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អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី

LOLC (Cambodia) Plc.

# The Second Quarterly Report

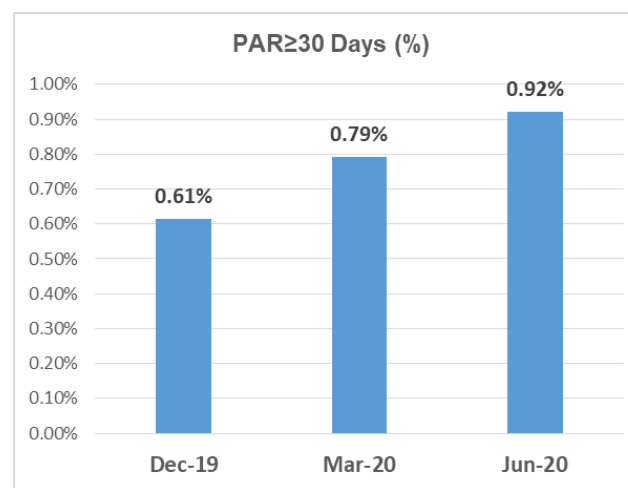
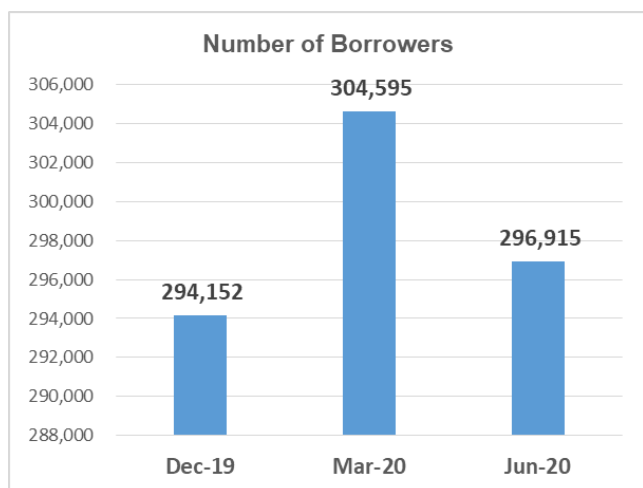
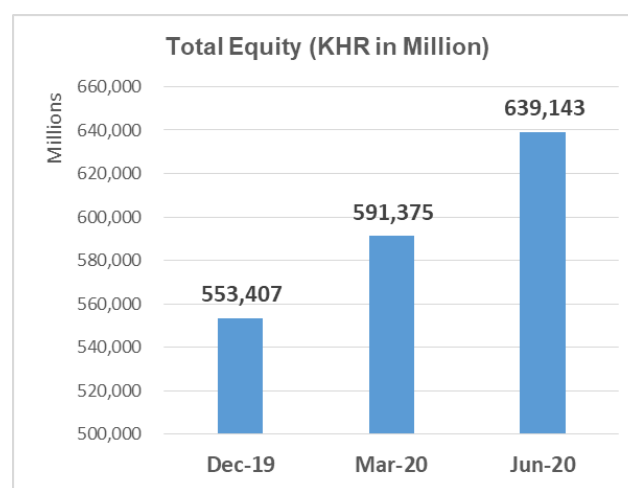
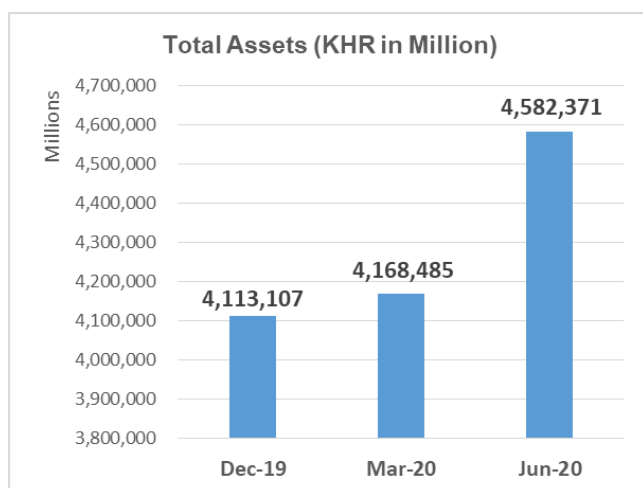
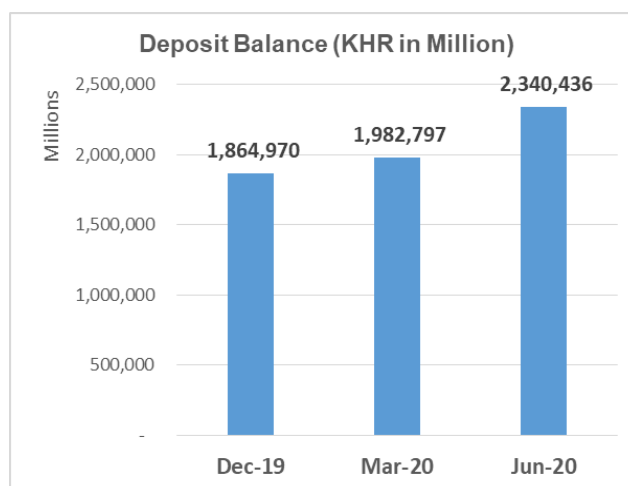
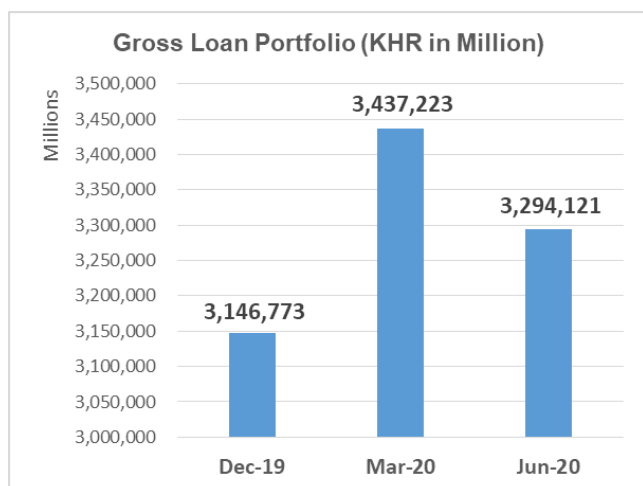
June 30<sup>th</sup>, 2020

## Financial Highlight

<b>Financial Situation</b>	<b>Q2-2020</b>	<b>2019</b>
Total Assets (KHR in Million)	4,582,371	4,113,107
Total Liabilities (KHR in Million)	3,943,228	3,559,700
Total Equities (KHR in Million)	639,143	553,407
<b>Financial Results</b>	<b>Q2-2020</b>	<b>Q2-2019</b>
Interest Income (KHR in Million)	150,794	113,870
Profit/(Loss) before Tax (KHR in Million)	59,812	36,658
Net Profit/(Loss) During the Quarter (KHR in Million)	47,768	33,248

<b>Financial Ratio (For Banking and Financial Institutions)</b>	<b>Q2-2020</b>	<b>2019</b>
Solvency Ratio	19.07%	20.05%
Debt to Equity Ratio	6.17	6.43
Liquidity Ratio	308.61%	281.90%
Non-Performing Loan Ratio	0.92%	0.61%
Deposit to Gross Loan Portfolio Ratio	71.05%	59.27%
	<b>Q2-2020</b>	<b>Q2-2019</b>
Return on Assets	1.09%	1.11%
Return on Equity	7.76%	8.46%
Interest Coverage Ratio	185.17%	164.89%
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

On behalf of the Board of Directors, it gives me great pleasure to present to you LOLC Cambodia's performance for Q2 2020.

LOLC Cambodia displayed its commitment to offer new financial products and services whilst promoting the use of Khmer Riel (KHR) by being the second Microfinance Deposit Taking Institution (MDI) to issue KHR Corporate Bonds listed in the Cambodia Stock Exchange (CSX). The total of KHR 80 billion raised through these bonds resulted in 23% of the Company's Gross Loan Portfolio being loans granted in KHR.

Covid-19 has delivered an enormous global shock, leading to steep recessions in many countries. The baseline forecast envisions a - 5.2% in global GDP in 2020—the deepest global recession in decades. Cambodian's GDP growth rate is expected at - 5.5% in 2020. The three most affected sectors—tourism, manufacturing exports, and construction—contributed more than 70% of growth and 39.4% of total paid employment in 2019. To facilitate a robust recovery, the government will need to continue to ensure macroeconomic and financial sector stability and accelerate trade and investment reforms as well as encouraging faster adoption of digital technologies. With supporting regulations, effective strategic policies and internal control, LOLC Cambodia will continue looking at 2020 with caution.

As of Q2 2020, LOLC Cambodia has been upgrading its digital financial services, which will improve customer services and increase efficiency. LOLC Cambodia has upgraded its iPay Mobile Application and piloted the use of LOLC Cambodia ATM Cards, which can be used at ATMs linked to the Cambodia Shared Switch (CSS). The public launch is scheduled in Q3 2020.

The Covid-19 pandemic has heightened the need to expand the development of Digital Financial Services (DFS). With technical support from the LOLC Group, the Company will keep modifying existing products and services to be accessible digitally.

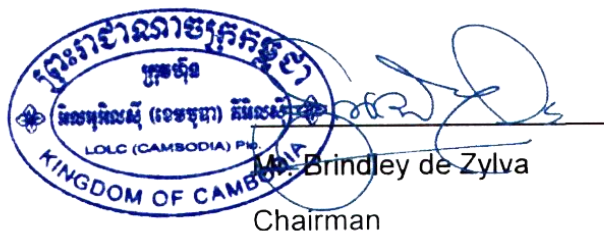
I take this opportunity to thank to my fellow directors for their guidance, our management team and all employees for their commitment and contribution, in sustaining the growth trajectory of the Company. Most importantly their commitment to maintain a good governance structure and the capacity to conduct business in a socially responsible manner has earned the respect of regulators, development financial institutions and customers alike.

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

Last but not least, I would like to extend my gratitude to our loyal shareholders, customers, investors, and all other stakeholders for their support, trust and confidence placed in the company and look forward to their continued support.

Phnom Penh, ... 11<sup>th</sup> ... August ... 2020 .....

Signature, Stamp and Name of Chairman



LOLC (CAMBODIA) PCL  
KINGDOM OF CAMBODIA  
Brindley de Zylva  
Chairman

## CEO Statement

Despite the challenging operating environment for the global economy, due to the outbreak of the Covid-19 pandemic, LOLC Cambodia was able to maintain quality growth as of Q2 2020.

LOLC's assets reached to more than KHR 4,582 billion. Deposit balance reached an impressive of more than KHR 2,340 billion with an increase of 25% compared to end of 2019. The growth of deposit balance indicates that LOLC is a trustworthy microfinance institution, which operates in a socially responsible manner guaranteeing client protection and providing competitive and innovative products and services. As of Q2 2020, gross loan portfolio decreased to KHR 3,294 billion compared to Q1 2020 as our strategy to maintain good quality, while portfolio at risk was only 0.92%.

As of Q2 2020, LOLC has upgraded its iPay Mobile Application with new interface and enhancement, which allows 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. Moreover, LOLC has been piloting the use of LOLC Cambodia ATM cards, which can be used across the ATM shared switch members (Cambodia Share Switch - CSS). LOLC Cambodia will launch the ATM cards to publics in Q3 2020. 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. LOLC has expanded its operating network to 79 branch offices in the nationwide with more than 3,100 personnel to provide our best financial services to our customers.

In 2020, LOLC Cambodia will conduct its operation with caution and will focus 2020 on technology-oriented delivery channels which will improve customer services and increase efficiency such as tablet banking, ATM and third-party connection.

Finally, I would like to express my sincere thanks to our Board of Directors for their guidance, our management team, staff, clients, investors and business partners for supporting LOLC to be a part of its achievements. To the National Bank of Cambodia and Securities and Exchange Commission of Cambodia, a big thank for all the supportive measures and advice to maintain the sustainability of financial institutions.

Phnom Penh, ..... 11<sup>th</sup> August 2020..

Signature, Stamp and Name



Mr. Sok Voeun  
Chief Executive Officer

## Content

<b>Financial Highlight</b> .....	i
<b>Graphs of Summary Financial Highlight</b> .....	ii
<b>Composition of the Board of Directors</b> .....	iii
<b>Chairman Statement</b> .....	iv
<b>CEO Statement</b> .....	v
<b>Section 1: General Information of Issuer</b> .....	1
A. Identity of Issuer .....	1
B. Business Operation .....	1
C. Milestones During the Quarter of LOLC Cambodia .....	1
<b>Section 2: Achievement of Business Operations</b> .....	2
A. Result of Business Operations.....	2
B. Income Structure .....	2
<b>Section 3: Financial Statement Reviewed by Independent Auditors</b> .....	3
<b>Section 4: Management’s Discussion and Analysis</b> .....	4
A. Operational Overview .....	4
B. Key Factors that Affect Profitability .....	6
C. Significant Changes in Sales and Revenue .....	6
D. Impact of Currency Exchange, Interest Rate and Commodity Price.....	6
E. Impact of Inflation .....	6
F. Economy, Fiscal and Monetary Policies of the Government .....	6
<b>Section 5: Other Necessary Information to Protect Investors (If Any)</b> .....	7
<b>Signature of Directors</b> .....	8

## Section 1: General Information of Issuer

### A. Identity of Issuer

- Name of Company in Khmer: អិលអូអិលស៊ី (ខេមបូឌា) ភីអិលស៊ី in English: LOLC (Cambodia) Plc.
- Standard 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 26 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 79 branches in the nationwide. As of June 2020, LOLC's deposit balance reached to more than KHR 2,340 billion with more than 377 thousand depositors. Total loan portfolio decreased to KHR 3,294 billion with a total of around 297 thousand loan customers.

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

LOLC has upgraded its iPay Mobile Application with new interface and enhancement, which allows 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.

Moreover, LOLC has been piloting the use of LOLC Cambodia ATM cards, which can be used across the ATM shared switch members (Cambodia Share Switch - CSS). LOLC Cambodia will launch the ATM cards to publics in Q3 2020.

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	366,886	296,915
Gross loan portfolio (KHR million)	4,071,535	3,294,121
<b>Deposit</b>		
Deposit customers	381,585	377,098
Savings balance (KHR million)	2,375,729	2,340,436
<b>Others</b>		
Number of offices	82	79
Number staff	3,209	3,109

### B. Income Structure

No.	Source of Income	Q2-2020		Q2-2019	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	150,794	90.37%	113,870	87.36%
2	Other Income	16,065	9.63%	16,477	12.64%
<b>Total Income</b>		<b>166,859</b>	<b>100%</b>	<b>130,347</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> June 2020, which is reviewed by Independent Auditors. LOLC's Financial Statement is prepared in accordance with Cambodian International Financial Reporting Standard (CIFRS). 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	Q2-2020		Q2-2019	
		Amount (KHR million)	%	Amount (KHR million)	%
1	Interest Income	150,794	90.37%	113,870	87.36%
2	Other Income	16,065	9.63%	16,477	12.64%
<b>Total Income</b>		<b>166,859</b>	<b>100%</b>	<b>130,347</b>	<b>100%</b>

Interest income is the largest and most significant for LOLC, which is 90.37% 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)	Q1-2020	Q2-2020	Variance (KHR in Million)	Variance (%)
Interest Income	155,163	150,794	(4,369)	-2.82%
Interest Expense	(67,644)	(70,230)	(2,586)	3.82%
<b>Net Interest Income</b>	<b>87,519</b>	<b>80,564</b>	<b>(6,955)</b>	<b>-7.95%</b>
Other Income	20,621	16,065	(4,556)	-22.09%
Personnel Expense	(27,078)	(28,107)	(1,029)	3.80%
Depreciation on Tangible and Intangible Assets	(2,651)	(2,690)	(39)	1.47%
Administrative Expense and Other Expense	(13,856)	(6,848)	7,008	-50.58%
<b>Profit from Operations</b>	<b>64,555</b>	<b>58,984</b>	<b>(5,571)</b>	<b>-8.63%</b>
Provision on Financial Instruments	(17,960)	828	18,788	-104.61%
<b>Profit before Tax</b>	<b>46,595</b>	<b>59,812</b>	<b>13,217</b>	<b>28.37%</b>

In Q2 2020, LOLC's profit before tax reached KHR 59,812 million while it was KHR 46,595 million in Q1 2020, which increased KHR 13,217 million, equivalent to 28.37%. This increase was mainly due to the decrease in Provision on Financial Instruments around KHR 18,788 million compared to Q1 2020.

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

Summary Profit (KHR in Million)	Q1-2020	Q2-2020	Variance (KHR in Million)	Variance (%)
Profit before Tax	46,595	59,812	13,217	51.29%
Income Tax Expense	(8,627)	(12,044)	(3,417)	-13.26%
<b>Profit after Tax</b>	<b>37,968</b>	<b>47,768</b>	<b>9,800</b>	<b>38.03%</b>

In Q2 2020, LOLC's net profit was KHR 47,768 million, increased 38.03%. This increase was mainly due to the increase in profit before tax by KHR 13,217 million.

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

As of 30<sup>th</sup> June 2020, 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> June 2020, 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> June 2020, 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> June 2020, 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> June 2020, 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)**

In this quarter, there is no other necessary information to be reported.

**Signature of Directors**

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

Date:.....14<sup>th</sup>.....August.....2020.

Having seen and approved



Mr. Brindley de Zylva  
Chairman



# គំនិតល្អៗសម្រាប់ជំនួញ *Ideas for Growth*

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