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អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី

LOLC (Cambodia) Plc.

# The Third Quarterly Report

September 30, 2019



## Content

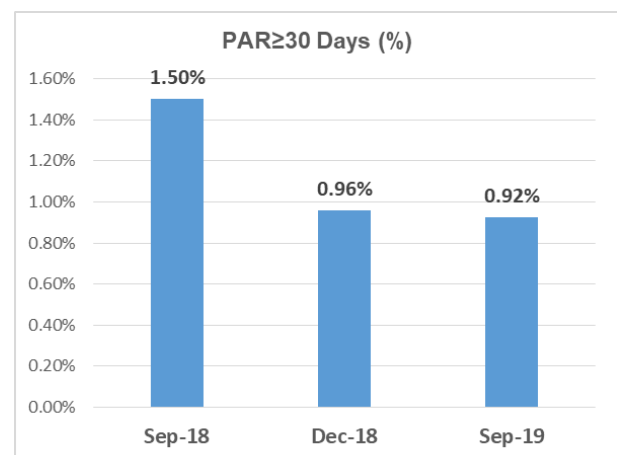
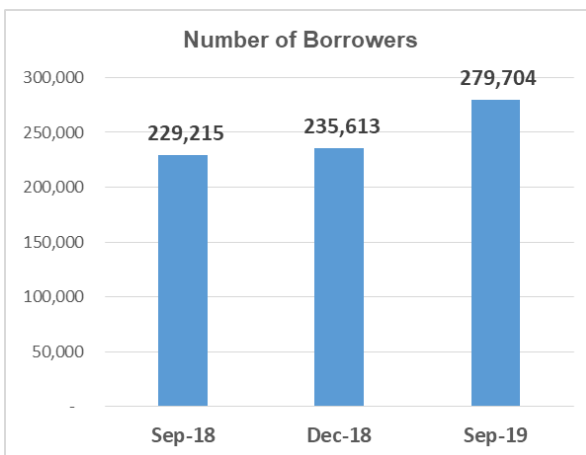
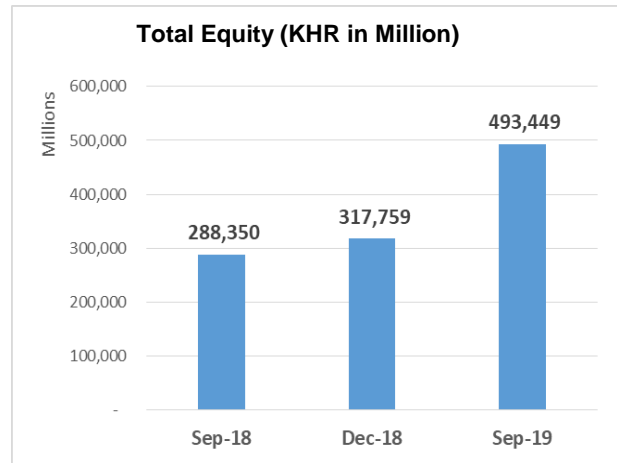
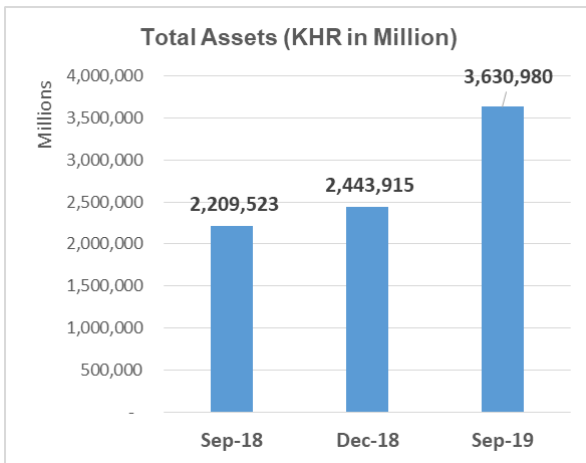
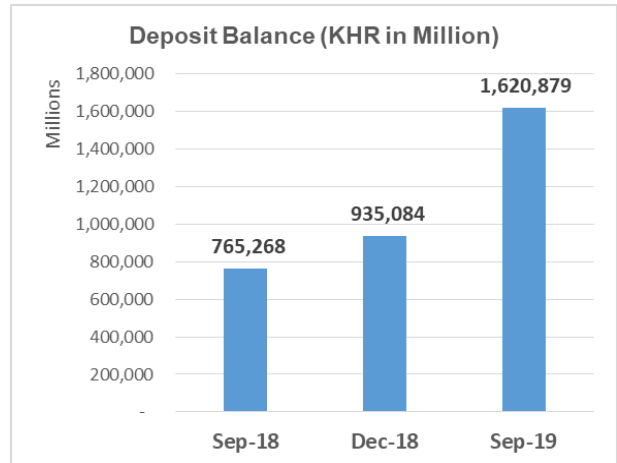
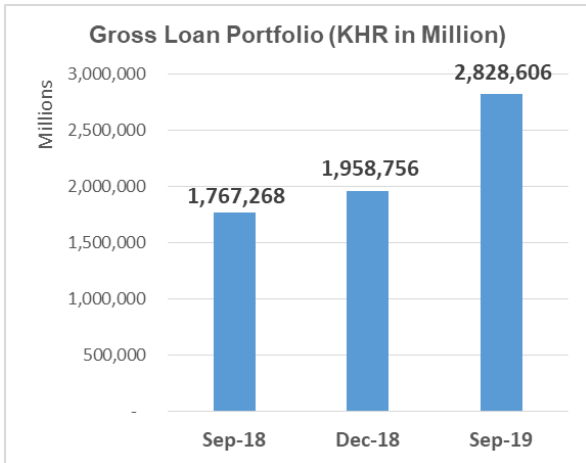
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## Financial Highlight

<b>Financial Situation</b>	<b>Q3-2019</b>	<b>2018</b>
Total Assets (KHR in Million)	3,630,980	2,443,915
Total Liabilities (KHR in Million)	3,137,531	2,126,156
Total Equities (KHR in Million)	493,449	317,759
<b>Financial Results</b>	<b>Q3-2019</b>	<b>Q3-2018</b>
Interest Income (KHR in Million)	109,988	82,255
Profit/(Loss) before Tax (KHR in Million)	42,899	18,337
Net Profit/(Loss) During the Quarter (KHR in Million)	33,035	12,596

<b>Financial Ratio (For Banking and Financial Institutions)</b>	<b>Q3-2019</b>	<b>2018</b>
Solvency Ratio	15.59%	15.63%
Debt to Equity Ratio	6.36	6.69
Liquidity Ratio	243.38%	234.00%
Non-Performing Loan Ratio	0.92%	0.96%
Deposit to Gross Loan Portfolio Ratio	57.30%	47.74%
	<b>Q3-2019</b>	<b>Q3-2018</b>
Return on Assets	1.09%	0.68%
Return on Equity	8.14%	4.78%
Interest Coverage Ratio	176%	143%
Profit per Share (in case listed as stock)	N/A	N/A
Dividend per Share (In case listed as stock)	N/A	N/A
Other Key Financial Ratio (If any)	N/A	N/A

## Graphs of Summary Financial Highlight



## Composition of the Board of Directors



Mr. Brindley de Zylva  
Chairman



Mr. Conrad Dias  
Director



Dulip Rasika Samaraweera  
Director



Mr. Indrajith Wijesiriwardana  
Independent Director



Mr. Michael Moormann  
Independent Director

## Chairman Statement

I take pleasure in presenting LOLC Cambodia's performance for Q3 2019. 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 Q3 2019, LOLC Cambodia continued to maintain its outstanding financial performance and social results. With effective strategic policies aimed at catering to the fast growing Small & Medium Enterprise Sector and internal controls, LOLC Cambodia has increased its loan portfolio to USD 691 million, an increase of 42% compared to end of 2018. The PAR $\geq$ 30 days was maintained at 0.92% which was lower than industry average. With fast and quality growth, LOLC Cambodia has consolidated its position as the country's 4<sup>th</sup> largest MDI in terms of gross loan portfolio (GLP) and deposit balance and the 3<sup>rd</sup> 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.

During 2019 we have expanded our business and outreach with products designed to cater for the fast growing middle income sector. The Medium Business Enterprises demand 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 accounts, children savings schemes and Utility 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.

I take this opportunity to thank my colleagues on the Board for their leadership and strategic insights that is 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 their continued support.

Phnom Penh, 29 November 2019  
Signature, Stamp and Name of Chairman



Bradley de Zylva  
Chairman

## CEO Statement

LOLC maintained quality growth as of end of Q3 2019, increasing its loan portfolio to USD 691 million, a growth of 42% compared to end of 2018. Portfolio at risk was only 0.92% which was lower than industry average. The number of borrowers increased by 19% to 279,704. LOLC's assets reached to more than USD 886 million as of September 2019. Deposit balance reached an impressive of more than USD 396 million, an increase of 70% compared to 2018, while number of depositors increased to 302,415 with an increase of 68%. 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 2,700 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.

In Q4 2019, LOLC will roll out 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, 29 November 2019

Signature, Stamp and Name



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

## Section 1: General Information of Issuer

### A. Identity of Issuer

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

### B. Business Operation

LOLC (Cambodia) Plc. is one of the largest microfinance deposit taking institutions in Cambodia, regulated by the National Bank of Cambodia and has been operating for more than 25 years. LOLC has been providing diversified financial products and services to customers such as loan, deposit, finance lease and local fund transfer throughout its network of 78 branches in the nationwide. As of September 2019, LOLC's deposit balance reached to more than USD 396 million with more than 302 thousand depositors. Total loan portfolio increased to more than USD 691 million with a total of more than 279 thousand loan customers.

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

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. LOLC will launch its iPay mobile banking to all customers in Q4 2019.

Moreover, LOLC has been developing its core system to connect with Cambodia Share Switch (CSS), which allows customers to use ATM cards across the ATM shared switch members.

In addition, LOLC is in the process of developing the tablet banking system 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.



## Section 2: Achievement of Business Operations

### A. Result of Business Operations

Key Achievement	Plan	Actual Achievement
<b>Loan</b>		
Loan customers	269,607	279,704
Gross loan portfolio (KHR million)	2,752,030	2,828,606
<b>Deposit</b>		
Deposit customers	217,008	302,415
Savings balance (KHR million)	1,508,563	1,620,879
<b>Others</b>		
Number of offices	79	78
Number staff	2,620	2,711

### B. Income Structure

No.	Source of Income	Q3-2019		Q3-2018	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	109,988	77.13%	82,255	87.53%
2	Other Income	32,613	22.87%	11,721	12.47%
<b>Total Income</b>		<b>142,601</b>	<b>100%</b>	<b>93,976</b>	<b>100%</b>

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

Please refer to the Annex for detail information.

## Section 4: Management's Discussion and Analysis

The following discussion and analysis is the discussion of LOLC management team on the operational results and financial situation based on Financial Statement as of 30<sup>th</sup> September 2019, which is reviewed by Independent Auditors. LOLC's Financial Statement is prepared in accordance with Cambodian International Financial Reporting Standard (CIFRS) 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.

### A. Operational Overview

#### 1. Income Analysis

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

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

#### 2. Income Analysis by Categories

No.	Source of Income	Q3-2019		Q3-2018	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	109,988	77.13%	82,255	87.53%
2	Other Income	32,613	22.87%	11,721	12.47%
<b>Total Income</b>		<b>142,601</b>	<b>100%</b>	<b>93,976</b>	<b>100%</b>

Interest income is the largest and most significant for LOLC, which is 77.13% of total income.

#### 3. Gross Margin Analysis

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

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

Summary Income Statement (KHR in Million)	Q2 2019	Q3 2019	Variance (KHR in Million)	Variance (%)
Interest Income	113,870	109,988	(3,882)	-3.41%
Interest Expense	(56,493)	(56,191)	302	-0.53%
<b>Net Interest Income</b>	<b>57,377</b>	<b>53,797</b>	<b>(3,580)</b>	<b>-6.24%</b>
Other Income	17,026	32,613	15,587	91.55%
Personnel Expense	(23,971)	(26,225)	(2,254)	9.40%
Depreciation on Tangible and Intangible Assets	(2,533)	(2,678)	(145)	5.72%
Administrative Expense and Other Expense	(8,749)	(9,974)	(1,225)	14.00%
<b>Profit from Operations</b>	<b>39,150</b>	<b>47,533</b>	<b>8,383</b>	<b>21.41%</b>
Provision on Financial Instruments	(4,632)	(4,634)	(2)	0.04%
Profit before Tax	34,518	42,899	8,381	24.28%

In Q3 2019, LOLC's profit before tax reached KHR 42,899 million while it was KHR 34,518 million in Q2 2019, which increased KHR 8,381 million, equivalent to 24.28%. This increment is mainly due to the increase in other income KHR 15,587 compared to Q1 2019.

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

Summary Profit (KHR in Million)	Q2-2019	Q3-2019	Variance (KHR in Million)	Variance (%)
Profit before Tax	34,518	42,899	8,381	32.52%
Income Tax Expense	(8,750)	(9,863)	(1,113)	-4.32%
Profit after Tax	25,768	33,036	7,268	28.21%

In Q3 2019, LOLC's net profit was KHR 33,036 million, increased 28.21% (up from KHR 25,768 million in Q2 2019). This increment is mainly due to the increase in other income by KHR15,587.

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

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

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

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

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

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

As of 30<sup>th</sup> September 2019, management acknowledged that LOLC did not have any unusual elements.

### **3. Tax Analysis**

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

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

As of 30<sup>th</sup> September 2019, management acknowledged that LOLC did not have any unusual or extraordinary elements.

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

As of 30<sup>th</sup> September 2019, management acknowledged that LOLC did not have any significant changes in sales or revenue.

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

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

## **E. Impact of Inflation**

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

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

As of 30<sup>th</sup> September 2019, management acknowledged that LOLC was not adversely affected by the Economy, fiscal and monetary policies of the government.

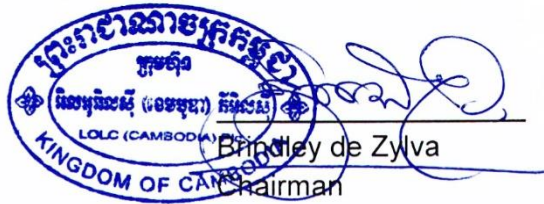
**Section 5: Other Necessary Information to Protect Investors (If Any)**

**Signature of Directors**

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

Date: 29 November 2019

Having seen and approved



The image shows a blue ink signature and an official stamp. The stamp is circular and contains the following text: "ព្រះរាជាណាចក្រកម្ពុជា" (Kingdom of Cambodia) at the top, "ក្រុមហ៊ុន" (Company) in the center, "សម្រាប់ប្រតិបត្តិ (ទទួលខុសត្រូវ) កម្ពុជា" (LOLC (Cambodia) Chairman) in the middle, "LOLC (CAMBODIA)" at the bottom, and "KINGDOM OF CAMBODIA" at the very bottom. The signature is written over the stamp and the name "Bridley de Zylva" and "Chairman" are printed below it.

Bridley de Zylva  
Chairman

# គំនិតដ៏ល្អគឺជាគន្លឹះ *Ideas for Growth*

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