



គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ

អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី

LOLC (Cambodia) Plc.

The Second Quarterly Report

June 30, 2019

Vision and Mission

Vision Statement

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

Mission Statement

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

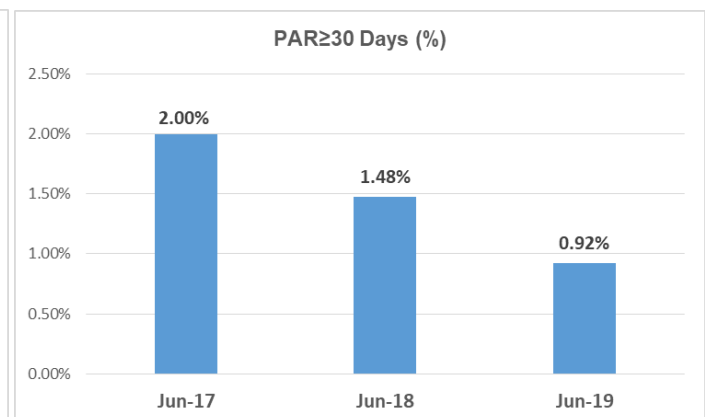
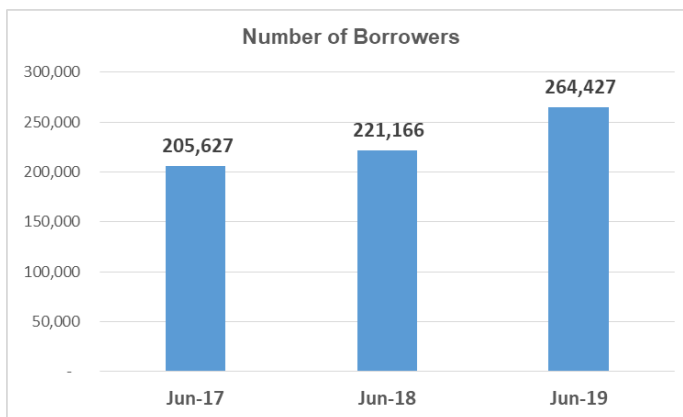
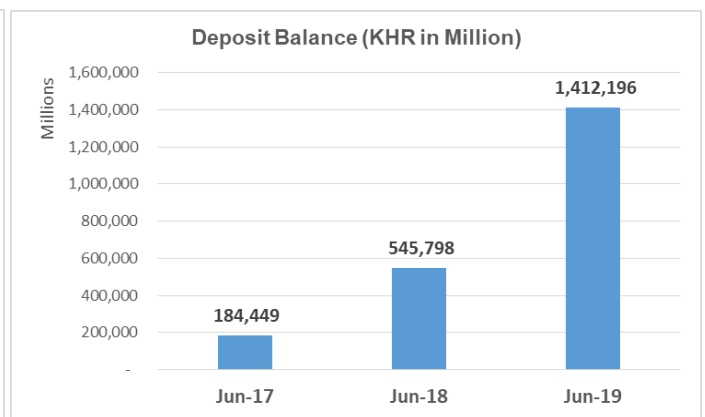
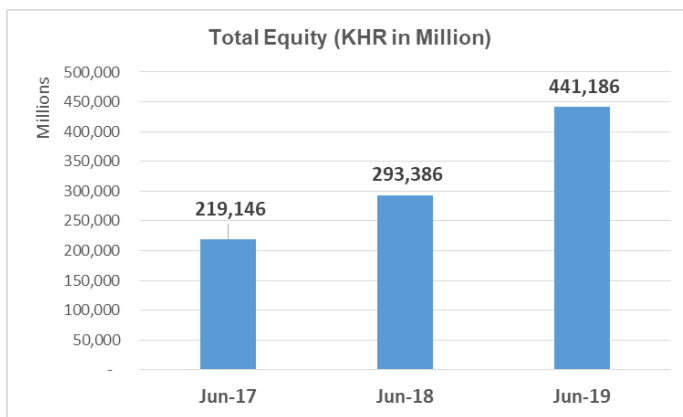
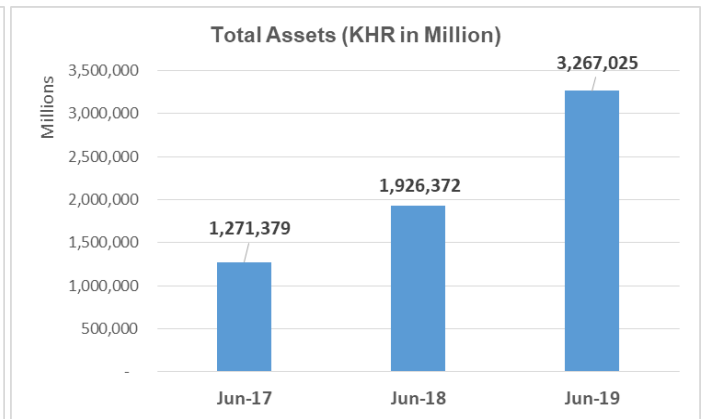
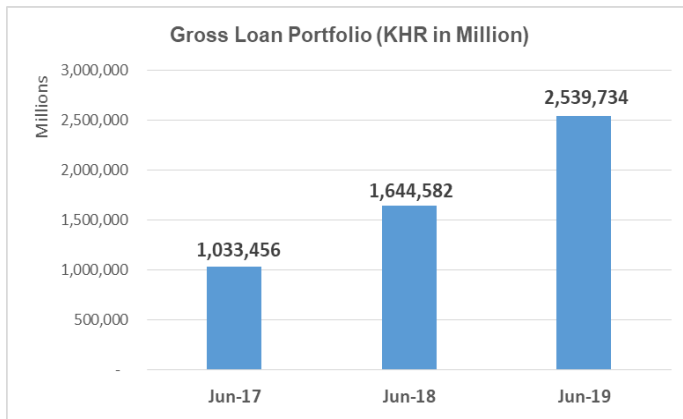
How Do We Translate Our Mission?



Financial Highlight

Description		Q2-2019	Q2-2018	Q2-2017
Financial Situation				
Total assets (KHR million)		3,267,025	1,926,372	1,271,379
Total liabilities (KHR million)		2,825,839	1,632,986	1,052,232
Total equities (KHR million)		441,186	293,386	219,147
Financial Results				
Total income		132,875	87,966	67,038
Profit before tax		42,722	26,051	19,818
Net profit after tax		33,972	20,755	15,816
Financial Ratio				
Solvency ratio (%)		15.67%	15.82%	18.64%
Liquidity ratio (%)		274.67%	190.62%	150.61%
Profitability Ratio	Return on Asset (%)	1.21%	1.20%	1.40%
	Return on Equity (%)	8.94%	7.61%	7.57%
	Profit per share (KHR)	24.120	17.296	22.063
Dividend per share (if any)		No	No	No

Graphs of Summary Financial Highlight



Composition of the Board of Directors



Mr. Brindley de Zylva
Chairman



Mr. Conrad Dias
Director



Dulip Rasika Samaraweera
Director



Mr. Indrajith Wijesiriwardana
Independent Director



Mr. Michael Moormann
Independent Director

Chairman Statement

I take pleasure in presenting LOLC Cambodia's performance for Q2 2019 in keeping with the requirements of the Securities and Exchange Commission of Cambodia (SECC). As the second Microfinance Deposit Taking Institution (MDI) in the country to issue a corporate bond (KHR 80 billion - equivalent to USD 20 million), LOLC Cambodia is committed to offer new financial products while promoting the use of Khmer Riel currency.

As of Q2 2019, LOLC Cambodia continued to maintain its outstanding financial performance and social results. With effective strategic policies and internal controls, LOLC Cambodia has increased its loan portfolio to USD 625 million, an increase of 28% compared to end of 2018. PAR \geq 30 days maintained at 0.92% which was lower than industry average. In Q2 2019, LOLC achieved a net profit of USD 8.4 million, increased by USD 3.3 million equivalent to 64% compared to Q2 2018. With fast and quality growth, LOLC Cambodia has consolidated its position as the country's 4th largest MDI in terms of gross loan portfolio (GLP) and deposit balance and the 3rd largest MDI in terms of number of borrowers, while ROA was the highest among the top 7 MDIs and ROE ranked 2nd both in 2017 and 2018.

We can see 2019 as the year of potential growth and the great opportunity for us to expand our business and outreach with products designed to cater for the fast growing middle income sector. Growth in Medium Business Enterprises has seen a demand for more sophisticated products. With Technical Support from the LOLC Group, the Company will keep modifying existing products and services to fit client needs. Further, LOLC Cambodia will keep strengthening its customer service and continue to develop new and diversified products to meet market needs, including planned savings account, children savings accounts and bill payment services. We will also look forward to 2019 as the year for Digital Financial Services (DFS), which will improve customer service and increase efficiency with the use of DFS.

I take this opportunity to thank my colleagues on the Board for their leadership and strategic insights that has been instrumental in LOLC Cambodia's ability to deliver growth and consistent financial results. I also wish to applaud the CEO, Deputy CEO/CFO, Senior Management and all employees for supporting the company's success with their hard work and commitment.

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

In conclusion, I wish to thank the shareholders, depositors, investors and all other stakeholders of LOLC Cambodia for the trust and confidence placed in the company and look forward to your continued support.

Phnom Penh, *02 August 2019*.....
Signature, Stamp and Name of Chairman



Mr. Brindley de Zylva
Chairman of the Board of Directors

CEO Statement

LOLC maintained quality growth as of end of Q2 2019, increasing its loan portfolio to USD 625 million, a growth of 28% compared to end of 2018. Portfolio at risk was only 0.92% which was lower than industry average. The number of borrowers increased by 12% to 264,427. LOLC's assets reached to more than USD 804 million as of June 2019. Deposit balance reached an impressive of more than USD 347 million, an increase of 49% compared to 2018, while number of depositors increased to 266,835 with an increase of 48%. The fast growth of portfolio and 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 expanded its operating network to 78 branch offices in the nationwide with more than 2,600 personnel to provide our best financial services to our customers.

LOLC will focus 2019 on technology-oriented delivery channels which will improve customer services and increase efficiency such as tablet, ATM, mobile banking application and third-party connection.

LOLC plans to pilot test its iPay mobile banking application which allow our customers to view their banking accounts, do transactions (balance enquiry, mini-statement, transfer, payments, phone top up, open FD, standing order, deposit calculator, loan calculator, view office location, news, etc.) from their mobile.

LOLC plans to issue ATM Card, which allows clients to use its ATM card across the ATM shared switch members (Cambodia Share Switch - CSS).

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

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

Finally, I would like to express my sincere thanks to all of LOLC's management, staff, clients, investors and business partners for supporting LOLC to be a part of its achievements both for the previous years and in anticipation of happy and prosperous coming years.

Phnom Penh, ... 02 August 2019.

Signature, Stamp and Name 



Mr. Sok Voeun
Chief Executive Officer

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Section 1: Information of Issuer

1. General Information of Issuer

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

2. Summary of Business Operation

LOLC (Cambodia) Plc. is one of the largest microfinance deposit taking institutions in Cambodia, regulated by the National Bank of Cambodia and has been operating for more than 25 years. LOLC has been providing diversified financial products and services to customers such as loan, deposit and finance lease throughout its network of 78 branches in the nationwide. As of June 2019, LOLC's deposit balance reached to more than USD 347 million with 266,835 depositors. Total loan portfolio increased to more than USD 625 million with a total of 264,427 loan customers.

3. Market Situation

Cambodia microfinance industry witnessed 17% portfolio growth compared to year-end 2018, reaching more than USD 6.4 billion in June 2019, having more than 2.1 million borrowers and PAR \geq 30 days of 1.18%. Number of depositors reached to more than 2.5 million with deposit balance almost USD 3.4 billion. Microfinance providers in Cambodia operate nationwide and have innovative products such as unsecured lending, leasing, asset-backed lending, SME, agriculture lending etc. Moreover, fin-tech solutions are also popular across mobile, online payments and digital lending. Currently, there are more than 70 licensed providers in the country while the top 7 MDIs take up 86% of portfolio market size.

4. Competitive Situation

LOLC (Cambodia) Plc. is the fourth-largest microfinance institution in Cambodia in terms of loan outstanding and deposit balance, and the third-largest in terms of number of borrowers. The company has competitive advantages on its diversified products, network outreach, diversified sources of fund, and technical capacities and resources.

In half year of 2019, LOLC (Cambodia) PLC recorded growth of 28% in portfolio and 49% in saving balance while number of borrowers have grown 12% and depositors grown 48%. LOLC gains 9.4% of market share and has potential to grow more since its main strategy is to improve client retention rate, expand number of borrowers focusing on both rural and urban, and improve quality of loan by focusing on repayment capacity.

Microfinance market situation is known as matured market where the new entrants have to possess very strong capital.

Section 2: Achievement of Business Operations

1. Results of Business Operations

Key Achievement	Plan	Actual Achievement
Loan		
Loan customers	258,695	264,427
Gross loan portfolio (KHR million)	2,477,861	2,539,734
Deposit		
Deposit customers	200,918	266,835
Savings balance (KHR million)	1,317,386	1,412,196
Others		
Number of offices	79	78
Number staff	2,620	2,461

2. Significant Changes in Business Operations

In order to fulfil customer's needs, during this Q2 LOLC has piloted Housing Loan product, which is designed to make it easier for customers who want to buy and build new homes as they wish. Besides this, LOLC has been developing its iPay mobile banking application which allow our customers to view their banking accounts, do transactions (balance enquiry, mini-statement, transfer, payments, phone top up, open FD, standing order, deposit calculator, loan calculator, view office location, news, etc.) from their mobile. Furthermore, LOLC has been developing its system to integrate with Cambodia Share Switch (CSS), which allows clients to use ATM card across the ATM shared switch members. In addition, LOLC is in the progress of developing its tablet banking which will enable our officers to operate their tasks (loan origination, loan late collection, open savings account) from the tablet devices, which improve the productivity, efficiency and effectiveness.

3. Income Structure

No.	Source of Income	Q2-2017		Q2-2018		Q2-2019	
		Amount (KHR million)	%	Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	59,018	88.04%	71,038	80.76%	103,290	77.73%
2	Other Income	8,020	11.96%	16,928	19.24%	29,585	22.27%
Total Income		67,038	100%	87,966	100%	132,875	100%

Section 3: Corporate Governance

1. Shareholders

A. Protection of Shareholder's Right

Shareholders select and nominate the Board of Directors. Shareholders are protected by the Board of Directors.

B. Classification of Shareholders (as of 30th June 2019)

Description	Nationality	Type of Shareholders	Number of Shareholders	Number of Shares	Percentage
Less than 5%	Cambodian	Natural person	None	None	None
		Legal entity	1	42,674	3.03%
	Non-Cambodian	Natural person	None	None	None
		Legal entity	None	None	None
From 5% up to 30%	Cambodian	Natural person	None	None	None
		Legal entity	None	None	None
	Non-Cambodian	Natural person	None	None	None
		Legal entity	None	None	None
From 30%	Cambodian	Natural person	None	None	None
		Legal entity	None	None	None
	Non-Cambodian	Natural person	None	None	None
		Legal entity	1	1,365,792	96.97%

C. Directors, Senior Management and Employees that Hold Shares of the Issuer

Shareholders	Number of Shareholders	Number of Shares	Percentage
Directors	0	0	0
Senior management	1	14,510	1.03%
Employees	1	14,082	1.00%
Total	2	28,592	2.03%

D. A change in shareholders holding a large number of voting rights and shareholders holding majority stake, by specifying the identity:

As of 30th June 2019, LOLC does not have any changes in shareholders.

E. Identity of shareholders holding shares from 5% who are in a state of insolvency, as of 30th June 2019:

None.

F. Shareholders Meeting

During Q2 2019, shareholders did not conduct any meeting.

G. Dividend Policy

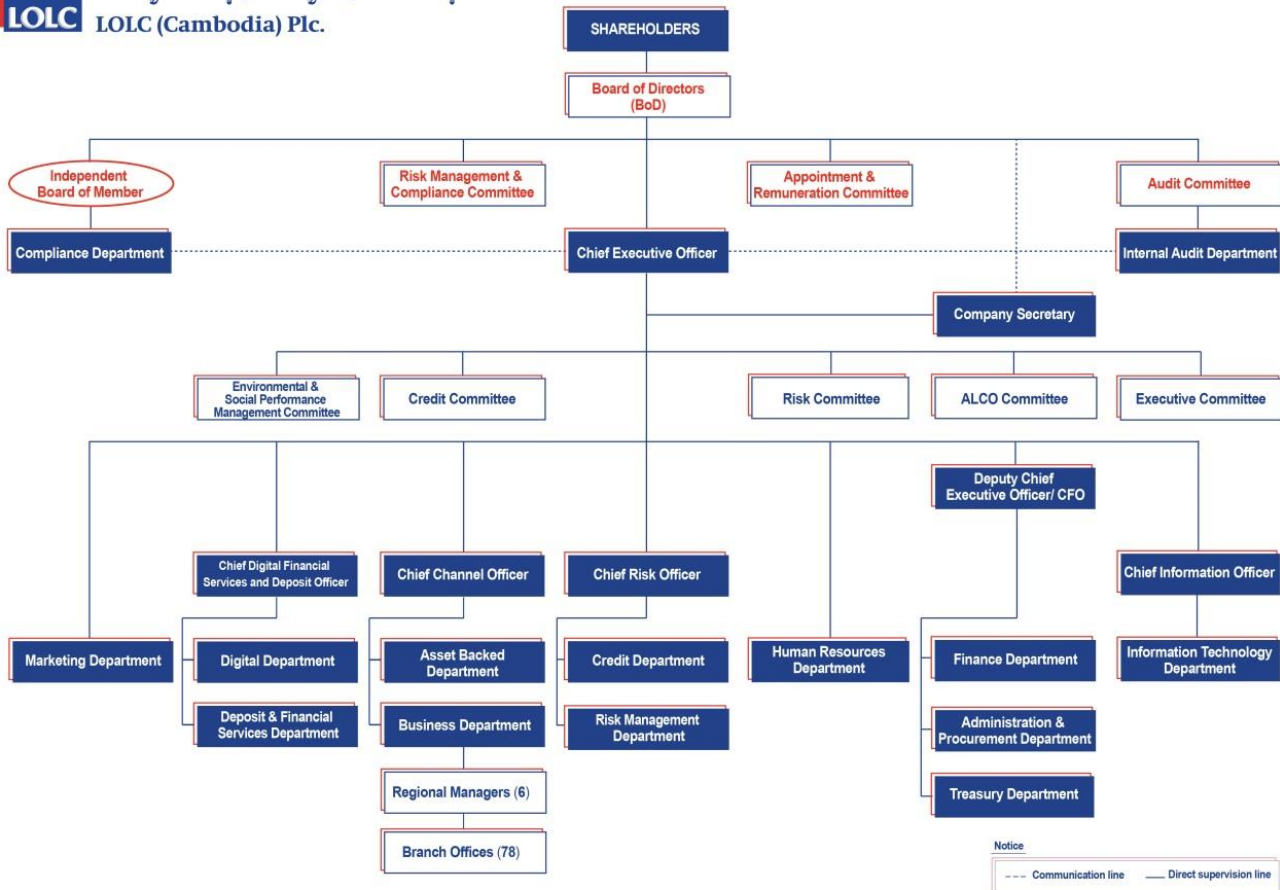
G.1 Dividend Policy of Issuer

Dividend policy of LOLC Cambodia is that total net profit is maintained in the retained earning account.

G.2 Historical Information on Dividend Distribution over the Last Three (3) Quarters (if any)

Description on Dividend Distribution	Q4 2018	Q1 2019	Q2 2019
Net Profit (KHR in Million)	16,799	32,091	33,972
Total Dividend in Cash	None	None	None
Total Dividend in Shares	None	None	None
Other Dividend	None	None	None
Dividend payout ratio (%)	None	None	None
Yield on Dividend (%)	None	None	None
Dividend Per Share	None	None	None

2. Organizational Chart



3. Board of Directors and Board Committees

A. Composition of Board of Directors

No.	Name of Directors	Position	Start Date in Position	End Date in Position	Qualification
1	Mr. Brindley de Zylva	Chairman	15 October 2015	15 October 2024	Passes the General Certificate of Education Advance Level Examination (in Sri Lanka)
2	Mr. Conrad Dias	Director	12 February 2018	12 February 2027	Master of Business Administration (Sri Lanka)
3	Mr. Dulip Samaraweera	Director	02 July 2018	02 July 2027	Passed finalist of Chartered Institute of Management Accountants of UK.
4	Mr. Indrajith Wijesiriwardana	Independent Director	01 January 2015	01 January 2024	MBA and Master of Arts (Economics) (in Sri Lanka)
5	Mr. Michael Moormann	Independent Director	01 February 2013	01 February 2022	Diploma in Business Administration (Netherlands)

Name of Company Secretary: **Ms. Kheng Navy.**

B. If any directors serve as director, shareholder, owner or co-owner of other companies or enterprises, shall disclose the name of those related companies in below table.

No.	Name of Directors	Name of Companies	Director or Shareholder or Owner or Co-owner
1	Mr. Brindley de Zylva	<ul style="list-style-type: none"> ▪ LOLC FINANCE PLC. ▪ Browns Machinery (Cambodia) Co., Ltd. 	<ul style="list-style-type: none"> ▪ Managing Director/Chief Executive Officer ▪ Chairman of the Board of Directors
2	Mr. Dulip Rasika	<ul style="list-style-type: none"> ▪ LOLC Myanmar Microfinance Limited. ▪ Browns Machinery (Cambodia) Co., Ltd. 	<ul style="list-style-type: none"> ▪ Director
3	Mr. Conrad Dias	<ul style="list-style-type: none"> ▪ LOLC Group ▪ LOLC Technologies Limited 	<ul style="list-style-type: none"> ▪ Chief Information Officer ▪ Managing Director/Chief Executive Officer
4	Mr. Michael Moormann	<ul style="list-style-type: none"> ▪ RIEEF BV, Netherlands 	<ul style="list-style-type: none"> ▪ Managing Director
5	Mr. Indrajith Wijesirirwardana	<ul style="list-style-type: none"> ▪ UVADES Consulting Ltd 	<ul style="list-style-type: none"> ▪ Owner and Manager at UVADES

C. Roles, Duties and Responsibilities of the Board of Directors

- Approve business plan and business strategies of the company;
- Approve on annual audited financial statement;
- Approve on loan that LOLC borrows from lenders;
- Propose to shareholders to increase or decrease capital;
- Propose to shareholders to select and appoint external auditor;
- Approve on remuneration policy for management and employees.

D. Resolutions and Results of the Board of Directors

In Q2 2019, the Board of Directors convened one meeting and the Board approved on key matters as follows:

- Approved on ISMS Policy (Information Security Management System)
- Approved to pilot test Housing Loan and Inventory Loan products.

E. Training for Board of Directors

Board of Directors are trained to update their knowledge and skills on the leadership and management of the company.

F. Board Committees

F.1. Audit Committee

F.1.1 Composition

No.	Name	Position	
		In Company	In Committee
1	Mr. Michael Moormann	Independent Director	Chairman
2	Mr. Brindley de Zylva	Chairman of the Board	Member
3	Mr. Indrajith Wijesiriwardana	Independent Director	Member

F.1.2 Activities

In Q2 2019, Audit Committee convened one meeting (the meeting is convened quarterly) to discuss and approved on the following:

- Discuss LOLC's quarterly internal audit reports.
- Approved LOLC's Annual Report 2018
- Approved annual audited financial reports 2018 conducted by external auditors.

F.1.3 Challenges

In Q2 2019, Audit Committee did not face any challenges.

F.2. Risk Management and Compliance Committee

F.2.1 Composition

No.	Name	Position	
		In Company	In Committee
1	Mr. Michael Moormann	Independent Director	Chairman
2	Mr. Brindley de Zylva	Chairman of the Board	Member
3	Mr. Conrad Dias	Director	Member

F.2.2 Activities

In Q2 2019, Risk Management and Compliance Committee convened one meeting (the meeting is convened quarterly) to discuss reports and strategies for managing potential risks, which may happen in the business operations.

F.2.3 Challenges

In Q2 2019, Risk Management and Compliance Committee did not face any challenges.

F.3. Appointment and Remuneration Committee

F.3.1 Composition

No.	Name	Position	
		In Company	In Committee
1	Mr. Indrajith Wijesiriwardana	Independent Director	Chairman
2	Mr. Dulip Samaraweera	Director	Member
3	Mr. Conrad Dias	Director	Member

F.3.2 Activities

In Q2 2019, Appointment and Remuneration Committee convened one meeting (the meeting is convened quarterly) to discuss reports of human resources management and recommend to the Board of Directors to approve the updated organization chart of the company.

F.3.3 Challenges

In Q2 2019, Appointment and Remuneration Committee did not face any challenges.

4. Senior Staff

A. Composition of Senior Staff

No.	Name	Position	Qualification
1	Mr. Sok Voeun	Chief Executive Officer	Master of Finance and Banking
2	Mr. Sok Sophal	Deputy Chief Executive Officer/Chief of Finance	Master of Finance and Banking
3	Mrs. Chheang Kagna	Chief Digital Financial Services and Deposit Officer	Master of Management
4	Mr. Romesh Perera	Chief Channel Officer	Certificate of Management
5	Mrs. Svoeuy Sodyna	Chief Risk Officer	ACCA
6	Mr. Duleep Liyanage	Chief Information Officer	Master of Business Administration
7	Mr. Ban Phalleng	Head of Compliance Department	Bachelor of Business Economics
8	Mrs. Leng Thavy	Head of Human Resources Department	Master of Human Resource Management
9	Mr. Teng Pheap	Head of Internal Audit Department	Master of Business Administration
10	Mr. Chhuon Sokcheth	Head of Marketing Department	Master of Business Administration
11	Mr. Seam Hak	Head of Administration and Procurement Department	Master of Business Administration
12	Mr. Nuth Theng	Head of Business Department	Master of Business Administration
13	Mr. Muth Pisey	Head of Credit Department	Master of Finance and Banking
14	Mrs. Keo Taraty	Head of Finance Department	Bachelor of Accounting
15	Mr. Hul Sovutha	Head of Information Technology Department	Bachelor of Computer Science
16	Mrs. Try Sola	Head of Treasury Department	Bachelor of Accounting
17	Mr. Yin Pholy	Head of Asset Backed Department	Master of Finance and Banking
18	Mrs. Kheng Navy	Company Secretary	Bachelor of Economics

B. Roles Duties and Responsibilities of Senior Staff

<p>Mr. Sok Voeun Chief Executive Officer</p> <ul style="list-style-type: none"> ▪ Defines the Company's strategic direction. ▪ Oversee development and implementation of annual business plan and budget that support the strategic direction set. ▪ Oversee financial management, fund, daily operation, staff performance and internal control. ▪ Ensures that policies and other procedures are complied with the law. ▪ Reports about business result to the Board. 	<p>Mr. Sok Sophal Deputy Chief Executive Officer/Chief of Finance</p> <ul style="list-style-type: none"> ▪ Manages, directs and coordinates activities of the Finance Department, Treasury Department and Administration Department, acting under authority and responsibility. ▪ Responsible for any tasks that delegated by the Chief Executive Officer. ▪ Manages on mobilizing funding and capital sources for the Company. ▪ Overall supervision in the preparation of Financial Management Reports to meet all regulatory requirements.
<p>Mr. Romesh Perera Chief Channel Officer</p> <ul style="list-style-type: none"> ▪ Prepares business operation plan of the branch. ▪ Monitors implementation and business operation result of the branch such as general loan growth and asset backed. ▪ Prepares the strategy to improve the operation efficiency at the branch. 	<p>Mrs. Svoeuy Sodyna Chief Risk Officer</p> <ul style="list-style-type: none"> ▪ Defines general risk management strategy for the Company. ▪ Defines credit risk management strategy for the Company. ▪ Monitors on Information technology risk management system.
<p>Mrs. Chheang Kagna Chief Digital Financial Services and Deposit Officer</p> <ul style="list-style-type: none"> ▪ Develops and monitor digital financial services. ▪ Identifies, analyze and problem solving with relevant Department to improve LOLC's products and services. ▪ Develops digital and financial reports. ▪ Defines the strategy in collecting the deposit. ▪ Develops new products to ensure it is competitive in market. 	<p>Mr. Duleep Liyanage Chief Information Officer</p> <ul style="list-style-type: none"> ▪ Controls Core Banking management system with effective for business operation implementation. ▪ Develops and prepares information technology organization chart following the business need. ▪ Manages daily operation and prevents Information Technology risk.
<p>Mr. Ban Phalleng Head of Compliance Department</p> <ul style="list-style-type: none"> ▪ Establish compliance and procedures control system. ▪ Ensures that Company's operation complies with regulatory requirements. ▪ Defines any identities of money laundering and financing of terrorism. 	<p>Mr. Seam Hak Head of Administration and Procurement Department</p> <ul style="list-style-type: none"> ▪ Manages administration, procurement and Company's inventory list. ▪ General monitor on security management, building rental and equipment repairing. ▪ Implements safety and security policies and ensures that LOLC buildings and staff are safe and secured.

<p>Mr. Chhuon Sokcheth Head of Marketing Department</p> <ul style="list-style-type: none"> ▪ Develops marketing and branding strategy for the Company. ▪ Develops the strategy and product advertising management for the Company. ▪ Manages customer service and call center. ▪ Manages the research for the Company's business. 	<p>Mr. Teng Pheap Head of Internal Audit Department</p> <ul style="list-style-type: none"> ▪ Prepares annual plan and internal audit strategy. ▪ Leads auditing implementation. ▪ Risk evaluation and internal control system of the Company. ▪ Reports audit finding to the Board.
<p>Mrs. Leng Thavy Head of Human Resources Department</p> <ul style="list-style-type: none"> ▪ Prepares Human Resources Management Strategy. ▪ Ensures that the operation of human resources management is implemented with relevant regulatory. ▪ Direct and manage on staff recruitment, staff training and staff performance evaluation. ▪ Develops human resources policy. ▪ Prepares staff benefit policy and compensation. 	<p>Mr. Yin Pholy Head of Asset Backed Department</p> <ul style="list-style-type: none"> ▪ Analyzes and monitor asset backed performance by branch. ▪ Develops new business partnership and maintain existing partners for asset backed products. ▪ Develops/ revises asset backed product policies and forms. ▪ follow up on branch disbursement plan and actual ▪ Disbursement on asset backed products in order to achieve business plan.
<p>Mrs. Try Sola Head of Treasury Department</p> <ul style="list-style-type: none"> ▪ Leads and prepares annual action plan for Treasury Department. ▪ Develops treasury and cash management policies and procedures. ▪ Finds the fund for the company and keeping track of cash management and repayment to funders. 	<p>Mr. Nuth Theng Head of Business Department</p> <ul style="list-style-type: none"> ▪ Prepares business plan projection and branch expansion strategy. ▪ Provide strategy directions to branches to operate the business successfully. ▪ Lead the roll out pilot test projects and product testing.
<p>Mrs. Keo Taraty Head of Finance Department</p> <ul style="list-style-type: none"> ▪ Accounting and Finance management. ▪ Financial and Management Report. ▪ Prepares financial plan and internal control. ▪ Monitors and strengthen financial implementation at the branch. 	<p>Mr. Hul Sovutha Head of Information and Technology Department</p> <ul style="list-style-type: none"> ▪ Manages Core Banking system with the effective. ▪ Prepares IT policy/BCP procedure and other IT documents. ▪ Manages network security, program development and information technology security system.
<p>Mr. Muth Pisey Head of Credit Department</p> <ul style="list-style-type: none"> ▪ Leads overall work of Credit Department (report analysis, credit quality assurance, ...) ▪ Develop/modify credit policy, procedure, forms, system or standard. ▪ Analyzes daily credit report. ▪ Develops a credit quality assurance review system and standards. ▪ Implements and develops credit risk prevention. ▪ Enhance credit product policy that related to procedure and other loan forms. 	<p>Mrs. Kheng Navy Company Secretary</p> <ul style="list-style-type: none"> ▪ Prepares agenda for Chairman of BOD meeting and Executive Committee meeting. ▪ Manages, arranges, monitors and prepares taking minutes meeting report and other necessary documents for Chairman of BOD and CEO. ▪ Manages and arranges the appointment schedule for visitors, clients and investors for Chairman of BOD and CEO. ▪ Liaising with government institutions, legal firms on company statute change for legal registration.

C. Job Result of Senior Staff

Senior staff implement actively following the business plan of the company, which is approved by the Board of Directors in fostering the growth of the company while maintaining quality and sustainability.

D. Training for Senior Staff

No.	Name	Position	Training Courses from April to June 2019
1	Mr. Sok Voeun	Chief Executive Officer	Enterprise Risk Analysis
			Retail Banking Forum
2	Mr. Sok Sophal	Deputy Chief Executive Officer/Chief Finance Officer	Enterprise Risk Analysis
3	Mrs. Chheang Kagna	Chief Digital Financial Services and Deposit Officer	CSS Training
4	Mr. Romesh Perera	Chief Channel Officer	Strategic Planning & Business Development
5	Mrs. Svoeuy Sodyna	Chief Risk Officer	Credit Scorecard Workshop
6	Mr. Duleep Liyanage	Chief Information Officer	T24 System Training, Phase1
			Temenos Community Forum
7	Mr. Ban Phalleng	Head of Compliance Department	Regulatory Compliance Certification
8	Mr. Teng Pheap	Head of Internal Audit Department	Root Cause Analysis Reporting
9	Mr. Chhuon Sokcheth	Head of Marketing Department	Digital Marketing
10	Mr. Muth Pisey	Head of Credit Department	Credit Scorecard Workshop
11	Mrs. Keo Taraty	Head of Finance Department	Leadership and Soft Skill
12	Mr. Hul Sovutha	Head of Information Technology Department	ESB Training
			CSS Training
			T24 System Training 3 Phases

5. The involvement of Director and Senior Staff in the Legal Process

In Q2 2019, no Board of Directors or senior staff got the accusation or sue in the legal process.

6. Remuneration or Indemnity of Director and Senior Staff

No.	Name	Position	Remuneration Classification
1	Mr. Sok Voeun	Chief Executive Officer	A
2	Mr. Sok Sophal	Deputy Chief Executive Officer/Chief of Finance	A
3	Mrs. Chheang Kagna	Chief Digital Financial Services and Deposit Officer	A
4	Mr. Romesh Perera	Chief Channel Officer	A
5	Mrs. Svoeuy Sodyna	Chief Risk Officer	A
6	Mr. Duleep Liyanage	Chief Information Officer	A
7	Mr. Ban Phalleng	Head of Compliance Department	B
8	Mrs. Leng Thavy	Head of Human Resources Department	B
9	Mr. Teng Pheap	Head of Internal Audit Department	B
10	Mr. Chhuon Sokcheth	Head of Marketing Department	B
11	Mr. Seam Hak	Head of Administration and Procurement Department	B
12	Mr. Nuth Theng	Head of Business Department	B
13	Mr. Muth Pisey	Head of Credit Department	B
14	Mrs. Keo Taraty	Head of Finance Department	B
15	Mr. Hul Sovutha	Head of Information Technology Department	B
16	Mrs. Try Sola	Head of Treasury Department	B
17	Mr. Yin Pholy	Head of Asset Backed Department	B
18	Mrs. Kheng Navy	Company Secretary	B

A. Name and Position of Director and Senior Staff and Indemnity or Remuneration that they receive

Remuneration Classification	Minimum	Maximum
BOD	2,500 USD	USD 11,342
A	USD 4,442	USD 12,762
B	USD 1,598	USD 3,689

B. The total amount of Indemnity or Remuneration Provided to Non-Executive Director

LOLC has 5 Non-Executive Directors and they received indemnity or remuneration with the total amount of USD 30,204.

C. Package of Indemnity or Remuneration Provided to Directors and Senior Staff

LOLC has the total of 5 Directors and 18 senior staff. Below is the total amount (indemnity and remuneration excluding salary and pension fund): All Directors received USD 30,204 and senior staff received USD 70,692.

D. Total amount of Indemnity or Remuneration for 1 Upcoming Year that is provided to Directors or Senior Staff

Total amount of indemnity or remuneration for 1 upcoming year that is provided to Directors and senior staff: all Directors received USD 120,816 and senior staff received USD 682,071.

E. Increment of Indemnity or Remuneration to Directors or Senior Staff in the fiscal year or future

The Board of Directors approved in principle to increase salary with the average of 8% for senior staff and employees on 18th February 2019.

7. Code of Conduct for Director and Senior Staff

A. Principal of Code of Conduct

A.1. Behavior toward other employees

- Value life and uphold every people's rights;
- Observe courtesy and respect in dealing with others;
- Must not use abusive language. "Abusive" refers to verbal/ oral speech which is characterized by bullying, criticizing, threatening, attacking on self-esteem, and undermining towards receptor.
- Must not use physical violence such as physical hitting, pushing, biting, punching, limit physical freedom and throwing things at someone, etc.
- Must not commit any form of general or sexual harassment towards other people. General harassment refers to any continued unwanted or annoying actions of one party towards others while sexual harassment refers to any unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature that tends to create a hostile or offensive work environment.
- No discrimination on the basis of race, colour, religion, ethnic, age, gender, national origin, citizenship, disability, marital status, political tendency, union status, pregnancy, veteran status, genetic information, or any other characteristic protected by law.

A.2. Professional Conduct

- Work in a manner that is consistent with LOLC core values;
- Perform duties competently, faithfully, and diligently;
- Dress in LOLC uniform while working;
- Keep the office and premises clean and refrain from untidy habits;

- Punctual and secure approved office pass from supervisor when leaving the office premises during office hours whether on official or personal business;
- Obey safety and security rules and guidelines at all times. Whenever travelling by car or motor bike, wear seatbelts and helmet accordingly;
- Must carefully manage personal financial situation to avoid circumstance that could lead to financial embarrassment. If such a difficulty were to arise, the problem should be discussed with immediate manager;
- Comply with all LOLC rules and regulations, policies and procedures and generally with all the tasks given by supervisor;
- If a case arises where the tasks given oppose LOLC's interests or are illegal, staff should either make opinion known to supervisor or, if necessary, report this to the department head, Head of Human Resources Department or the CEO. Even though tasks should normally be followed at all times, in such extreme cases, staff are expected to act so as to protect LOLC's interests;
- Must comply with all Cambodian law, rules and regulations;
- Committed to saving energy and the environment such as the appropriate use of paper, electricity, and water;
- Must not seek any benefit from money lending within LOLC include playing TONTINES in LOLC;
- Must not make false or misleading reports, illegally alter documents, or conceal information of benefit or cause potential harm to LOLC;
- Must not gamble, drink liquor within the office premises or while on official duty;
- Must not consume prohibited drugs or substance either during or outside office hours;
- Must not bring weapons or any item that is considered illegal under the law like prohibited drugs or substances into the premises of the LOLC or while on official LOLC business;
- Must not deliberately expose oneself to unnecessary harm or untoward occasions that could endanger staff while on duty.

A.3. Fraud

- LOLC has a zero-tolerance for fraud. Cases of suspected fraud will be seriously investigated and if found to exist, those responsible will be subject to disciplinary action, which includes dismissal.
- Staff are required to report any cases of fraud or suspected fraud. This may be reported to either direct supervisor, Regional Manager, Chief Operation Officer (COO) or Chief Executive Officer (CEO).

A.4. Misuse of Position

- Must not misuse position for personal or third party's benefit;
- Must not seek out or accept any loan or inducement of any kind in order to influence, assist in, or procure: the employment of any person(s) or awarding of the contract for the supply of goods or services. Any such offers should be reported to immediate manager;

- Must not solicit inducement, either directly or indirectly, whether in cash or in kind in order to provide any favors to a customer in the provision of loans, acceptance of deposits or any other business activity.

A.5. Use of LOLC's Facilities and Assets

- Do not use any of LOLC's computers, telecommunications, buildings, supplies or other assets/equipment on personal or third party's business.
- Do not access, reproduce, display, distribute, or store any materials that are sexually explicit, obscene, defamatory, harassing, illegal or otherwise inappropriate when using LOLC assets, or when performing the job, especially over the internet and by electronic materials.
- When asset is lost, LOLC will investigate theft or loss of its assets and take appropriate action.

A.6. "Back-scratching" Exercises

Staff are not allow to engage in "back-scratching" (i.e. when staff agrees to do something or requests someone to do for him/her a favour in return for some present or future benefit).

A.7. Public Representation (Safeguarding the Company Reputation)

If LOLC wishes to make public statements, an officially delegated person will be nominated. Unless nominated, and with formal approval from the CEO, the employee is not allowed to make oral or written public statements about national, local, legal or other matters as LOLC's representative. If the employee wishes to make such statements he/she should make it clear that he/she is expressing his/her personal views, and not those of LOLC.

A.8. Confidentiality of Information

- Employee must take every precaution to protect the confidentiality of company's information and its transactions.
- During employment with LOLC, or upon and after termination of employment, employees are not allowed to disclose any information about LOLC's business deals, negotiations, customers, correspondence, structure, policies, procedures, etc., to third party without written consent from LOLC or when law require.
- Employees are strictly prohibited from accessing the accounts and personal files of other staff members.

A.9. Behavior toward clients

- Must not use abusive language
- Must not use physical force;
- Must not limit physical freedom;
- Must not shout at the client or enter in the client's home uninvited;
- Must not publicly humiliate the client;
- Must not violate the client's right to privacy;
- Must not discriminate clients based on ethnicity, gender, sexual orientation, religious belief, political opinions, disability;
- Must not participate in corruption, kickbacks, theft;
- Must not participate in sexual or moral harassment toward clients.

A.10. Behavior toward the community and the environment

LOLC evaluates and minimize the potential negative effects of its activities, including impact on the environment (e.g., air, water, land), health and safety, and labor (e.g., child labour). Credit staff shall assess the compliance of every loan with Cambodian environmental laws, exclusion lists, and child labour, health, safety, and other regulations.

B. Implementation of Code of Conduct

This code of conduct is established in written document and form the condition on the conduct of employees and manage employee activities in LOLC. Employees are required to read, understand and abide by the code of conduct. Employees are subjected to disciplinary sanctions which include warning or termination for not abiding by the code of conduct.

8. Right of Related Party and Conflict of Interest Policy

In order to maintain transparency in business operations, the business strategic plan of the company must be approved by the Board of Directors. However, for implementation of daily operation must conform to the level of authority set out in the Company's policy.

Conflict of Interest Policy

- Employees are not allowed to participate in any kind of paid activities outside LOLC including work in another company, do freelance work for another company, participate as board of directors, or in the management of other companies.
- Must not misuse position for personal or third party's benefit.
- Must not seek out or accept any loan or inducement of any kind in order to influence, assist in, or procure: the employment of any person(s) or awarding of the contract for the supply of goods or services. Any such offers should be reported to immediate manager;
- Must not solicit inducement, either directly or indirectly, whether in cash or in kind in order to provide any favors to a customer in the provision of loans, acceptance of deposits or any other business activity.
- Do not use any of LOLC's computers, telecommunications, buildings, supplies or other assets/equipment on personal or third party's business.
- Staff are not allow to engage in "back-scratching" (i.e. when staff agrees to do something or requests someone to do for him/her a favor in return for some present or future benefit).
- Must not participate in any business activity outside the institution and demands excessive time and attention from the member of staff, thereby depriving LOLC of employee best efforts on job.
- Must not engage directly or indirectly in any business activity that competes or conflicts with the LOLC's interest.
- If staff personal/ financial interests or those of his/her spouse or children are in conflict with the interest of LOLC, staff must declare such an interest to manager and disassociate from the activity where the conflict arises.
- Staff, and their relatives, involved in the seizing process are prohibited from bidding process/ buying client collateral or assets. Information about the process and date of seizing client's collateral shall be kept confidential.
- Staff are prohibited to buy client's product/ service at a very cheap price (compared to the market price) in exchange for his/her service with LOLC.

Section 4: Information on the Securities Trade of the Issuer

1. Information on Corporate Bond

Name of Corporate Bond	LOLC's FX-Indexed Bond 2019-202 No.1	LOLC's Plain Bond 2019-202 No.2
Bond Code	KH2000081953	KH2000082951
Classification of Bond	None	None
Price Per Unit of Bond	KHR 100,000	KHR 100,000
Sale Price Per Unit of Bond	KHR 100,000	KHR 100,000
Number of Total Bonds Circulating in the Market (Unit)	536,000	264,000
Market capitalization	KHR 53,600,000,000	KHR 26,400,000,000
Name of Security Market	Cambodia Securities Exchange 05 December 2018	Cambodia Securities Exchange 05 December 2018
Date of Listing	10 May 2019	10 May 2019

2. Price and Trading Volume

During Q2 2019, there was no trading on LOLC's bonds.

Section 5: Executive summary on Internal Audit Report

The Internal Audit Department (IAD) at LOLC (Cambodia) Plc. (“LOLC”) performs regular reviews of the business operations of the company to ensure that:

- Financial and operating information is accurate and reliable;
- Risks to the company are identified and minimized;
- Internal policies and procedure, laws and regulations are followed;
- Resources are used efficiently and economically;
- Strong internal control systems and risk management systems are in place;
- The objectives of the company are effectively achieved.

The IAD consists of 33 experienced staff led by the Head of Internal Audit Department. The Head reports directly to the Chairman of the Audit Committee of the Board of Directors of LOLC. Every quarter the Head of the IAD prepares a report for the Audit Committee which is discussed at the meeting of the Audit Committee.

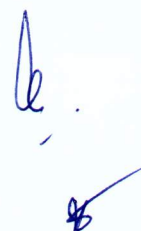
Scope and work perform:

The scope of work of IAD is as follows:

- Assess the company’s internal control to ensure operational effectiveness and efficiency;
- Assess the effectiveness of risk management;
- Review and assess to ensure that company’s assets are protected from misappropriation;
- Encourage legal and regulatory compliance;
- Review, test and evaluate the effectiveness of resources utilized;
- The adequacy and effectiveness of the internal control system;
- Evaluate the achieved results of the company.

Consulting Activities:

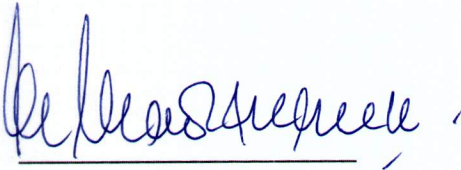
The internal auditors have good knowledge of the business of LOLC, the necessary knowledge of internal control systems and skills and experience to provide added value to the company through the provision of consultation and recommendations to improve the quality of the internal control system and productivity. Internal auditors are continuously trained.



Internal Audit report, period 1 April to 30 June 2019:

In the period April to June 2019 IAD has conducted 36 branch and 1 head office audit, during these audits no significant control deficiencies have been identified. However several issues have been identified in various areas. All these issues are of a minor nature and do not have any negative impact on the financial position and/or results of the company. All issues identified have been reported in writing and been discussed with managers at various levels, recommendations have been accepted by management and timely implemented. LOLC has a strong internal control system to manage and minimize risk and has carried out its day to day operations in accordance to the internal policies and procedures, laws and regulations.

Audit Committee



Mr. Michael Moormann

Chair of Audit Committee

Date: 2/8/2019

Head of Internal Audit Department



Mr. Teng Pheap

Head of Internal Audit Department

Date: 02/08/2019

Section 6: Financial Statement Reviewed by Independent Auditor

Please refer to the Annex for detail information.

Section 7: Information on Transactions with Related Parties

1. Transactions with shareholders by specifying name of shareholders, type of transaction and date:

Please refer to attached Financial Statement reviewed by Independent Auditor for detail information.

2. Significant transactions with Directors or senior staff or significant transactions with individuals that Directors or senior staff have interest with:

None

3. Significant transactions with family members of Directors and senior staff:

None

4. Significant transactions with individuals in connection with Directors of Issuer, subsidiaries or holding company of the Issuer, whose relationships occur in any transaction or assignment conducted by the Issuer:

None

5. Significant transactions with individuals who used to be Directors or persons who affiliate with individuals who used to be Directors in the last 2 (two) years:

None

6. Significant transactions with Directors who receive benefits or professional fees for services rendered through any company to the Issuer:

None

7. Significant transactions with other related parties:

None

Section 8: Management's Discussion and Analysis

The following discussion and analysis is the discussion of LOLC management team on the operational results and financial situation based on Financial Statement as of 30th June 2019, which is reviewed by Independent Auditors. LOLC's Financial Statement is prepared in accordance with Cambodian Accounting Standards (CAS) and following the guidelines of the National Bank of Cambodia. The management team discussed and analysed only the key components of the Financial Statement and key factors that affect LOLC's profitability.

1. Operational Overview

A. Income Analysis

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

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

B. Income Analysis

No.	Source of Income	Q2-2017		Q2-2018		Q2-2019	
		Amount (KHR million)	%	Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	59,018	88.04%	71,038	80.76%	103,290	77.73%
2	Other Income	8,020	11.96%	16,928	19.24%	29,585	22.27%
Total Income		67,038	100%	87,966	100%	132,875	100%

Interest income is the largest and most significant for LOLC, which is 77.73% of total income.

C. Gross Margin Analysis

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

D. Analysis on Profit before Tax.

Summary Income Statement (KHR in Million)	Q1 2019	Q2 2019	Variance (KHR in Million)	Variance (%)
Interest Income	90,044	103,290	13,246	14.71%
Interest Expense	(40,993)	(49,021)	8,028	19.58%
Net Interest Income	49,051	54,269	5,218	10.64%
Other Income	29,160	29,585	425	1.46%
Personnel Expense	(21,334)	(23,971)	2,638	12.36%
Depreciation on Tangible and Intangible Assets	(1,042)	(1,180)	138	13.25%
Administrative Expense and Other Expense	(10,720)	(11,349)	630	5.87%
Profit from Operations	45,116	47,354	2,238	4.96%
Provision on Financial Instruments	(4,895)	(4,632)	(264)	-5.39%
Profit before Tax	40,220	42,722	2,502	6.22%

In Q2 2019, LOLC's profit before tax reached KHR 42,722 million while it was KHR 40,220 million in Q1 2019, which increased KHR 2,502 million, equivalent to 6.22%. This increment is due to the increase of net interest income with the amount of KHR 5,218 million in proportion to the increase of loan outstanding of KHR 263,563 million compared to Q1 2019.

E. Analysis on Profit after Tax

Summary Income Statement (KHR in Million)	Q1 2019	Q2 2019	Variance (KHR in Million)	Variance (%)
Profit before Tax	40,220	42,722	2,502	6.22%
Income Tax Expense	(8,129)	(8,750)	621	7.63%
Profit after Tax	32,091	33,972	1,881	5.86%

In Q2 2019, LOLC's net profit was KHR 1,881 million, equivalent to 5.86% (up from KHR 32,091 million in Q1 2019) despite the competition in the operating environment. As a result, LOLC achieved an average Return on Equity of 34.78% and Return on Asset of 4.70%.

F. Analysis of Factors and Trends Affecting Financial Situation and Results

As of 30th June 2019, management acknowledged that LOLC did not have any significant factors and trends that would affect LOLC's financial situation and results.

2. Key Factors that Affect Profitability

A. Analysis on Demand and Supply

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

B. Analysis on Fluctuation of Raw Material Price

As of 30th June 2019, management acknowledged that LOLC did not have any unusual elements.

C. Tax Analysis

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

D. Analysis on Unusual and Extraordinary Elements

As of 30th June 2019, management acknowledged that LOLC did not have any unusual or extraordinary elements.

3. Significant Changes in Sales and Revenue

As of 30th June 2019, management acknowledged that LOLC did not have any significant changes in sales or revenue.

4. Impact of Currency Exchange, Interest Rate and Commodity Price

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

5. Impact of Inflation

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

6. Economy, Fiscal and Monetary Policies of the Government

As of 30th June 2019, management acknowledged that LOLC was not adversely affected by the Economy, fiscal and monetary policies of the government.

Signature of Chairman of the Board of Directors

Having read and approved



Mr. Brindley de Zylva

Chairman

Date: 02 August 2019

គំនិតដ៏ល្អគឺជាគន្លឹះ *Ideas for Growth*

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