### ***Incorporation of forward-looking information***

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as

the International Monetary Fund, and selected private-sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments in accordance with each country and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

**(v). Amounts arising from ECL**

**Loss allowance**

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

	<b>2019</b>			
	<b>Stage 1 KHR'000</b>	<b>Stage 2 KHR'000</b>	<b>Stage 3 KHR'000</b>	<b>Total KHR'000</b>
<b>Loans to customers at amortised cost</b>				
Balance at 1 January	14,482,903	438,766	6,774,026	21,695,695
- Transfer to Stage 1	48,427	(19,339)	(29,088)	-
- Transfer to Stage 2	(53,580)	59,477	(5,897)	-
- Transfer to Stage 3	(252,708)	(205,685)	458,393	-
New financial assets originated	16,682,772	482,987	3,558,558	20,724,317
Financial assets that been derecognised	(5,678,003)	153,730	3,034,884	(2,489,389)
Write-offs	<u>(852,543)</u>	<u>(357,355)</u>	<u>(7,429,519)</u>	<u>(8,639,417)</u>
Balance at 31 December (KHR'000)	<u>24,377,268</u>	<u>552,581</u>	<u>6,361,357</u>	<u>31,291,206</u>
US\$ Equivalent – Note 5	<u>5,982,152</u>	<u>135,603</u>	<u>1,561,068</u>	<u>7,678,823</u>

	<b>2018</b>			
	<b>Stage 1 KHR'000</b>	<b>Stage 2 KHR'000</b>	<b>Stage 3 KHR'000</b>	<b>Total KHR'000</b>
<b>Loans to customers at amortised cost</b>				
Balance at 1 January	10,889,561	324,523	6,868,073	18,082,157
- Transfer to Stage 1	100,941	(27,662)	(73,279)	-
- Transfer to Stage 2	(39,810)	40,953	(1,143)	-
- Transfer to Stage 3	(221,563)	(195,427)	416,990	-
New financial assets originated	9,174,806	394,966	4,055,272	13,625,044
Financial assets that been derecognised	(4,831,513)	129,331	3,229,478	(1,472,704)
Write-offs	<u>(589,521)</u>	<u>(227,918)</u>	<u>(7,721,363)</u>	<u>(8,538,802)</u>
Balance at 31 December (KHR'000)	<u>14,482,901</u>	<u>438,766</u>	<u>6,774,028</u>	<u>21,695,695</u>
Balance at 31 December (US\$)	<u>3,604,505</u>	<u>109,200</u>	<u>1,685,920</u>	<u>5,399,625</u>

**C. Market risk**

Market risk is the risk that changes in market prices – e.g. interest rates, foreign exchange rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**(i) Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is regularly monitored against the risk tolerance limits set.



The table below summarises the Company's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

As at 31 December 2019	Up to 1 month KHR'000	> 1-3 months KHR'000	> 3-6 months KHR'000	> 6-12 months KHR'000	> 1 to 5 years KHR'000	Over 5 years KHR'000	Non-interest bearing KHR'000	Total KHR'000	Interest rate %
<b>Financial assets</b>									
Cash and cash equivalents	72,421,659	-	-	-	-	-	680,775,185	753,196,844	0-2%
Placements with banks	-	200,181	-	-	-	-	-	200,181	0.65%
Loans to customers – net	113,695,585	286,557,893	421,732,185	673,761,387	1,603,178,052	16,556,823	-	3,115,481,925	17.06%
Other assets	-	-	-	-	-	-	9,081,668	9,081,668	-
Investment – equity instrument	-	-	-	-	-	-	61,125	61,125	-
	186,117,244	286,758,074	421,732,185	673,761,387	1,603,178,052	16,556,823	689,917,978	3,878,021,743	
<b>Financial liabilities</b>									
Deposits from customers	260,015,492	275,278,677	277,813,253	657,718,596	394,144,474	-	-	1,864,970,492	6.73%
Borrowings	3,123,134	81,547,338	82,137,097	124,116,577	1,135,535,445	-	-	1,426,459,591	8.65%
Subordinated debts	4,094,203	2,494,277	-	-	95,926,888	18,072,218	-	120,587,586	9.17%
Debt securities	-	-	1,224,548	-	80,531,351	-	-	81,755,899	8.33%
Other liabilities	-	-	-	-	-	-	34,099,559	34,099,559	-
	267,232,829	359,320,292	361,174,898	781,835,173	1,706,138,158	18,072,218	34,099,559	3,527,873,127	
Interest sensitivity gap	(81,115,585)	(72,562,218)	60,557,287	(108,073,786)	(102,960,106)	(1,515,395)	655,818,419	350,148,616	
(US\$ equivalents - Note 5)	(19,905,665)	(17,806,679)	14,860,684	(26,521,174)	(25,266,284)	(371,876)	160,937,035	85,926,041	

The table below summarises the Company's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

As at 31 December 2018	Up to 1 month KHR'000	> 1-3 months KHR'000	> 3-6 months KHR'000	> 6-12 months KHR'000	> 1 to 5 years KHR'000	Over 5 years KHR'000	Non-interest bearing KHR'000	Total KHR'000	Interest rate %
<b>Financial assets</b>									
Cash and cash equivalents	103,281,089	-	-	-	-	-	264,963,528	368,244,617	0-2%
Placements with banks	-	-	200,340	-	-	-	-	200,340	0.61%
Loans to customers – net	64,371,112	142,048,920	207,725,765	330,031,510	1,161,550,119	16,667,325	-	1,922,394,751	17.76%
Other assets	-	-	-	-	-	-	3,759,713	3,759,713	N/A
Investment – equity instrument	-	-	-	-	-	-	60,270	60,270	N/A
	167,652,201	142,048,920	207,926,105	330,031,510	1,161,550,119	16,667,325	268,783,511	2,294,659,691	
<b>Financial liabilities</b>									
Deposits from customers	135,636,907	124,290,385	160,816,467	318,236,131	212,926,036	-	-	951,905,926	7.17%
Borrowings	12,650,016	67,074,240	102,592,602	163,617,391	615,984,113	40,572,245	9,306,636	1,011,797,243	8.65%
Subordinated debts	-	4,030,822	2,457,551	-	59,023,863	19,593,721	-	85,105,957	9.51%
Other liabilities	-	-	-	-	-	-	60,573,295	60,573,295	N/A
	148,286,923	195,395,447	265,866,620	481,853,522	887,934,012	60,165,966	69,879,931	2,109,382,421	
Interest sensitivity gap	19,365,278	(53,346,527)	(57,940,515)	(151,822,012)	273,616,107	(43,498,641)	198,903,580	185,277,270	
(US\$ equivalents - Note 5)	4,588,782	(13,394,331)	68,473,267	15,420,475	(65,592,203)	(11,987,548)	72,959,589	70,468,031	

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase KHR'000	100 bp Decrease KHR'000	100 bp Increase KHR'000	100 bp Decrease KHR'000
<b>2019</b>				
Variable rate instruments	(1,864,313)	(1,864,313)	(1,864,313)	(1,864,313)
US\$ – Note 5	(459,757)	(459,757)	(459,757)	(459,757)
<b>2018</b>				
Variable rate instruments	(1,205,400)	(1,205,400)	(1,205,400)	(1,205,400)
US\$ – Note 5	(298,071)	(298,071)	(298,071)	(298,071)

**(ii). Foreign currency exchange risk**

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US\$ and the Thai Baht. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management monitors its foreign exchange risk against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the NBC. The Company does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities by using forward contracts.

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

	Denomination KHR'000 equivalents			
31 December 2019	KHR	US\$	Others	Total
<b>Financial assets</b>				
Cash and cash equivalents	271,992,316	478,340,717	2,863,811	753,196,844
Placements with other banks	200,181	-	-	200,181
Loans to customers	656,873,574	2,267,173,312	191,435,039	3,115,481,925
Investment	-	61,125	-	61,125
Other assets	312,959	8,605,507	163,202	9,081,668
	<u>929,379,030</u>	<u>2,754,180,661</u>	<u>194,462,052</u>	<u>3,878,021,743</u>
<b>Financial liabilities</b>				
Deposits from customers	230,303,725	1,626,878,455	7,788,312	1,864,970,492
Borrowings	174,879,480	1,094,167,688	157,412,423	1,426,459,591
Debt securities	27,624,548	54,131,351	-	81,755,899
Subordinated Debt	-	120,587,586	-	120,587,586
Other liabilities	30,248,818	3,846,120	4,621	34,099,559
	<u>463,056,571</u>	<u>2,899,611,200</u>	<u>165,205,356</u>	<u>3,527,873,127</u>
<b>Net asset/(liability) position</b>	<u>466,322,459</u>	<u>(145,430,539)</u>	<u>29,256,696</u>	<u>350,148,616</u>
<b>US\$ equivalents</b> (Note 5)	<u>114,434,959</u>	<u>(35,688,476)</u>	<u>7,179,557</u>	<u>85,926,040</u>

	Denomination KHR'000 equivalents			
31 December 2018	KHR	US\$	Others	Total
<b>Financial assets</b>				
Cash and cash equivalents	139,210,952	222,043,065	6,990,600	368,244,617
Placements with other banks	200,340	-	-	200,340
Loan to customers	364,725,094	1,447,060,971	110,608,686	1,922,394,751
Investment	-	60,270	-	60,270
Other assets	371,148	3,358,690	29,875	3,759,713
	<u>504,507,534</u>	<u>1,672,522,996</u>	<u>117,629,161</u>	<u>2,294,659,691</u>
<b>Financial liabilities</b>				
Deposits from customers	131,145,807	814,813,527	5,946,592	951,905,926
Borrowings	66,790,656	847,970,151	97,036,436	1,011,797,243
Subordinated debt	-	85,105,957	-	85,105,957
Other liabilities	44,591,913	15,851,006	130,376	60,573,295
	<u>242,528,376</u>	<u>1,763,740,641</u>	<u>103,113,404</u>	<u>2,109,382,421</u>
<b>Net asset/(liability) position</b>	<u>261,979,158</u>	<u>(145,430,539)</u>	<u>14,515,757</u>	<u>185,277,270</u>
<b>US\$ equivalents</b> (Note 5)	<u>65,201,383</u>	<u>(35,688,476)</u>	<u>3,612,682</u>	<u>46,111,814</u>

### Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Company as at reporting date is summarised as follows (only exposures in currencies that accounts for more

than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	31 December 2019		31 December 2018	
	- 1% Depreciation KHR'000	+ 1% Appreciation KHR'000	- 1% Depreciation KHR'000	+ 1% Appreciation KHR'000
US\$	(91,763)	91,763	(49,304)	49,304
THB	284,767	(284,767)	141,934	(141,934)
	193,004	(193,004)	92,630	(92,630)
US\$ – Note 5	(47,597)	(47,597)	22,906	(22,906)

### D. Liquidity risk

'Liquidity risk' is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Company's operations and investments.

#### Management of liquidity risk

The Company manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring

liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

The table below summarises the Company's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

<b>As at 31 December 2019</b>	<b>Up to 1 month KHR'000</b>	<b>&gt; 1-3 months KHR'000</b>	<b>&gt; 3-6 months KHR'000</b>	<b>&gt; 6-12 months KHR'000</b>	<b>&gt; 1 to 5 months KHR'000</b>	<b>Over 5 years KHR'000</b>	<b>Non-interest bearing KHR'000</b>	<b>Total KHR'000</b>
<b>Financial liabilities</b>								
Deposits from customers	260,015,492	275,278,677	277,813,253	657,718,596	394,144,474	-	-	1,864,970,492
Borrowings	3,123,134	81,547,338	82,137,097	124,116,577	1,135,535,445	-	-	1,426,459,591
Debt securities	-	-	1,224,548	-	80,531,351	-	-	81,755,899
Subordinated debts	4,094,203	2,494,277	-	-	95,926,888	18,072,218	-	120,587,586
Other liabilities	-	-	-	-	-	-	34,099,559	34,099,559
	<u>267,232,829</u>	<u>359,320,292</u>	<u>361,174,898</u>	<u>781,835,173</u>	<u>1,706,138,158</u>	<u>18,072,218</u>	<u>34,099,559</u>	<u>3,527,873,127</u>
(US\$ equivalents - Note 5)	<u>65,578,608</u>	<u>88,176,759</u>	<u>88,631,877</u>	<u>191,861,392</u>	<u>418,684,211</u>	<u>4,434,900</u>	<u>8,367,990</u>	<u>865,735,737</u>
<b>As at 31 December 2018</b>	<b>Up to 1 month KHR'000</b>	<b>&gt; 1-3 months KHR'000</b>	<b>&gt; 3-6 months KHR'000</b>	<b>&gt; 6-12 months KHR'000</b>	<b>&gt; 1 to 5 months KHR'000</b>	<b>Over 5 years KHR'000</b>	<b>Non-interest bearing KHR'000</b>	<b>Total KHR'000</b>
<b>Financial liabilities</b>								
Deposits from customers	135,636,907	124,290,385	160,816,467	318,236,131	212,926,036	-	-	951,905,926
Borrowings	12,650,016	67,074,240	102,592,602	163,617,391	615,984,113	40,572,245	9,306,636	1,011,797,243
Subordinated debts	-	4,030,822	2,457,551	-	59,023,863	19,593,721	-	85,105,957
Other liabilities	-	-	-	-	-	-	60,573,295	60,573,295
	<u>148,286,923</u>	<u>195,395,447</u>	<u>265,866,620</u>	<u>481,853,522</u>	<u>887,934,012</u>	<u>60,165,966</u>	<u>69,879,931</u>	<u>2,109,382,421</u>
(US\$ equivalents - Note 5)	<u>36,905,655</u>	<u>48,630,027</u>	<u>66,168,895</u>	<u>119,923,724</u>	<u>220,989,052</u>	<u>14,974,108</u>	<u>17,391,720</u>	<u>524,983,181</u>



## E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

## F. Capital management

### (i) Regulatory capital

The Company's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- To comply with the capital requirements set by the NBC;
- 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 Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdiction.

The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

### (ii) Capital allocation

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

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed.

The fair value of the Company's financial instruments such as cash and short-term funds, deposits and placements with banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

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

## Investments

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

## Financing, advances and others

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

## Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Company's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2019	Fair values		
	Level 1 KHR'000	Level 2 KHR'000	Level 1 KHR'000
<b>Financial assets measured at fair value</b>			
Investments	-	-	61,125
Total (US\$) – Note 5	-	-	15,000
<b>Financial assets not measured at fair value</b>			
Cash and cash equivalents			753,196,844
Placements with banks			200,181
Loans to customers	-	-	3,115,481,925
Others	-	-	61,125
Total (KHR'000)	-	-	3,868,940,075
Total (US\$ - Note 5)	-	-	949,433,147

31 December 2018

**Financial assets measured at fair value**

	Level 1 KHR'000	Fair values Level 2 KHR'000	Level 1 KHR'000
Investments	-	-	60,270
Total (US\$)	-	-	15,000

**Financial assets not measured at fair value**

Cash and cash equivalents			368,244,617
Placements with banks			200,340
Loans to customers	-	-	1,922,394,751
Others	-	-	3,759,713
Total (KHR'000)	-	-	2,294,599,421
Total (US\$ - Note 5)	-	-	571,079,995

### 35. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS statement of financial position at 1 January 2018 for the purposes of the transition to, unless otherwise indicated.

#### A. Basis of measurement

The financial statements have been prepared on a historical cost.

#### B. Foreign currency transactions

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at the exchange rates at the reporting date. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rate as at the respective dates of the initial transactions.

#### C. Financial assets and financial liabilities

##### (i) Recognition and initial measurement

The Company initially recognises loans to customers, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Company becomes a party to th contractual provisions of the instrument.

A financial asset or financial liability is measured initially

at fair value plus, for an item not at 'fair value through profit or loss' ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

##### (ii) Classification

##### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, 'fair value through other comprehensive income' ("FVOCI") or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as
- at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in 'other comprehensive income' ("OCI"). This election is made on an investment-by-investment basis.

### **All other financial assets are classified as measured at FVTPL**

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### **Business model assessment**

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither

held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

### **Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### **Non-recourse loans**

In some cases, loans made by the Company that are secured by collateral of the borrower limit the Company's claim to cash flows of the underlying collateral (non-recourse loans). The Company applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Company typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;

The Company typically considers the following information when making this judgement:

- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Company's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Company will benefit from any upside from the underlying assets.

### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

### (iii) Derecognition

#### Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit and loss.

#### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original

financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

## Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### (v). *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### (vi). *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the

use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.



### **(vii). Impairment**

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued.

No impairment loss is recognised on equity investments. The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

### **Determining whether credit risk has increased significantly**

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

### **Definition of default**

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The Company considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities.

### **Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

#### **Inputs, assumptions and techniques used for estimating impairment**

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which

are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

#### **Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

#### **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

#### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

#### **Write-off**

Loans to customers are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### **D. Cash and cash equivalents**

Cash and cash equivalents consist of cash and Company balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### **E. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

#### **F. General reserves and regulatory reserves**

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Company.

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity is shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and the record:

- (i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and
- (ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs and

transfer the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of the financial position.

The regulatory reserves are not an item to be included in the calculated of the Institution's net worth.

#### **G. Placements with banks**

Placements with banks are stated at cost less impairment for any uncollectable amounts.

#### **H. Statutory deposits**

Statutory deposits with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital and the customers' deposits as required by NBC.

#### **I. Loans to customers**

'Loans to customers' captions in the statement of financial position include loans to customers measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

#### **J. Other assets**

Other assets are carried at cost less impairment if any.

#### **K. Property and equipment**

##### **(i). Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

##### **(ii). Subsequent costs**

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

##### **(iii). Depreciation**

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a [straight-line/declining basis] over the estimated useful lives of each component of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current period are as follows:

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

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

## L. Intangible assets

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

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

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

## M. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a

substantive substitution right throughout the period of use, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose It will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2018.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Company allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

## Leases in which the Company is a lessee

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.



The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives for the current period are as follows:

- Building and office branches 3 – 10 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using

the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

### **Short-term leases and leases of low-value assets**

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## **N. Borrowings**

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

## **O. Employee benefits**

### **(i). Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **(ii). Other long-term employee benefits**

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

## **P. Provisions**

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable



that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## **Q. Interest**

### ***Effective interest rate***

Interest income and expense are recognised in profit and loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

### ***Amortised cost and gross carrying amount***

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

### ***Calculation of interest income and expense***

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income

and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

### ***Presentation***

Interest income calculated using the effective interest method presented in the statement of profit and loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit and loss and OCI includes financial liabilities measured at amortised cost.

## **R. Fee and commission**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Company first applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

## S. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## T. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

### (i). Current tax

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

### (ii). Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. 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; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Differed tax assets and liabilities are offset only if certain criteria are met.

## U. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## V. Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

## 36. Explanation of transition to CIFRSs

### Adoption of CIFRS Framework

The Company has adopted the Cambodia International Financial Reporting Standards ("CIFRSs") which are consistent with Cambodia International Financial Reporting Standards ("CIFRSs") as issued by the International Accounting Standards Board ("IASB") as at 1 January 2019. These financial statements of the Company for the year ended 31 December 2019 are the first set of financial statements prepared in accordance with CIFRSs including the application of CIFRS 1 First-time Adoption of International Financial Reporting Standards.

Accordingly, the Company have prepared financial statements which comply with CIFRSs applicable for periods ending on or after 31 December 2019, together with the comparative period information as at and for the period ended 31 December 2018, as described in the significant accounting policies in Note 35.

In preparing these financial statements, the Company's opening statements of financial position were prepared as at 1 January 2018, being the Company's date of transition to CIFRSs. Principal adjustments made by the Company in restating its statements of financial position as at 1 January 2018 and its previously published financial statements for the year ended 31 December 2018, both of which was prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements ("Cambodia GAAP") are presented in below.

### Optional exemptions applied

CIFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under CIFRSs. The Company have applied the following exemptions:

#### *Fair value or revaluation as deemed cost - property and equipment*

The Company has elected to measure individual items of property and equipment using Cambodia GAAP that are broadly comparable to depreciated cost in accordance with CIFRSs as at the date of transition to CIFRSs.

### Leases

CIFRS 16 introduces consequential amendments to CIFRS 1, which include an option for a first-time adopter to apply the new lease definition to contracts existing at the date of transition based on facts and circumstances at that date.

The Company applied the abovementioned exemption and maintained the conclusions achieved arising from assessments previously made under Cambodia GAAP for existing lease arrangements.

Other optional exemptions available under CIFRS 1, which are not discussed here, are not material to the Company.

## **Mandatory exemptions**

### ***Estimates***

The estimates at 1 January 2018 and at 31 December 2018 are consistent with those made for the same dates in accordance with Cambodia GAAP. The estimates used by the Company to present these amounts in accordance with CIFRSs reflect conditions at 1 January 2018, the date of transition to CIFRSs, and as at 31 December 2018.

### ***Derecognition of financial assets and financial liabilities***

A first-time adopter shall apply the derecognition requirements of CIFRSs prospectively for transactions occurring on or after 1 January 2018, the date of transition to CIFRSs. However, an entity may apply the derecognition requirements of CIFRSs from a retrospective date of the entity's choosing provided that the information required to do this was obtained at the time of initially accounting for those transactions.

The Company have applied the derecognition requirements of CIFRSs prospectively for transactions occurring on or after 1 January 2018.

The reconciliations contain two columns for each period as well as the Cambodia GAAP and CIFRS results. The "reclassification" column includes reclassification and reanalysis of amounts from their Cambodia GAAP statement of financial position lines to the appropriate CIFRS statement of financial position lines. The "effect of transition to CIFRSs" column sets out the effects of the recognition and measurement changes required by the transition to IFRS. The "effect of transition to CIFRSs" columns are further analysed into the type of adjustment.

An explanation of how the transition from previous Cambodia GAAP to CIFRSs and the adoption of CIFRS 9 and CIFRS 15 have affected the Company's financial position, financial performance and cash flows, is set out under the summary of quantitative impact and the accompanying notes.

### 36.1 Reconciliation of equity

The following reconciliations summarise the impacts on initial application of CIFRSs on the Company's financial position as at 31 December 2017 and 1 January 2018 and the Company's profit or loss and other comprehensive income for the year ended 31 December 2018.

		31 December 2017			1 January 2018
Note	Cambodia GAAP (KHR'000)	Effect of transition to CIFRSs		CIFRSs (KHR'000)	
		Reclassification (KHR'000)	Remeasurement (KHR'000)		
ASSETS					
Cash and cash equivalents	127,316,430	-	-	127,316,430	
Placements with banks	5,044,400	332,704	-	5,377,104	
Statutory deposits	43,880,336	-	-	43,880,336	
Loans to customers – net	1,283,839,747	13,508,930	(12,902,078)	1,284,446,599	
Other assets	23,979,172	(17,306,884)	(2,054,833)	4,617,455	
Investment – equity instrument	60,555	-	-	60,555	
Intangible assets	3,389,765	-	-	3,389,765	
Property and equipment	7,500,098	-	-	7,500,098	
Right-of-use assets	-	-	18,473,235	18,473,235	
Deferred tax assets – net	4,404,378	-	-	4,404,378	
Total assets (KHR' 000)	1,499,414,881	(3,465,250)	3,516,324	1,499,465,955	

		31 December 2017			1 January 2018
	Note	Cambodia	Effect of transition to CIFRSs		CIFRSs
		GAAP (KHR'000)	Reclassification (KHR'000)	Remeasurement (KHR'000)	(KHR'000)
LIABILITIES AND EQUITY					
Deposits from customers		364,599,225	6,137,372	-	370,736,597
Borrowings		788,987,098	6,460,069	(7,642,972)	787,804,195
Subordinated debts		41,984,800	632,505	2,596,292	45,213,597
Lease liabilities	36B	-	-	16,418,402	16,418,402
Other liabilities		38,400,976	(16,695,196)	-	21,705,780
Current income tax liability		13,836,836	-	-	13,836,836
Total liabilities		1,247,808,935	(3,465,250)	11,371,722	1,255,715,407
EQUITY					
Share capital		71,684,100	-	-	71,684,100
General reserves		7,168,410	-	-	7,168,410
Regulatory reserves	36A(iv)	-	-	4,632,244	4,632,244
Retained earnings	36A(iv)	172,753,436	-	(12,487,642)	160,265,794
Total equity		251,605,946	-	(7,855,398)	243,750,548
Total liabilities and equity		1,499,414,881	(3,465,250)	3,516,324	1,499,465,955



The following reconciliations summarise the impacts on initial application of CIFRSs on the Company's financial position as at 31 December 2017 and 1 January 2018 and the Company's profit or loss and other comprehensive income for the year ended 31 December 2018.

	Note	31 December 2018			31 December 2018	
		Cambodia	Effect of transition to CIFRSs			CIFRSs
			GAAP (KHR'000)	Reclassification (KHR'000)		
ASSETS						
Cash and cash equivalents		368,244,617	-	-	368,244,617	
Placements with banks		200,000	340	-	200,340	
Statutory deposits		106,248,047	-	-	106,248,047	
Loans to customers – net	36A(ii)	1,928,675,767	18,259,715	(24,540,731)	1,922,394,751	
Other assets		44,105,879	(23,186,781)	(2,784,919)	18,134,179	
Investment – equity instrument		60,270	-	-	60,270	
Intangible assets		4,505,809	-	-	4,505,809	
Property and equipment		6,544,540	-	-	6,544,540	
Right-of-use assets	36B	-	-	18,384,941	18,384,941	
Deferred tax assets – net		7,581,894	-	-	7,581,894	
Total assets (KHR' 000)		2,466,166,823	(4,926,726)	(8,940,709)	2,452,299,388	

	Note	31 December 2018			31 December 2018	
		Cambodia GAAP (KHR'000)	Effect of transition to CIFRSs			CIFRSs (KHR'000)
			Reclassification (KHR'000)	Remeasurement (KHR'000)		
LIABILITIES AND EQUITY						
Deposits from customers		935,084,264	16,821,662	-	951,905,926	
Borrowings		1,004,882,111	5,562,089	1,353,043	1,011,797,243	
Subordinated debts		83,574,400	1,377,086	154,471	85,105,957	
Lease liabilities	36B	-	-	16,891,194	16,891,194	
Other liabilities		64,295,429	(28,687,563)	-	35,607,866	
Provision for employee benefits		4,323,740	-	-	4,323,740	
Current income tax liability		20,523,933	-	-	20,523,933	
Total liabilities		2,112,683,877	(4,926,726)	18,398,708	2,126,155,859	
EQUITY						
Share capital		120,000,000	-	-	120,000,000	
Advance capital contribution		20,846,600	-	-	20,846,600	
General reserves		110,415,116	-	-	110,415,116	
Regulatory reserves	36A(iv)	-	-	8,384,769	8,384,769	
Retained earnings	36A(iv)	102,221,230	-	(35,724,186)	66,497,044	
Total equity		353,482,946	-	(27,339,417)	326,143,529	
Total liabilities and equity		2,466,166,823	(4,926,726)	(8,940,709)	2,452,299,388	

Summary of balance sheet reclassifications and key adjustments as a result of transition from Cambodia GAAP to CIFRSs:

#### **A. Financial assets and liabilities**

CIFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Company adopted CIFRS 9 from 1 January 2018.

Changes in accounting policies resulting from the adoption of CIFRS 9 have been generally applied by the Company retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and

- If a debt investment has low credit risk at 1 January 2018, the Company had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The impact upon adoption of CIFRS 9, including the corresponding tax effects, are described below.

##### ***(i) Classification of financial assets and financial liabilities***

Under CIFRS 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under CIFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

For an explanation of how the Company classifies and measures financial assets and related gains and losses under CIFRS 9, see Note 35C(ii).

The following table and the accompanying notes below explain the original measurement categories under Cambodia GAAP and the new measurement categories under CIFRS 9 for each class of the Company's financial assets as at 1 January 2018.

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	Original carrying amount under Cambodia GAAP KHR'000	New carrying amount under CIFRS 9 KHR'000
<b>Financial assets</b>					
Cash and cash equivalents		Cost	Amortised cost	127,316,430	127,316,430
Placements with banks		Cost	Amortised cost	5,044,400	5,377,104
Investment	(a)	Cost	Mandatorily at FVOCI	60,555	60,555
Loans to customers	(b)	Carrying amount	Amortised cost	1,283,839,747	1,284,446,599
Other assets	(b)	Carrying amount	Amortised cost	23,979,172	4,617,456
<b>Total financial assets (KHR'000)</b>				<u>1,440,240,304</u>	<u>1,421,818,144</u>
<b>Total financial assets (US\$ -)</b>				<u>356,760,046</u>	<u>352,196,716</u>

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	Original carrying amount under Cambodia GAAP KHR'000	New carrying amount under CIFRS 9 KHR'000
<b>Financial liabilities</b>					
Deposits from customers	(c)	Cost	Amortised cost	364,599,225	364,599,225
Borrowings	(c)	Cost	Amortised cost	788,987,099	787,804,195
Subordinated debts	(c)	Carrying amount	Amortised cost	41,984,800	45,213,597
Other liabilities	(c)	Carrying amount	Amortised cost	38,400,976	21,163,864
<b>Total financial liability (KHR'000)</b>				<u>1,233,972,100</u>	<u>1,218,780,881</u>
<b>Total financial liability (US\$)</b>				<u>305,665,618</u>	<u>301,902,621</u>

- (a) Under Cambodia GAAP, these equity investments were measured at cost. These assets have been classified as mandatorily measured under FVOCI under CIFRS 9.
- (b) Loans to customers to customers classified as loans and receivables under Cambodia GAAP are now classified at amortised cost. An increase of KHR4,632,244 thousand in the allowance for impairment was recognised in opening retained earnings of the Company at 1 January 2018 respectively on transition to CIFRS 9.
- (c) Under Cambodia GAAP, these financial liabilities that were classified at cost are now classified at amortised cost which resulted in an increase of the amortised cost of KHR15,191,219 thousand at 1 January 2018.

**(ii) Impairment of financial assets**

CIFRS 9 replaces the 'incurred loss' model in Cambodia GAAP with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under CIFRS 1 does not affect the carrying amount of intra-group

financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with CIFRS 15 is higher than the estimated ECL amount.

The application of CIFRS 9 impairment requirements at 1 January 2018 results in less allowances for impairment as follows:

	KHR' 000	US\$ (Note 5)
Loss allowance at 31 December 2017 under Cambodia GAAP	22,714,400	5,626,554
Less impairment recognised at 1 January 2018 on:		
Loans to customers	(4,632,244)	(1,147,447)
Placements with banks	-	-
Loss allowance at 1 January 2018 under CIFRS 9	<u>18,082,156</u>	<u>4,479,107</u>

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Additional information about how the Company measure the allowance for impairment is described in Note 9.

**(iii) Interest**

Under Cambodia GAAP, fees integral to the financial assets and liabilities were not considered as effective

interest and recognised as income or expense on occurrence of transactions.

Recognition of interest income was suspended when loan become non-performing.

Under CIFRSs, a financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

The impact arising from the change is summarised as follows:

	1 January 2018 KHR' 000	1 January 2018 KHR'000
<b>Statement of financial position</b>		
Loans to customers	(12,902,078)	(15,391,178)
Right-of-use assets	-	(1,291,172)
Borrowings	7,642,972	(6,399,723)
Subordinated debts	<u>(2,596,292)</u>	<u>(154,471)</u>
Adjustment to retained earnings	<u>(7,855,398)</u>	<u>(23,236,544)</u>
<b>Statement of profit or loss and other comprehensive income</b>		
Interest income		22,662,959
Interest expense		(12,210,661)
Allowance for impairment		3,752,525
Fees and commission income		(38,054,137)
Fees and commission expense		<u>4,365,295</u>
		<u>(19,484,019)</u>



**(iv) Transition impact on equity**

The following table summarises the impact, net of tax, of transition to CIFRS 9 on regulatory reserves and retained earnings at 1 January 2018.

	<b>Impact of adopting CIFRS 9 at 1 January 2018</b>	
	<b>KHR' 000</b>	<b>US\$ (Note 5)</b>
<b>Regulatory reserves</b>		
Closing balance under Cambodia GAAP (31 December 2017)	-	-
Transfer from retained earnings to regulatory reserves	4,632,244	1,147,447
Opening balance under CIFRS 9 (1 January 2018)	4,632,244	1,147,447

	<b>Impact of adopting CIFRS 9 at 1 January 2018</b>	
	<b>KHR' 000</b>	<b>US\$ (Note 5)</b>
<b>Retained earnings</b>		
Closing balance under Cambodia GAAP (31 December 2017)	172,753,436	42,792,528
Remeasurement of amortised costs under CIFRS 9	(12,487,642)	(3,093,297)
Recognition of expected credit losses under CIFRS 9	4,632,244	1,147,447
Transfer to regulatory reserves	(4,632,244)	(1,147,447)
Opening balance under CIFRS 9 (1 January 2018)	160,265,794	39,699,231

## B. Leases

The Company previously classified leases as operating leases under CAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under CIFRS 16, the

Company recognises right-of-use assets and lease liabilities for leases of office premises – i.e. these leases are on-balance sheet.

The impact arising from the change is summarised as follows:

	1 January 2018 KHR' 000	31 December 2018 KHR' 000
<b>Statement of financial position</b>		
Right-of-used assets	18,473,235	18,384,941
Other assets	(2,054,833)	(2,784,919)
Lease liabilities	(16,418,402)	(16,891,194)
<b>Adjustment to retained earnings</b>	-	(1,291,172)
US\$ – Note 5	-	(319,202)
		<b>2018</b>
<b>Statement of profit or loss and other comprehensive income</b>		
Depreciation of right-of-used assets		(4,865,105)
Interest expense on lease liability		(1,297,451)
Rental expenses		4,871,384
<b>Adjustment before income tax – KHR'000</b>		(1,291,172)
<b>Adjustment to before income tax (US\$ – Note 5)</b>		(319,202)

**36.2 Reconciliation of statement of profit or loss and other comprehensive income for the year ended 31 December 2018**

	Note	Cambodia GAAP (KHR'000)	Effect of transition to CIFRSs		CIFRSs (KHR'000)
			Reclassification (KHR'000)	Remeasurement (KHR'000)	
<b>Operating income</b>					
Interest income		292,192,298	-	22,662,959	314,855,256
Interest expense		(126,351,823)	-	(12,210,661)	(138,562,482)
<b>Net interest income</b>		165,840,475	-	10,452,298	176,292,774
Allowances for bad and doubtful loans to customers		(16,066,592)	-	3,752,525	(12,314,067)
Allowance for impairment on balances with other banks		(1,092,433)	-	-	(1,092,433)
<b>Total operating profit</b>		148,681,451	-	14,204,823	162,886,274
Operating income		78,684,898	-	(38,054,137)	40,630,762
Commission expenses		(2,398,475)	-	-	(2,398,475)
Personnel expenses		(76,035,389)	-	-	(76,035,389)
Depreciation and amortisation		(4,169,363)	-	(4,865,105)	(9,034,468)
General and administrative expenses		(42,675,243)	-	9,230,400	(33,444,843)
Net foreign exchange loss		(309,557)	-	-	(309,558)
<b>Total operating expenses</b>		(46,903,129)	-	(33,688,842)	(80,591,971)

	Note	Cambodia GAAP (KHR'000)	Effect of transition to CIFRSs		CIFRSs (KHR'000)
			Reclassification (KHR'000)	Remeasurement (KHR'000)	
<b>Profit before income tax</b>		101,778,322	-	(19,484,019)	82,294,303
Income tax expense		(20,747,922)	-	-	(20,747,922)
<b>Net profit for the year</b>		81,030,400	-	(19,484,019)	61,546,381
<b>Other comprehensive income</b>					
Currency translation reserves		-	-	-	-
<b>Total comprehensive income for the year</b>		81,030,400	-	(19,484,019)	61,546,381

Summary of profit or loss and other comprehensive income reclassifications and key adjustments as a result of transition from Cambodia GAAP to CIFRSs:

#### A. Fees and commission

CIFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Company adopted CIFRS 15 in its financial statements using the retrospective approach. All requirements of CIFRS 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2018 has been restated.

The Company has applied the following practical expedients as allowed under CIFRS 1.

- Completed contracts that began and ended in the same annual reporting period in 2018 and contracts completed at 1 January 2018 are not restated.

- For completed contracts that have variable consideration, the Company used the transaction price at the date the contract was completed to restate comparative information.
- For contracts modified before 1 January 2018, the Company has reflected the aggregate effect of all of the modifications that occurred before 1 January 2018 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. Had the Company elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been higher.
- For the year ended 31 December 2018, the Company did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognise that amount as revenue.

The impact upon the adoption of CIFRS 15, including the corresponding tax effects, are described below:

	31 December 2018		1 January 2018	
	KHR' 000	US\$ (Note 5)	KHR' 000	US\$ (Note 5)
<b>Statement of financial position</b>				
Increase in deferred tax liabilities	-	-	-	-
Increase in retained earnings	(23,236,544)	(5,745,931)	(12,487,642)	(3,087,180)
	2018		2017	
	KHR' 000	US\$ (Note 5)	KHR' 000	US\$ (Note 5)
<b>Statement of profit or loss</b>				
Increase in interest income	22,662,959	5,604,095	17,534,322	4,334,814
Increase in interest expense	(12,210,661)	(3,019,451)	991,008	244,996
Decrease in loss allowance	3,752,525	927,924	4,632,244	1,145,178
Increase in fee/commission income	(38,054,137)	(9,410,024)	(25,093,667)	(6,203,626)
Increase in fee/commission expense	4,365,295	1,079,450	3,942,126	974,568
Increase in profit for the year	(19,484,019)	(4,818,006)	2,006,033	495,930

### 36.3 Reconciliation of profit after tax

	KHR' 000	US\$ (Note 5)
<b>31 December 2018</b>		
Profit after tax under Cambodia GAAP	81,030,400	20,037,191
Interest income from loans to customers	(11,638,653)	(2,878,005)
Interest expense on borrowings	(6,399,723)	(1,582,523)
Interest expense on subordinated debts	(154,471)	(38,198)
Interest expense on lease liabilities	(1,291,172)	(319,282)
Income tax	-	-
	<u>(19,484,019)</u>	<u>(4,818,008)</u>
Profit after tax under CIFRSs	<u>61,546,381</u>	<u>15,219,183</u>

### 36.4 Material adjustments to the statement of cash flows for 2018

The statement of cash flows presented under CIFRSs is similar, in all material respects, to the statement of cash flows presented under Cambodia GAAP.

### 37. Subsequent event

#### Coronavirus and impact on ECL

The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date.

Since early January 2020, the coronavirus outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under CIFRS 9 in 2020.





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### 8. Preah Netr Preah District Branch - Chob Vari Commune

National Road N°6, Chob Village, Chob Vari Commune, Preah Netr Preah District, Banteay Meanchey Province.

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### 9. Thma Puok District Branch - Kumru Commune

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### 10. Battambang Provincial Branch

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### 11. Krong Battambang Branch - Sangkat Rottanak

Phum Rumchek 4, Sangkat Rottanak, Krong Battambang, Battambang Province.

Tel: 081 800 536

### 12. Bavel District Branch - Bavel Commune

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Tel: 081 800 609

### 13. Kamrieng District Branch - Boeng Reang Commune

N°79, Doung Village, Boeng Reang Commune, Kamrieng District, Battambang Province.

Tel: 081 800 785

### 14. Moug Ruessei District Branch - Kear Commune

National Road N°5, Kear Bei Village, Kear Commune, Moug Ruessei District, Battambang Province.

Tel: 081 800 319

### 15. Rotonak Mondol District Branch - Sdau Commune

N°491, Group 1, Sdau Village, Sdau Commune, Rotonak Mondol District, Battambang Province.

Tel: 081 800 318

### 16. Samlout District Branch - Ta Sanh Commune

Street 10B, Ou Tontuem Village, Ta Sanh Commune, Samlout District, Battambang Province.

Tel: 081 800 988

### 17. Sampov Lun District Branch - Santepheap Commune

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Tel: 081 800 585

### 18. Kampong Cham Provincial Branch

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Tel: 081 800 298

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

**20. Cheung Prey District Branch - Soutib Commune**  
National Road N°6, Ta saen Village, Soutip  
Commune, Cheung Prey District,  
Kampong Cham Province.  
Tel: 081 800 301

**21. Prey Chhor District Branch - Chrey Vien Commune**  
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Chrey Vien Commune, Prey Chhor District,  
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**22. Kampong Chhnang Provincial Branch**  
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**23. Kampong Tralach District Branch - Thma Edth Commune**  
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**24. Kampong Speu Provincial Branch**  
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**25. Odongk District Branch - Veang Chas Commune**  
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**26. Phnum Sruoch District Branch - Kiri Voan Commune**  
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**28. Baray District Branch - Ballangk Commune**  
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**29. Sandan District Branch - Sandan Commune**  
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**30. Stoung District Branch - Kampong Chen Cheung Commune**  
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**31. Kampot Provincial Branch**  
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**32. Angkor Chey District Branch - Phnum Kong Commune**  
Pou Village, Phnum Kong Commune, Angkor Chey  
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**33. Chhuk District Branch - Satv Pong Commune**  
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**34. Kampong Trach District Branch - Ang Sophy Commune**  
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**35. Kandal Provincial Branch**  
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Prek Ruessey, Ta Khmau Municipality,  
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**36. Angk Snuol District Branch - Baek Chan Commune**  
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Baek Chan Commune, Angk Snuol District,  
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Tel: 081 400 222

**37. Kaoh Thum District Branch - Preaek Thmei Commune**  
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Thmei Commune, Kaoh Thum District,  
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Tel: 081 700 127

**38. Kien Svay District Branch - Kokir Commune**  
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**39. Mukh Kampul District Branch - Preaek Anhchanh Commune**

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**40. Krong Ta Khmau Branch - Sangkat Roka Khpos**

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**41. Koh Kong Provincial Branch**

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**42. Kratie Provincial Branch**

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**43. Chhloung District Branch - Chhloung Commune**

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**44. Snuol District Branch - Snuol Commune**

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**45. Mondul Kiri Provincial Branch**

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**46. Preah Vihear Provincial Branch**

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**47. Choam Ksant District Branch - Choam Ksant Commune**

National Road N°9B, Choam Ksant Village, Choam Ksant Commune, Choam Ksant District, Preah Vihear Province.  
Tel: 081 900 855

**48. Preah Sihanouk Provincial Branch**

#19-20, Borey Kamakor Steet, Phum Bei Village, Sangkat Bei, Khan Mittapheap, Preah Sihanouk Municipality, Preah Sihanouk Province.  
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**49. Prey Veng Provincial Branch**

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**50. Kampong Trabaek District Branch - Prasat Commune**

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Tel: 081 900 305

**51. Me Sang District Branch - Chi Phoch Commune**

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**52. Pea Reang District Branch - Roka Commune**

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**53. Peam Ro District Branch - Preaek Khsay Kha Commune**

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**54. Pursat Provincial Branch**

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**55. Ratanak Kiri Provincial Branch**

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**56. Bar Kaev District Branch - La Minh Commune**

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**57. Siem Reap Provincial Branch**

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**58. Angkor Chum District Branch - Char Chhuk Commune**

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- 59. Chi Kraeng District Branch - Kampong Kdei Commune**  
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Tel: 081 800 295
- 60. Puok District Branch - Puok Commune**  
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- 61. Soutr Nikom District Branch**  
N° 033, Dam Daek Thmei Village, Dam Daek Commune, Soutr Nikom District, Siem Reap Province.  
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- 62. Stung Traeng Provincial Branch**  
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- 63. Svay Rieng Provincial Branch**  
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Tel: 081 800 302
- 64. Krong Bavet Branch - Sangkat Prey Angkunh**  
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- 65. Romeas Haek District Branch - Kampong Trach Commune**  
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- 66. Takeo Provincial Branch**  
National Road N°2, Phsar Ta Kao Village, Sangkat Roka Knong, Doun Kaev Municipality, Takeo Province.  
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- 67. Bati District Branch - Trapeang Sab Commune**  
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Tel: 081 800 307
- 68. Kiri Vong District Branch - Preah Bat Choan Chum Commune**  
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- 69. Prey Kabbas District Branch - Prey Lvea Commune**  
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- 70. Tram Kak District Branch - Angk Ta Saom Commune**  
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- 71. Oddar Meanchey Provincial Branch**  
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- 72. Anlong Veaeng District Branch - Anlong Veaeng Commune**  
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- 73. Banteay Ampil District Branch - Kouk Mon Commune**  
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- 74. Pailin Provincial Branch**  
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- 75. Tboung Khmum Provincial Branch**  
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- 76. Dambae District Branch - Dambae Commune**  
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- 77. Memot District Branch - Memot Commune**  
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- 78. Ou Reang Ov District Branch - Ampil Ta Pok Commune**  
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- 79. Ponhea Kraek District Branch - Kaong Kang Commune**  
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# *Ideas for Growth*

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