



**គណៈកម្មាធិការ**  
**INTEAN POALROATH RONGROEURNG LTD.**

អាសយដ្ឋាន: ផ្ទះលេខ 779A ផ្លូវកម្ពុជា ក្រោម (128) សង្កាត់ត្នោត ខណ្ឌព្រៃនប់ ភ្នំពេញ  
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Helping Rural People

**MICROFINANCE INSTITUTION**  
**INTEAN POALROATH RONGROEURNG LTD.**

**ANNUAL  
REPORT  
2017**

**CONTACT:**

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## ACRONYMS AND ABBREVIATION

CEA	Cambodian Economic Association
CDRI	Cambodia Development Research Institution
CO	Credit Officer
DEP.	Department
IPR	Intean Poalroath Rongroeurng Ltd
IT	Information Technology
LMDF	Luxembourg Microfinance and Development Fund
MGT	Management
NBC	National Bank of Cambodia
OA	Operational Auditor
ROA	Return of Asset
ROE	Return of Equity

## VISION, MISSION AND CORE VALUE



### VISION

To be the leading Cambodian Microfinance Institution serving the agriculture sector.



### MISSION

To provide convenient financial services adapted to agriculture-related business in order to improve the economic conditions of farmers while sustaining the institution's profitable growth



### VALUE

- Integrity and Honesty
- Accountability
- Teamwork
- Transparency



## COMPANY HISTORY

**Intean Poalroath Rongroeurng Ltd.**, (meaning Credit, Population and Prosperity in Khmer) was founded by two private Cambodian individuals, Mr. Oknha Phou Puy and Ms. Hao Simorn, in 2003. It was founded as a credit unit of the Federation of Cambodian Rice Millers Associations to alleviate the capital constraint of rice mill entrepreneurs who lacked access to credit to expand their production.

In January 2005, the Unit was registered with the National Bank of Cambodia as a rural credit operator. In July in the same year, the Unit was transformed into a private limited liability company and was officially registered with the Ministry of Commerce under the name “Intean Poalroath Rongroeurng Ltd”, IPR, with the registration number Co. 7896/05 P. The Company furthermore received a microfinance institution license, MF 014, from the National Bank of Cambodia in August 2005.

As the funding situation of rice mills had gradually improved over time, IPR turned its focus to small farmers after its registration and MFI license.

In 2008, IPR’s MFI license was renewed by the NBC as a permanent one. In 2010, the Company’s ownership underwent a significant change. Ms. Hao Simorn transferred the entirety of her shares in IPR with full rights to Mr. Oknha Phou Puy in July 2010. On December 31st 2010, Leopard Cambodia Fund, Cambodia’s first private equity fund operated by the international financial group Leopard Capital L.P, took a minority stake

of 33.65% in IPR through the Hong Kong based company IPR (HK) Limited.

In 2015, following its investment plan, IPR (HK) Limited exited IPR through selling back its entire stake to Oknha Phou Puy under official approval from the central bank on August 31, 2015. The Company’s entire shares ownership is, from August 2015, owned by Oknha Phou Puy.

The Company’s entire shares ownership is, from August 2015, owned by Oknha Phou Puy.



## CHAIRMAN'S MESSAGE

Cambodia maintained its GDP growth at 6.90% in 2017, which was unchanged from the previous year. According to Asian Development Bank, Cambodia's economic growth sustained by robust expansion in exports, strong FDI inflows, solid tourist arrivals, and buoyant domestic demand. Agriculture, in spite of accelerated expansion in other sectors, remains the backbone of Cambodia's economy with 25% in Cambodia's GDP. Agriculture focuses by IPR still therefore the main market segment in future growth of its credit portfolio.

The Cambodian financial sector in 2017 however faced more challenges due to the development of regulations and tougher competition. The challenges were further the severe rainfall in some areas and impacted, IPR in particular, our portfolio quality. Though, the whole sector continued its growth, both in credit and deposit. According to the central bank, the loan portfolio in 2017 of microfinance sector reached \$4 billion, amounting to an increase of 36.1%. The total household clients however dropped to 1.8 million compared with the 2016 of 1.9 million borrowers.

In addressing to the challenges, IPR in particular adapted to the environment well through adjusting its pricing structure and furthermore started invention of new business model agriculture value chain, which is a strategic differentiation of the institution, in 2017 in its credit operations for long-term sustainability and growth. The said differentiation will result in higher client retention as well.



The agriculture value chain is considered as the competitive advantage for long-term growth of the company. The model aims at promoting the rural farmers for a better agricultural market accessible while at the same time other stakeholders in agriculture value chain such as millers and rice exporters can rely on storage availability and quality of dried paddy rice from IPR's strategic partner Rice Bank. I strongly believe that the business model will promote the expansion of IPR' credits as well as rice production and export to international markets while at the same time contributing to enhancing the economic condition of related stakeholders, especially rice farmers in the targeted areas.

Whilst profitability declined from the previous year's record, mainly due to changes a lower portfolio yield and higher provision expense, IPR is still a strong base microfinance in terms of equity and clear strategic market positioning.

## CHAIRMAN'S MESSAGE

With a financially healthy balance sheet and dedicated management team, IPR is on the path towards long-term growth in the market.

I extend the continued gratitude and appreciation of the Board to our partners, our valued customers, and IPR executive management team and employees for their continued dedication and commitment.

**Sincerely Yours,**



*[Handwritten signature]*  
Oknha Phou Puy  
Chairman



## CEO'S MESSAGE

2017 was the year of more challenging in the whole microfinance sector, particularly for the smaller institutions. The challenge was mainly the changing of interest charge from free market to a ceiling regulation and other external unexpected factors. It was also remarked for the first time of political influence through requiring some key Banks and MFIs to change their logos and all financial institutions to display "Private Institution" in all offices' signboards. Even challenging, the annual growth rate of the sector was however still at a remarkable trend. According to NBC, by the end of 2017 the number of microfinance institutions was 76, of which 7 are microfinance deposit-taking institutions. The number of credit operators was also significantly increased to 313 by the end of the year. With the increase of players, the size of microfinance operation credits and deposits have increased by 36% to KHR 17,236 billion, roughly US\$ 4 billion, and 34.3% to KHR 8,007 billion, roughly US\$ 2 billion, respectively. As for profitability, with reference to the 2017 performance calculation of the central bank, the sector achieved a return on assets of 2.7% and a return on equity of 12.8%, a 23% and 22% declining accordingly compared with 2016. The challenges for smaller MFIs in particular caused to the increase of NPL, which probably resulted by more new entrants with less professionalism and the aggressive growth of key players through loans refinancing to minimize their huge liquidity in responding to the lower income following the issuance of cap interest



regulation during March 2017.

As for IPR, the NPL by 2017 ended was increased to 4.9%, which was higher than the previous years. More defaults were affected from the weather on agriculture loans since late 2016 as indicated last year of possible affecting on 2017's credit operations. More particularly in 2017, IPR was remarked as the following.

IPR's gross loan portfolio was decreased following the sector challenging. The total portfolio size and outreach were decreased for the first time in IPR history by 19% and 20% accordingly while the sectorwide's outstanding loan grew at 36.1%. The sectorwide's outreach ratio was not indicated; however, mentioned the amount of decrease from 1.9 million households in 2016 to 1.8 million households in 2017. Having the portfolio decrease, the ratio of non-performing loan was stood at 4.9% in 2017. The NPL ratio was more than two folds of the sectorwide at

## CEO'S MESSAGE

2.0%. As a result of smaller portfolio size and in compliance to the newly issuance of ceiling interest rate at 18% per annum, together with a higher NPL, IPR's return on assets and return on equity were dropped significantly according to the lower portfolio yield. The Company's return on assets however was slightly higher than the sectoral average of 2.7%. In terms of return on equity, IPR was at 4.9% to the sectoral average at 12.78% on account of IPR's lower leverage at 0.5.

Following its vision and mission, IPR still continue the focus on agriculture sector, rural lending and the improvement of client family's economic conditions. Women borrowers are prioritized as they are considered as the key decision maker in the family while their spouses are co-borrowers. Following the concentration, 95% of the total loan portfolio was in agriculture sector while the women borrower was 90% to the total number of clients. By utilization of funding loan, IPR wants to see the clients' wealth in terms of assets is increased from time to time. For this reason, clients' net assets are being tracked since 2016. As of 2017 ended, by excluding the first cycle loans and staff loans, 77% was reported the increase of assets while the assets of the rest were stable or decreased.

In responding to tougher market competition and other external factors, IPR, as mentioned in the preceding years, needs to revise its business model through creation of agriculture value chain partnership in differentiation from others

for its long-term business strategies. The agriculture value chain partnership was already started between IPR and its strategic partner as now the Rice Bank's, as partner, production infrastructure and warehousing are in place. IPR also continuously focuses on strengthening its loan assessment and taken into action in improving some internal processes following the standard of client protection principles in order to be more efficient in its credit operations long-term.

Under a strong support of the governing board and existing funding investors, we are struggling to move the Company's operations in overcoming the obstacles to a next stage. On behalf of the Company's management, I take this opportunity to sincerely thank all staff members, the board of directors, shareholders and investors for the support and guidance so far. I wish you all to continue the effort and cooperation to promote IPR further.

**Sincerely Yours,**

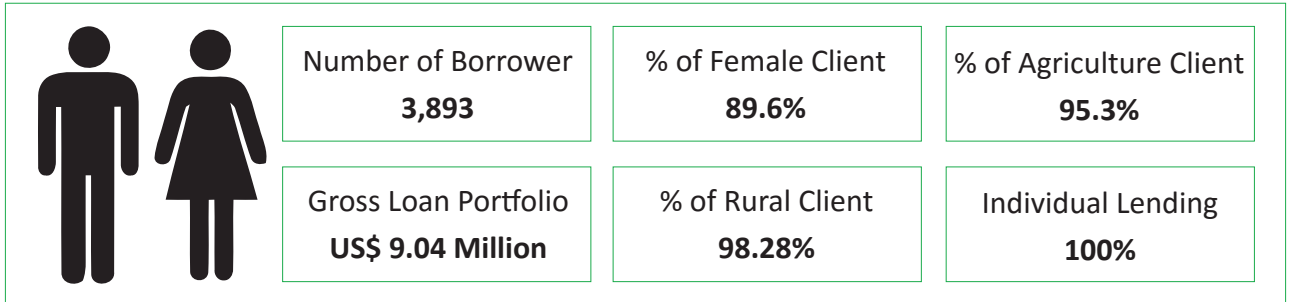


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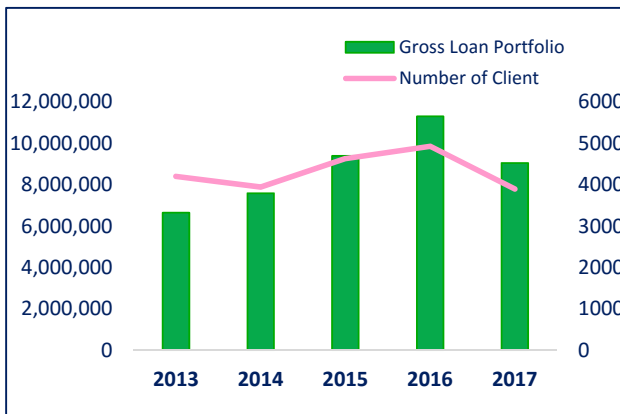
**HORT Bunsong**  
**Chief Executive Officer**

# 2017: A YEAR IN REVIEW

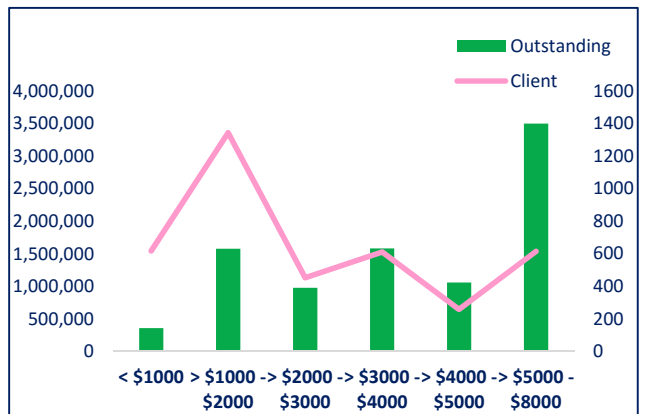
## Client's Profile



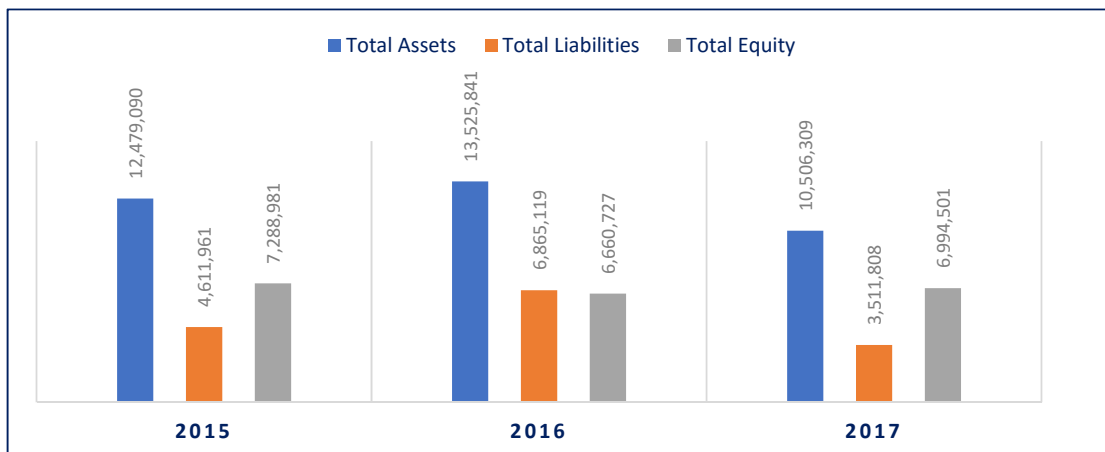
## Gross Loan Portfolio and Number of Client



## Portfolio and Clients by Loan Size



## Assets, Liabilities and Equity



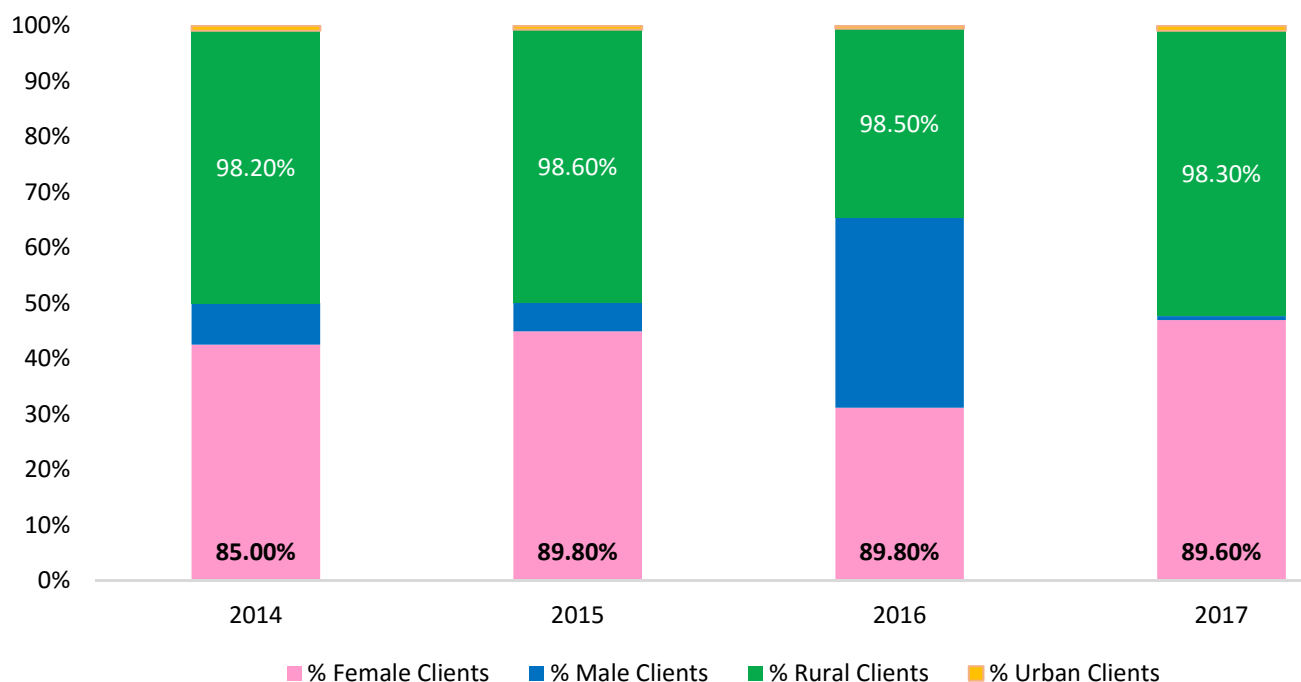
## SOCIAL PERFORMANCE HIGHLIGHT

INDICATORS	2015	2016	2017
<i>Women Borrowers as Percentage of Total</i>	89.8%	89.8%	89.6%
<i>Agriculture loan as Percentage of Total</i>	96.2%	95.1%	95.3%
<i>Rural Clients as Percentage of Total</i>	98.6%	98.5%	98.28%

At IPR, the percentage of female clients is about 90% among all borrowers. In the social perspective, lending to women is better, as women are considered socially at a disadvantage and a loan can expand their economic possibilities and empower them. Moreover, women are acknowledged in better financial management compare to men in Cambodia society.

The percentage of agriculture loan is about 95% among total portfolio while the percentage of rural clients is more than 98% of total outstanding clients. Our work in rural and agriculture finance helps empowering poor farmers to increase their wealth, food production and fund long-term investments to support sustainable economic growth.

### Gender and Rural Distribution of Clients



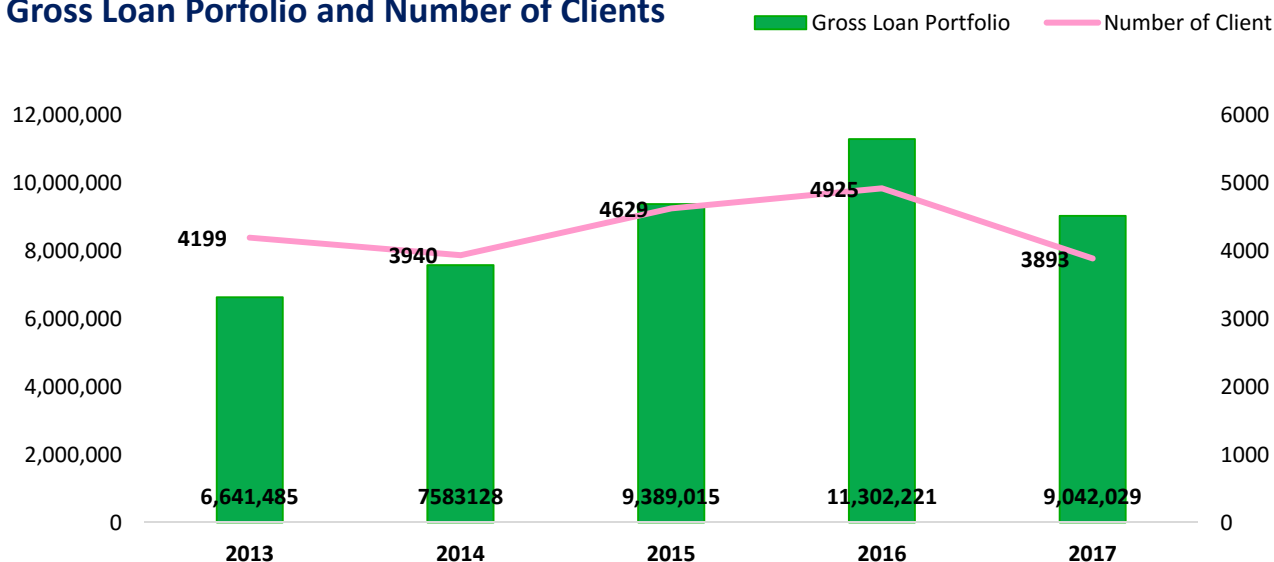
## OPERATIONAL PERFORMANCE HIGHLIGHT

INDICATORS	2015	2016	2017
Number of Province Converge	5	7	7
Number of Districts Coverage	27	33	41
Number of Commune Coverage	130	154	166
Number of Village Coverage	632	711	686
Gross Loan Outstanding (USD)	\$9,389,015	\$11,302,221	\$9,042,029
Agriculture Loan	96%	95%	95%
Number of Outstanding Clients	4,629	4,925	3,893
Average Loan Size (USD)	\$2,028	\$2,295	\$2,323
PAR ratio	1.28%	1.87%	4.89%
Write Off ratio	0.29%	0.80%	2.77%

At the end of 2017, IPR's gross loan portfolio stood at \$9,042,029 while the number of clients was 3,893.

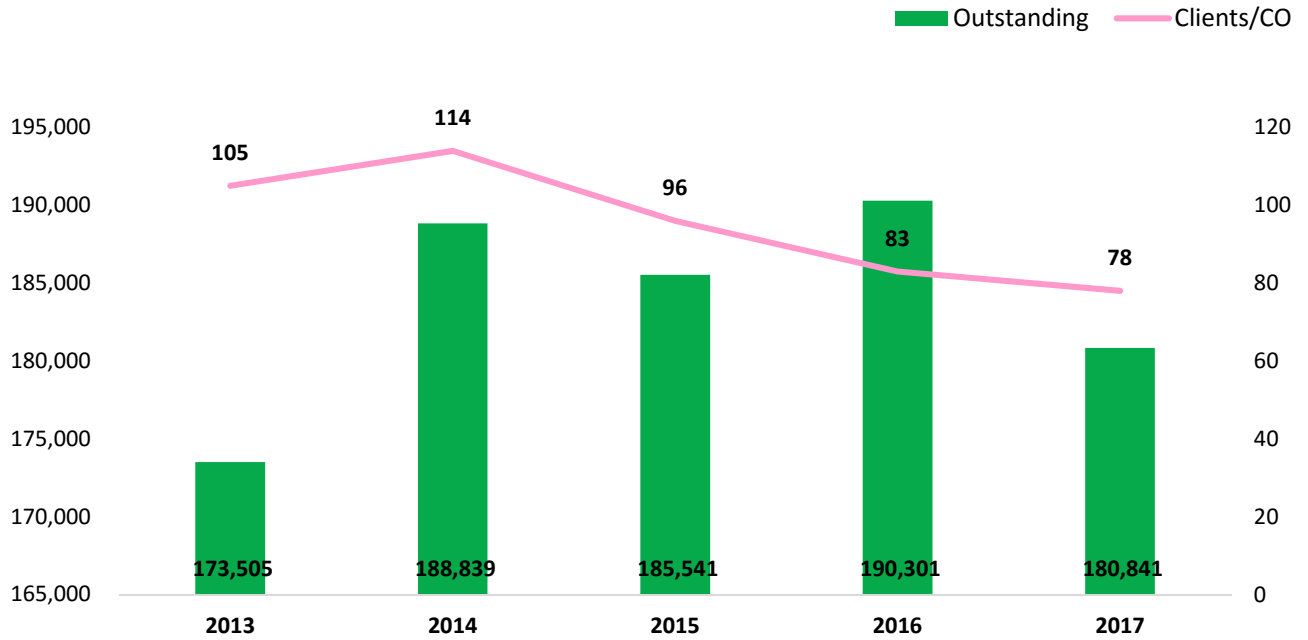
In term of disbursement, IPR allocated \$ 9.6 million to its clients during 2017. Reimbursement, however, attained \$ 12.3 million. As a rural based MFI focusing on agriculture, both disbursement and reimbursement display a seasonal pattern, attaining a high especially in the months between January to March.

### Gross Loan Portfolio and Number of Clients



# OPERATIONAL PERFORMANCE HIGHLIGHT

## Credit Officer's Productivity

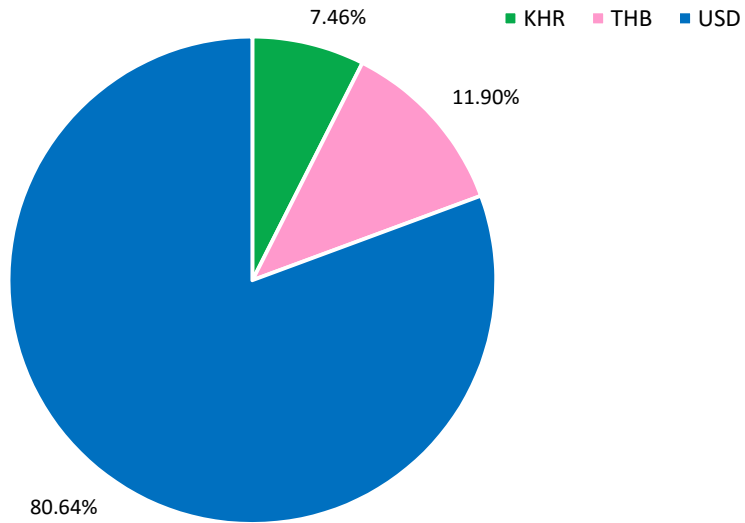


## Portfolio and Clients by Loan Size

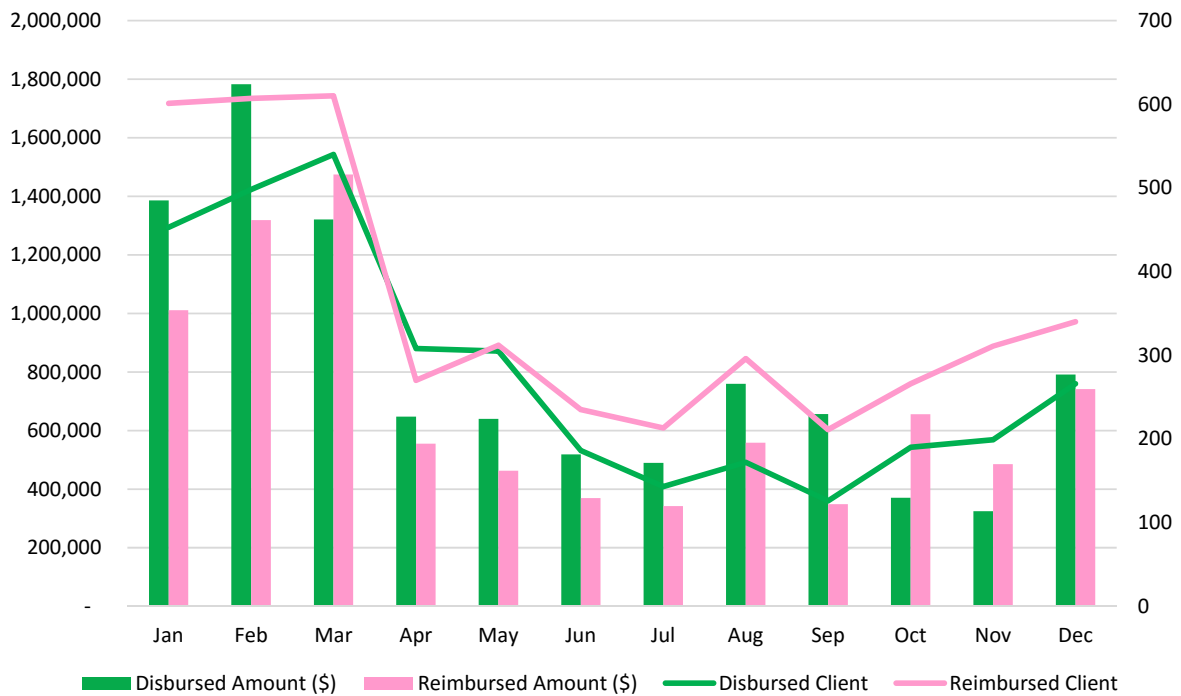


# OPERATIONAL PERFORMANCE HIGHLIGHT

## Portfolio by Currency



## Disbursement and Reimbursement by Month



## FINANCIAL PERFORMANCE HIGHLIGHT

INDICATORS	2015	2016	2017
<i>Net Profit</i>	\$ 666,503	\$671,744	\$333,774
<i>Yield on portfolio</i>	27.5%	27.6%	25.4%
<i>Cost of fund ratio</i>	3.7%	6.0%	5.6%
<i>Operating expense ratio</i>	12.1%	12.3%	12.7%
<i>Provision expense ratio</i>	1.1%	1.0%	3.8%
<i>Return on Assets</i>	6.1%	5.2%	2.8%
<i>Return on Equity</i>	9.6%	9.6%	4.9%
<i>Leverage Ratio</i>	0.7	1.0	0.5
<i>Operational Self-Sufficiency (OSS)</i>	166.5%	144.9%	116.7%

At the end of 2017, IPR's net profit is \$333,774, while portfolio yield decreased about 8% due to interest rate decline following the interest rate capped by NBC. Cost of fund has decreased due to the fall down in leverage. Compare to last year, operating expense increased about 1% which resulted from the increased of staff training and operational strengthening and monitoring activities.



## FINANCIAL PERFORMANCE HIGHLIGHT

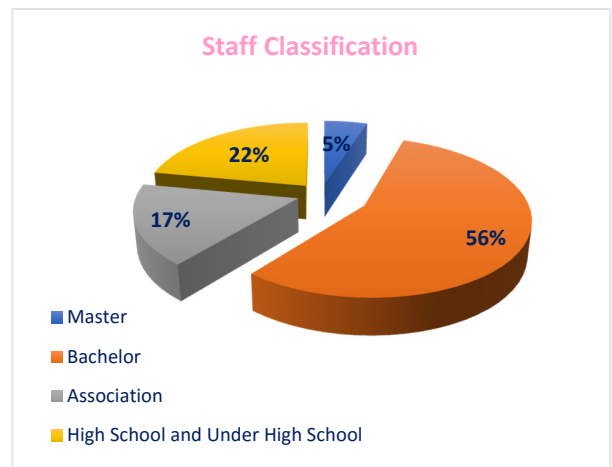
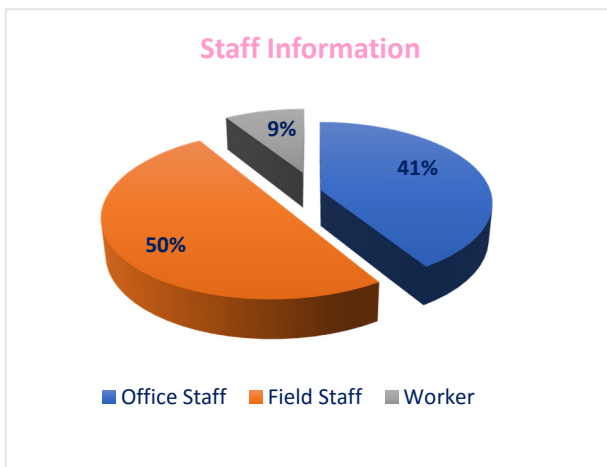
### Summary Tax Paid (in USD)

INDICATORS	2016	2017
<i>Patent Tax</i>	4,211.05	3,715.63
<i>Signboard Tax</i>	61.53	46.67
<i>Transportation Tax</i>	99.08	99.08
<i>Tax on Salary</i>	25,544.82	27,872.02
<i>Prepayment Profit Tax</i>	26,319.43	29,205.61
<i>Withholding Tax on Rental</i>	12,792.24	12,480.60
<i>Withholding Tax on Service (residence)</i>	25,382.67	19,362.09
<i>Withholding Tax on Service (non=residence)</i>	0	0
<i>Withholding Tax on Interest (residence)</i>	5,830.45	5,712.37
<i>Withholding Tax on Interest (non-residence)</i>	68,940.59	79,115.18
<i>Tax on Profit</i>	160,857.07	170,302.27
<i>Stamp Duties Tax</i>	2,467.18	0
<i>Others Tax</i>	0	16,556.85

## Staff Information

By the end of 2017, IPR counted 118 employees which compose of office staff 41%, field staff 50% and workers 9%. Female employee represented 22% of total staff, though they are mostly office-based.

Regarding staff education, master degree accounted for 5% of the total, while bachelor degree, associate, and high school and below were 56%, 17% and 22% respectively. Overall, IPR staff show a good level of education.



## Staff Training

Staff capacity building is a conceptual approach to development that focuses on understanding the obstacles that inhibit staff and company from realizing their development goals while enhancing the abilities that will allow them to achieve measurable and sustainable results. And so capacity building is very important for all

level of staff.

A large number of internal and external trainings and workshops were provided in 2017 to IPR staff in order to strengthen their competence and skills and to improve their performance for the company.



# STAFF AND CAPACITY BUILDING

## List of Trainings and Workshops in 2017

### Internal Trainings

1. Introduction of New Policies and Data Entry into Abacus System for BTs.
2. Orientation and Training for Cos.



### External Trainings and Workshops

1. HR for Non-HR Practitioners
2. Integrated Talent Management and Succession Plan
3. SME Lending
4. Morokot Core-Banking System
5. Workshops on IFRS9 and IFRS16
6. Growing Your Client Base Workshop
7. CBC's Member Working Committee Workshop
8. Monetary and Financial Statistics-MFS
9. Financial Technology Awareness Forum
10. FortiGate I and FortiGate II Training
11. Training on Data Upload Process (CBC)



## INTERNAL AUDIT AND CONTROL

Internal Audit is a dynamic profession involved in evaluating and improving the effectiveness of risk management, control and governance processes IPR. Internal Auditors work with management to systematically review systems and operations. These reviews aimed at identifying how well risks are managed including whether the right processes are in place, and whether agreed procedures are being adhered to. Internal Audit can also identify areas where efficiencies or innovations might be made.

In 2017, Internal Audit Department conducted 20 audits to all IPR branches, two audits for each branch office. In the same year, the department organized two times meeting with Audit Committee to discuss findings and action plan for next year. As the secretary of Risk Committee, the department

organized two meetings with Risk Committee to discuss potential risks and mitigation strategies. Internal Audit Department, moreover, is developing “Internal Audit Worksheet and Rating System” for non-performing and written off loan. The new worksheet and rating system defined specific risks to be assessed and actions to be taken in resolving bad loan, following up bad loan clients and managing non-performing loan. This rating system is expected to roll out for implementation in second quarter of 2018.

Internal audit reports are presented to the management and Board through audit committee. The reports provide an independent viewpoint on the extent to which the institution is poised for success and advice on areas for improvement.



# AGRICULTURE VALUE CHAIN

## IPR's Competitive Advantage Agriculture Value Chain

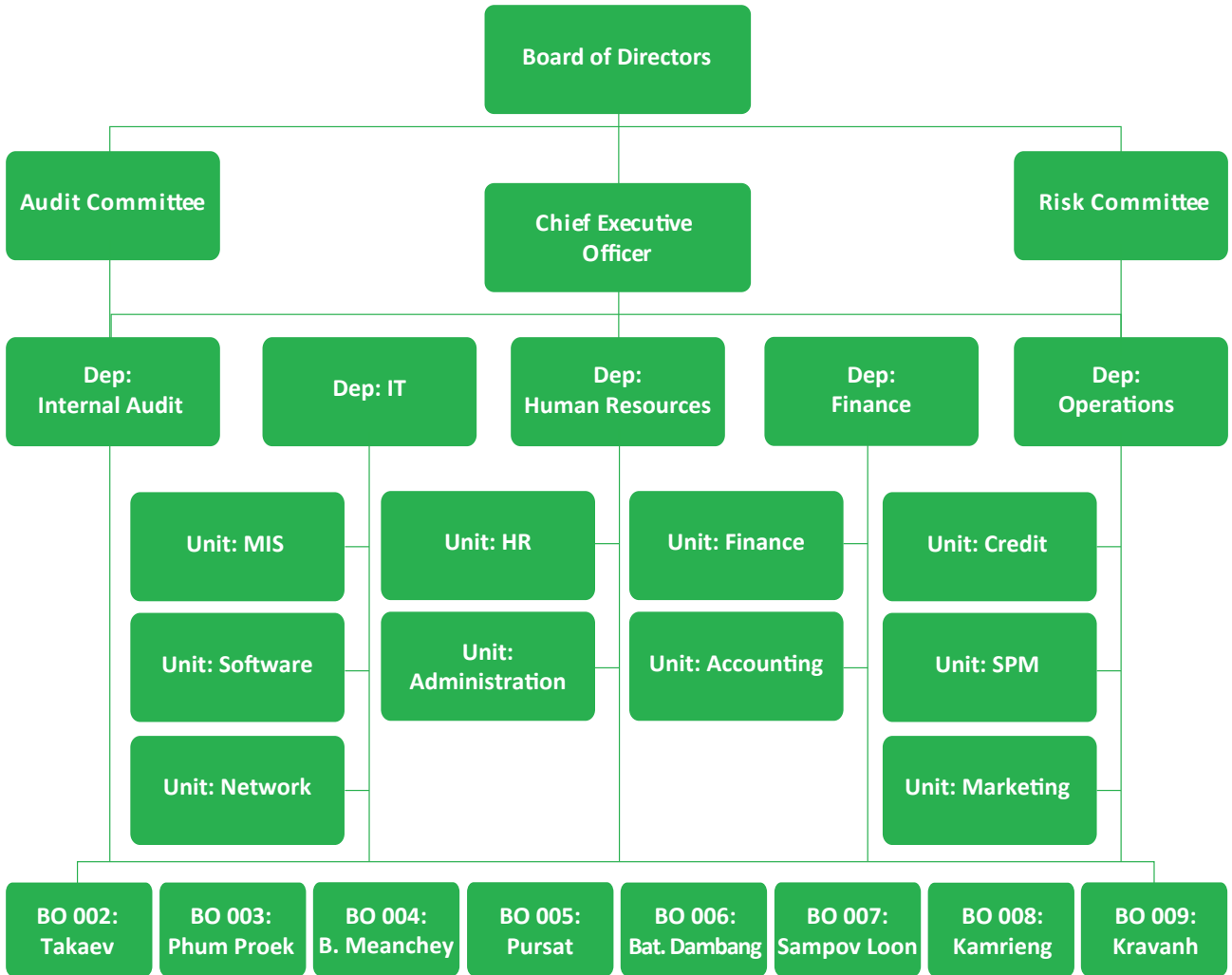
In responding to the changing environment, regulations and tougher competition, IPR is addressing the challenges with new business models in addition to its traditional microfinance lending through creation of Agriculture Value Chain in its credit operations. The agriculture value chain business model is the competitive advantage for long-term profitable growth of the institution. The model aims at promoting the rural farmers for a better agricultural market accessible while at the same time other stakeholders in agriculture value chain such as millers and rice exporters have confidence in their production and supplying the rice market.

Under this business model, IPR as a lender provides loans to the rice farmers with favourable charge and conditions in order to promote rural people, especially rice farmers, while the model the same time is risk mitigation strategy in securing the repayment capability of clients for long-term healthy operations. The chain is going to be created through partnership with the Rice Bank, which is the paddy rice contracted buyer. This scheme will be more attractive to the rice farmers as they will be no concern for them on the risk of no rice market after the harvest.

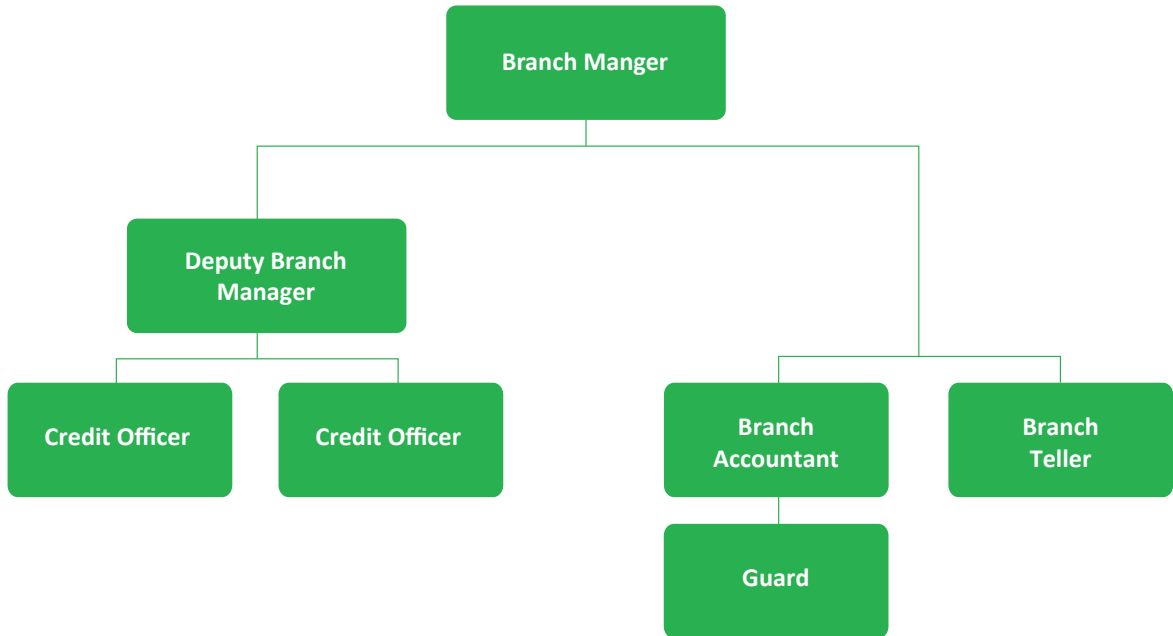
IPR's staff visit Rice Bank



# ORGANIZATION CHART



# BRANCH STRUCTURE







## SHAREHOLDER AND LENDERS

### SHAREHOLDER

**Mr. Oknha PHOU Puy** is a private Cambodian individual shareholder and main founder of INTEAN POALROATH RONGROEURNG Ltd.

### LENDERS

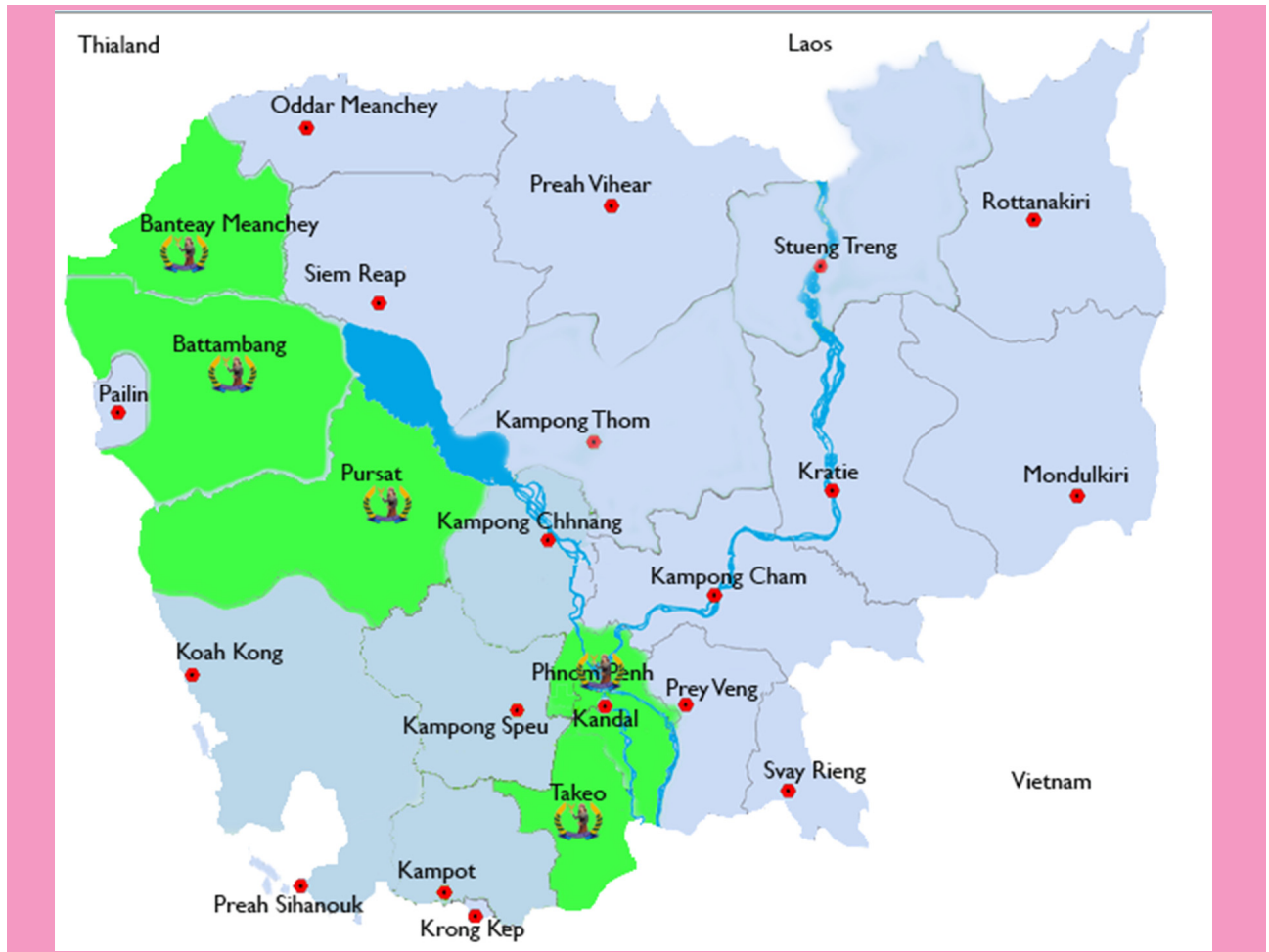
 Luxembourg Microfinance and Development Fund	Luxembourg Microfinance and Development Fund
 Triodos Bank Make your money make a difference	Hivos-Triodos Fonds
 Triple Jump	Triple Jump
 PhillipBank	Phillip Bank
	Mr. Hsu Ming-ye
	Ms. Lin Chong-Lan



## BRANCH NETWORK

**INTEAN POALROATH RONGROEURNG LTD.,** (IPR), is headquartered in the capital city of Phnom Penh. Its client operations take place

however essentially at its 10 main branch offices in four provinces: Banteay Meanchey, Pursat, Takeav and Bat Dambang.



## BOARD OF DIRECTORS

**MR. OKNHA PHOU PUY**  
**CHAIRMAN**



**Mr. Oknha PHOU Puy** is the Founder and Chairman of the Board of Directors of IPR since inception, prominent Cambodian Agriculture Entrepreneur, particularly in rice milling; chairman and CEO of Baitang (Kampuchea) Plc, operator of the largest rice miller in Cambodia; president of the Chamber of Commerce of Battambang province.

**MR. MIN KIMSAN**  
**DIRECTOR**



**Mr. MIN Kimsan** is the owner of Kimsan Farming, an animal raising farm contracted with C.P. Cambodia Co., Ltd, the most reputation animal raising and breeding company; owner of a few garment factory buildings in Phnom Penh.

**MR. MAK SARUN**  
**DIRECTOR**



**Mr. MAK Sarun** serves as director of the Board of Directors of INTEAN POALROATH RONGROEURNG LTD. He is a founding shareholder of SOKIMEX Co., Ltd from the inception stage 1990 and its investment projects. He is holding directorship function of the Board of Directors of the parent company SOKIMEX since 1995. Mr. Mak Sarun obtained a master degree in Public Administration in 2008.

## BOARD OF DIRECTORS

**MR. MAO SAVIN**  
DIRECTOR



**Mr. MAO Savin** an Investment Manager at Emerging Markets Investments; experienced in finance, private equity and business consulting; co-founder of several community development and social network/ enterprise organizations in Cambodia.

**MR. HSU MING-YEE**  
DIRECTOR



**Mr. HSU Ming-Yee** is an independent microfinance consultant and investor. He used to work as Adviser, then as Head of Operations department at IPR from 2011 to 2014. Before engaging with IPR, Mr. HSU Ming-Yee worked for ADA, a Luxembourg NGO specialized in microfinance, where he coordinated the set-up of the Luxembourg Microfinance and Development Fund and managed its investment portfolio in Asia and East Africa. Prior to ADA, he worked for the European Commission in Malaysia and for the Central Bank of Luxembourg. Mr. HSU Ming-Yee has published works on banking stability, the US personal savings rate and microfinance funding.

**MRS. POK NIVILAY**  
DIRECTOR



**Ms. POK Nivilay** serves as an independent director since April 2016. She has a long and distinguished career in Sales & Marketing; Communication and Accounting. She previously worked as Head of Marketing and Communications; Accounting Manager; Sales Support Manager; and a TV hostess on law and health Talk Show. Ms. Nivilay holds Bachelor and Master Degree of Business Administration, majoring in General Management.

## MANAGEMENT TEAM

**MR. HORT BUNSONG**  
**CHIEF EXECUTIVE OFFICER**



**Mr. HORT Bunsong** is currently the CEO, serving this function from the inception stage of the Company. He is the founding personnel in the creation of IPR in developing initial infrastructure required for the Company registration and obtainment of microfinance license. His prior experiences include general management, public relations and education.

**MR. HAY KIMKHORN**  
**HEAD OF FINANCE**



**Mr. HAY Kimkhorn** serves as Head of Finance of IPR since 2009. He has been with working with IPR for over 10 years since 2006 in different roles such as Branch assistant, Branch Manager, and Head of Operation. Before joining IPR, he worked Branch Accountant in another MFIs. Kimkhorn hold a BBA in Finance and Accounting and MBA in Management from University of Management and Economic (UME), Battambang Province. He also has attended several training courses related to microfinance.

**MR. OUM KOSAL**  
**ACTING HEAD OF OPERATIONS**



**Mr. OUM Kosal** is the Acting Head of Operations in 2017. He has been with IPR since 2011 in different roles such as Deputy Branch Manager, Branch Manager, and Credit Manager. Before joining IPR, he held various positions at other MFIs including Credit officer and Branch Manager. He was also a teacher at Secondary and High school for 6 years. Kosal holds a Bachelor's Degree in Management and currently pursues his Master Degree in the University of Management and Economic (UME). Beside work and education, Kosal attended several training courses related to Microfinance.

## MANAGEMENT TEAM

**MR. LUN CHANTHENG**  
**HEAD OF HUMAN RESOURCES**



**Mr. LUN Chantheng** is currently serving as Head of Human Resources. Prior to joining IPR, he was employed as Human Resources and Administration Manager in private company and local and international NGO for more than 7 years where he experienced in Human Resources Development and HR strategic Management. He moreover worked in a leading microfinance as General Trainer for two years.

**MR. CHENG VANNET**  
**HEAD OF INTERNAL AUDIT**



**Mr. CHENG Vannet** is currently serving as Head of Internal Audit. He joined IPR in January 2010 and held various positions including Loan Recovery Manager, Main Branch Manager, Credit Manager and Acting Head of Operations. Prior to joining IPR, he worked as Credit Officer and Operations Manager with other MFIs. Vannet holds a Bachelor's Degree of Economics and Master's Degree in General Management.

**MR. HENG PHINATH**  
**HEAD OF INFORMATION TECHNOLOGY**



**Mr. HENG Phinath** joined IPR as Senior Software Developer in December 2015 and then promoted as Acting Head of IT in July 2016. Prior to joining IPR, Phinath was a Software Developer with Open Institute and Operations Manager at Le Grande Apartment. Phinath holds Bachelor's Degree of Computer Sciences from Royal University of Phnom Penh and University of Pune, India. He currently pursues his Master Degree of Computer Science in Royal University of Phnom Penh.



IPR provides credit products to rural IPR provides credit products to rural people focusing on agricultural farmers. Our operation areas primarily in rural areas, as this is where agriculture lies.

PRODUCT DESCRIPTION	WORKING CAPITAL LOANS	INVESTMENT LOANS
Target	Individual client who needs finance to purchase seeds, fertilizers and other running inputs.	Individual client who needs finance for purchasing of equipment, machinery and other capital goods related to agricultural production.
Currency	KHR, USD, THB	KHR, USD, THB
Maximum Term	12 months	36 months
Interest Rate/Monthly	1.5%	1.5%
Repayment Modalities	<p>Instalment</p> <p>Principal can be repaid monthly, bi-monthly, quarterly, bi-annually or as a lump sum at the end of the loan term.</p>	<p>Instalment</p> <p>Principal can be repaid monthly, bi-monthly, quarterly, bi-annually or as a lump sum at the end of the loan term.</p>
	<p>Balloon</p> <p>Interest can be repaid monthly or interest half balloon.</p>	<p>Balloon</p> <p>Interest can be repaid monthly or interest half balloon.</p>





## CLIENT STORIES

**Ms. SOM Phorn, 37 years old, a resident in Phnom Prek, Bat Dambang Province.**

Phorn and her whole family are residents in Phnom Prek village, Phnom Prek commune, Phnom Prek district, and Bat Dambang province. The livelihood of this household depends on cassava and poultry cultivation.

Phorn has never taken out loan from neither financial or nonfinancial institutions. In 2014, in order to expand her cassava growing and supplement the family income, she made the decision with her husband to borrow from IPR.

Until now, Phorn has been taking loan from IPR 3 cycles already. Before getting loan from IPR, the household annual income was about KHR 10.000.000 ( $\approx$  USD 2,500) and she owns only 1.6 hectare of land. Now her annual income is KHR 34.300.000 ( $\approx$  USD 8,500). She is so excited with all the things she got from using financial service with IPR. “My life is improved. My family income is increased. Now my family owns 4 hectares of land; two water bumpers and two motorcycles. I’m happy and thankful to IPR for making my life prosperous”.



# 2017 AUDITED FINANCIAL STATEMENT



# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited financial statements of Intean Poalroath Rongroeurng Ltd. (the “Company”) for the year ended 31 December 2017.

## PRINCIPAL ACTIVITY

The Company is principally engaged in the provision of micro-finance services. Those services comprise granting credit for poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

## RESULTS AND DIVIDENDS

The financial performance of the Company for the year ended 31 December 2017 was set out in the income statement on page 9 of the financial statements.

No dividend was declared or paid during the year (2016: US\$1,300,000).

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL

During the year, there was no changes in the registered and paid-up capital of the Company.

## BAD AND DOUBTFUL LOANS

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

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances which would render the amount of the allowance for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

## ASSETS

Before the Company's financial statements was drawn up, the Board of Directors took reasonable steps to ensure that any assets, 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 Board of Directors is not aware of any circumstances which would render the values attributed to the assets in the Company's financial statements misleading in any material respect.

## VALUATION METHODS

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the Company's financial statements misleading or inappropriate in any material respect.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- i) no charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person; and
- ii) no contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of its business operations.

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

## CHANGE OF CIRCUMSTANCES

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

# REPORT OF THE BOARD OF DIRECTORS

## ITEMS OF AN UNUSUAL NATURE

The Company's financial performance for the year ended 31 December 2017 was not, in the opinion of the Board of Directors, materially affected by any items, transactions or events of a material and unusual nature.

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

## SIGNIFICANT EVENTS

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements if any.

## THE BOARD OF DIRECTORS

The members of the Board of Directors holding office during the year and as at the date of this report are:

☞ Oknha Phou Puy	Chairman
☞ Mr. Mak Sarun	Director
☞ Mr. Min Kimsan	Director
☞ Mr. Hsu Ming Yee	Independent director
☞ Mr. Chan Sophal	Independent director
☞ Mr. Mao Savin	Independent director
☞ Mrs. Pok Nivilay	Independent director

## DIRECTORS' INTERESTS

The Directors who held office at the end of the year and their interests in the shares of the Company were as follows:

# REPORT OF THE BOARD OF DIRECTORS

	31 December 2017		31 December 2016	
	Holding %	Number of shares of US\$119 each	Holding %	Number of shares of US\$119 each
Oknha Phou Puy	100%	25,955	100%	25,955

## DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company other than as disclosed in the financial statements.

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

The Board of Directors is responsible to ascertain that the financial statements are properly drawn up, so as to present fairly, in all material respects, the financial position of the Company as at 31 December 2017, 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 judgements and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- v) effectively control and direct the Company and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

## REPORT OF THE BOARD OF DIRECTORS

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

### STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, which present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**On behalf of the Board of Directors,**



Oknha Phou Puy  
Chairman

**Phnom Penh, Kingdom of Cambodia**

**Date: 27 April 2018**

# REPORT OF THE INDEPENDENT AUDITORS

To the Shareholder of Intean Poalroath Rongroeurng Ltd.

## Opinion

We have audited the financial statements of Intean Poalroath Rongroeurng Ltd. (the “Company”), which comprise the balance sheet as at 31 December 2017, and the income statement, the statement of changes in shareholder’s equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 49.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Intean Poalroath Rongroeurng Ltd. as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

## Basis for opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CIASs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We 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.

## Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the Report of the Board of Directors set out on pages 1 to 4.

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, we conclude that there is a material

## REPORT OF THE INDEPENDENT AUDITORS

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## REPORT OF THE INDEPENDENT AUDITORS

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**For Deloitte (Cambodia) Co., Ltd.**



Ung Kimsopheaktra  
Director

**Phnom Penh, Kingdom of Cambodia**

**Date: 27 April 2018**

## AS AT 31 DECEMBER 2017

	Note	31 December 2017		31 December 2016	
		US\$	Riel'000	US\$	Riel'000
<b>ASSETS</b>					
Cash on hand	4	106,956	431,781	86,372	348,684
Balances with the NBC	5	156,193	630,551	155,688	628,512
Balances with other banks	6	1,064,544	4,297,564	1,580,967	6,382,364
Loans to customers	7	8,774,571	35,422,943	11,115,868	44,874,759
Other assets	8	253,569	1,023,658	408,142	1,647,669
Property and equipment	9	72,987	294,649	67,058	270,713
Intangible assets	10	2,091	8,441	16,564	66,869
Profit tax credit	20(a)	22,227	89,730	22,227	89,730
Deferred tax assets	20(b)	53,171	214,651	72,960	294,540
<b>Total assets</b>		<b>10,506,309</b>	<b>42,413,968</b>	<b>13,525,846</b>	<b>54,603,840</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
<b>LIABILITIES</b>					
Borrowings	11	3,188,755	12,873,004	6,297,150	25,421,595
Other liabilities	12	126,022	508,749	261,998	1,057,686
Provision for severance pay	13	150,363	607,015	140,708	568,038
Current income tax liabilities	20(c)	46,668	188,399	165,263	667,167
<b>Total liabilities</b>		<b>3,511,808</b>	<b>14,177,167</b>	<b>6,865,119</b>	<b>27,714,486</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital	14	3,088,645	12,468,860	3,088,645	12,468,860
Retained earnings		3,905,856	15,767,941	3,572,082	14,420,494
<b>Total shareholder's equity</b>		<b>6,994,501</b>	<b>28,236,801</b>	<b>6,660,727</b>	<b>26,889,354</b>
<b>Total liabilities and shareholder's equity</b>		<b>10,506,309</b>	<b>42,413,968</b>	<b>13,525,846</b>	<b>54,603,840</b>

# INCOME STATEMENT

## AS AT 31 DECEMBER 2017

	Note	Year ended 31 December 2017		Year ended 31 December 2016	
		US\$	Riel'000	US\$	Riel'000
Interest income	15	2,267,048	9,152,073	2,861,928	11,553,603
Interest expense	16	(564,748)	(2,279,888)	(615,897)	(2,486,376)
<b>Net interest income</b>		1,702,300	6,872,185	2,246,031	9,067,227
Other operating income	17	330,071	1,332,497	61,029	246,374
<b>Operating income</b>		2,032,371	8,204,682	2,307,060	9,313,601
Personnel expenses	18	(674,684)	(2,723,699)	(672,743)	(2,715,863)
Depreciation and amortisation		(52,116)	(210,392)	(56,228)	(226,992)
Other operating expenses	19	(560,143)	(2,261,297)	(543,186)	(2,192,843)
Allowance for bad and doubtful loans	7	(322,139)	(1,300,475)	(108,088)	(436,351)
<b>Profit before income tax</b>		423,289	1,708,819	926,815	3,741,552
Income tax expense	20(d)	(89,515)	(361,372)	(255,072)	(1,029,726)
<b>Profit for the year</b>		333,774	1,347,447	671,743	2,711,826

# STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

## AS AT 31 DECEMBER 2017

	Share capital US\$	Retained earnings US\$	Total US\$
Balance as at 1 January 2016	3,088,645	4,200,339	7,288,984
Profit for the year		671,743	671,743
Dividend paid	-	(1,300,000)	(1,300,000)
<b>Balance as at 31 December 2016</b>	<b>3,088,645</b>	<b>3,572,082</b>	<b>6,660,727</b>
<i>In Riel'000 equivalent</i>	<u>12,468,860</u>	<u>14,420,494</u>	<u>26,889,354</u>
Balance as at 1 January 2017	3,088,645	3,572,082	6,660,727
Profit for the year	-	333,774	333,774
<b>Balance as at 31 December 2017</b>	<b>3,088,645</b>	<b>3,905,856</b>	<b>6,994,501</b>
<i>In Riel'000 equivalent</i>	<u>12,468,860</u>	<u>15,767,941</u>	<u>28,236,801</u>

# STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2017

	Note	Year ended 31 December 2017		Year ended 31 December 2016	
		US\$	Riel'000	US\$	Riel'000
<b>Cash flows from operating activities</b>					
Profit before income tax		423,289	1,708,819	926,815	3,741,552
<i>Adjustments for:</i>					
Interest income		(2,267,048)	(9,152,073)	(2,861,928)	(11,553,603)
Interest expense		564,748	2,279,888	615,897	2,486,376
Depreciation and amortisation		52,116	210,392	56,228	226,992
Loss on assets written off		545	2,200	8,636	34,864
Exchange difference on borrowings		71,624	289,144	3,413	13,778
Allowance for bad and doubtful loans	7	322,139	1,300,475	108,088	436,351
Provision for severance pay	13	30,666	123,799	35,482	143,241
<i>Changes in working capital</i>					
Loans to customers		2,019,158	8,151,341	(2,003,675)	(8,088,836)
Other assets		(28,585)	(115,398)	140,712	568,054
Other liabilities		(73,715)	(297,587)	(67,470)	(272,376)
		<u>1,114,937</u>	<u>4,501,000</u>	<u>(3,037,802)</u>	<u>(12,263,607)</u>
Interest received		2,450,206	9,891,482	2,826,352	11,409,983
Interest paid		(627,009)	(2,531,235)	(577,718)	(2,332,248)
Income tax paid	20	(188,321)	(760,252)	(200,472)	(809,305)
Severance paid	13	(21,011)	(84,822)	(32,301)	(130,399)
		<u>2,728,802</u>	<u>11,016,173</u>	<u>(1,021,941)</u>	<u>(4,125,576)</u>
<b>Net cash generated from/ (used in) operating activities</b>					
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	9	(44,117)	(178,100)	(29,829)	(120,420)
		<u>(44,117)</u>	<u>(178,100)</u>	<u>(29,829)</u>	<u>(120,420)</u>
<b>Net cash used in investing activities</b>					
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		-	-	2,081,061	8,401,243
Repayments of borrowings		(3,180,019)	(12,837,737)	(399,285)	(1,611,914)
Dividend paid		-	-	(1,300,000)	(5,248,100)
		<u>(3,180,019)</u>	<u>(12,837,737)</u>	<u>381,776</u>	<u>1,541,229</u>
<b>Net cash (used in)/generated from financing activities</b>					
<b>Net decrease in cash and cash equivalents</b>					
		(495,334)	(1,999,664)	(669,994)	(2,704,767)
Cash and cash equivalents at beginning of the year					
		1,656,095	6,685,656	2,326,089	9,420,660
Currency translation differences					
		-	-	-	(30,237)
<b>Cash and cash equivalents at end of the year</b>					
	21	<u>1,160,761</u>	<u>4,685,992</u>	<u>1,656,095</u>	<u>6,685,656</u>

## 1. LIMITATION

This report on key financial information is prepared by the management of Intean Poalroath Rongroeurng Ltd. (the "Company"), solely for the use of the National Bank of Cambodia ("NBC"). The computations of the key financial information according to the definitions of the relevant regulations and guidelines issued by the NBC, set out in the respective paragraphs as indicated below form an integral part of and should be referred to together with the attached schedules.

## 2. MINIMUM CAPITAL REQUIREMENT, Prakas No. B7-00-06 as amended by Prakas No. B7-016-117

The NBC's Prakas No. B7-00-06 on the licensing of microfinance institutions requires that the microfinance institutions shall have a minimum registered capital of Riel 250 million (approximately US\$62,500).

On 22 March 2016, the NBC issued a new Prakas No. B7-16-117, requiring microfinance institutions to have a minimum registered capital of at least Riel 6 billion (approximately US\$1.5 million). The microfinance institutions are required to fulfil this requirement within two years from the date of this Prakas.

On 16 June 2016, the NBC issued a Circular No. B7-016-003 on implementation of Prakas on minimum registered capital of Banking and Financial Institutions, requiring the Company:

- To increase the minimum registered capital by at least half of the differences between current registered and new minimum registered capital by the end of March 2017;
- And to increase the minimum registered capital in full by 22 March 2018.

As at 31 December 2017, the Company had registered capital of US\$ 3,088,645.

## 3. NET WORTH, Prakas No. B7-07-132

The calculation of net worth shall be taken into account in calculating prudential and other ratios. The Company's net worth as at 31 December 2017 amounted to US\$6,955,282 as computed in Schedule 1.

## 4. SOLVENCY RATIO, Prakas No. B7-07-133

The Company is required by this Prakas to maintain a solvency ratio of at least 15%.

As at 31 December 2017, the Company maintained a solvency ratio of 68%, representing the Company's

net worth as a percentage of its risk-weighted assets and off-balance sheet items. The solvency ratio calculation is detailed in Schedule 2.

### **5. LIQUIDITY RATIO, Prakas No. B7-02-48**

The Company is required by this Prakas to maintain a liquidity ratio of at least 100%. As at 31 December 2017, the Company's Liquidity Ratio was not applicable as the Company has no voluntary savings from the public. The liquidity ratio calculation is detailed in Schedule 3.

### **6. FOREIGN CURRENCY TRANSACTIONS, Prakas No. B7-00-50**

The Company transacts its business primarily in US\$ and maintains its books of accounts in US\$. Accordingly, all currencies other than US\$ are considered as foreign currencies.

#### Balance sheet items

As at 31 December 2017, in accordance with Prakas No. B7-00-50, all assets and liabilities of the Company that were denominated in foreign currencies were translated using the year end exchange rate.

#### Off-balance sheet items

The Company is required to record off-balance sheet items from the commitments arising from the purchase and sale of foreign currencies relating to spot transactions (with a completion period of two days) and forward foreign exchange transactions.

As at 31 December 2017, the Company had no commitments of these natures.

### **7. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No. B7-07-134**

Net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, shall not exceed 20% of Company's regulatory net worth.

As at 31 December 2017, the Company's net open position was 19.28% short for US dollars, 6.51% long for Thai Baht and 12.87% long for Khmer Riel of the Company's net worth. The net open position calculation is detailed in Schedule 4.

# COMPLIANCE WITH THE CENTRAL BANKS' PRAKAS

## 8. LOAN CLASSIFICATION, PROVISIONING, AND DELINQUENCY RATIO

Prakas No. B7-02-186

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

Loan term of one year or less

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

Loan term of more than one year

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

Mandatory provisions on the loans classified as follows:

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

As at 31 December 2017, the specific provision provided by the Company was US\$181,495.

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



# SCHEDULE 1: NET WORTH RATIO

AS AT 31 DECEMBER 2017

	<u>31 December 2017</u> <u>US\$</u>
<b><i>I- Sub-total A: Items to be added</i></b>	
- Capital or endowment	3,088,645
- Reserve, other than revaluation reserves	-
- Premium related to capital (share premiums)	-
- Provision for general banking risks, with the prior agreement of the NBC	-
- Retained earnings	3,572,082
- Audited net profit for the latest financial year	334,749
- Other items approved by the National Bank of Cambodia	-
	<u>6,995,476</u>
<b><i>II- Sub-total B: Items to be deducted</i></b>	
- For shareholders, directors, managers and their next of kind	
> Unpaid portion of capital	-
> Advances, loans, security and the agreement of the persons concerned as defined above	40,194
- Holding of own shares at their book value	-
- Accumulated losses	-
- Formation expenses	-
- Losses determined on dates other than the end of the annual accounting period (including provisions to be made for doubtful debt and securities)	-
	<u>40,194</u>
<b><i>III- Total C: BASE NET WORTH = A – B</i></b>	<u>6,955,282</u>
<b><i>IV- Sub-total D: Items to be added</i></b>	
- Revaluation reserves, with the prior agreement of the NBC	-
- Subordinated debt, with the prior agreement of the NBC, up to 100% of base net worth	-
- Other items, with the prior agreement of the NBC, could be included in the calculation of net worth and shall not be more than base net worth	-
	<u>-</u>
<b><i>V- Sub-total E: Items to be deducted</i></b>	
- Equity participation in banking and financial institutions	-
- Other items	-
	<u>-</u>
<b><i>VI- Total F: TOTAL NET WORTH = C + D – E</i></b>	<u><u>6,955,282</u></u>

## SCHEDULE 2: SOLVENCY RATIO

AS AT 31 DECEMBER 2017

			<u>31 December 2017</u>
			<u>US\$</u>
<b>I- Numerator (A)</b>			
Net worth			<u>6,955,282</u>
<b>II- Denominator (B)</b>			
	<b>US\$</b>	<b>Weighting</b>	
- Cash	106,956	0%	-
- Gold	-	0%	-
- Claims on the NBC	156,193	0%	-
- Assets collateralized by deposits	-	0%	-
- Claims on sovereigns rated AAA to AA-	-	0%	-
- Claims on sovereigns rated A+ to A-	-	20%	-
- Claims on banks rated AAA to AA-	-	20%	-
- Claims on sovereigns rated BBB to BBB-	-	50%	-
- Claims on banks rated A+ to A-	-	50%	-
- All other assets (*)	10,243,160	100%	10,243,160
- All off-balance sheet items	-	100%	-
	<u>10,506,309</u>		<u>10,243,160</u>
<b>III- Solvency ratio (A/B)</b>			<b><u>68%</u></b>

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

## SCHEDULE 3: LIQUIDITY RATIO

AS AT 31 DECEMBER 2017

	<u>31 December 2017</u>	
	<u>US\$</u>	
<b>I- Numerator: LIQUID ASSETS (A)</b>		
Cash on hand		106,956
Balances with the National Bank of Cambodia		156,193
Balances with other banks		<u>1,064,544</u>
		<u>1,327,693</u>
<i>Less:</i>		
- Amounts owed to NBC		-
- Amounts owed to other banks		<u>-</u>
		<u>-</u>
Net liquidity		<u>1,327,693</u>
<i>Plus:</i>		
- Portion of loans maturing in less than one month		<u>165,882</u>
<b>LIQUID ASSETS</b>		<u>1,493,575</u>
<b>II- Denominator: ADJUSTED AMOUNT OF DEPOSITS (B)</b>		
	<b>US\$</b>	<b>%</b>
Voluntary savings	-	25% <u>-</u>
<b>III- LIQUIDITY RATIO (A/B)</b>		<u>N/A</u>

## SCHEDULE 4: NET OPEN POSITION

AS AT 31 DECEMBER 2017

Currency	Assets US\$	Liabilities and equity US\$	Net open position (NOP) US\$	NOP/ Net worth %	Limit %
US Dollars	8,423,436	(9,771,414)	(1,347,978)	-19.28%	20%
Riel	899,764	(4,570)	895,194	12.87%	20%
Thai Baht	1,183,109	(730,325)	452,784	6.51%	20%
Total	<u>10,506,309</u>	<u>(10,506,309)</u>	<u>-</u>		
Net worth			<u>6,955,282</u>		

## SCHEDULE 5: CLASSIFICATION, PROVISING, AND DELINQUENCY RATIO

AS AT 31 DECEMBER 2017

	Amount US\$	Rate %	Specific Provision US\$
<b>Loan classification</b>			
<b>1-Loans of one year or less</b>			
1-1 Standard	2,224,367	0%	-
1-2 Substandard Past Due ≥ 30 days	619	10%	62
1-3 Doubtful Past Due ≥ 60 days	1,000	30%	300
1-4 Loss Past Due ≥ 90 days	34,524	100%	34,524
Sub-Total 1	<u>2,260,510</u>		<u>34,886</u>
<b>2-Loans of more than one year</b>			
2-1 Standard	6,379,785	0%	-
2-2 Substandard Past Due ≥ 30 days	127,963	10%	12,796
2-3 Doubtful Past Due ≥ 180 days	199,940	30%	59,982
2-4 Loss Past Due ≥ 360 days	73,831	100%	73,831
Sub-Total 2	<u>6,781,519</u>		<u>146,609</u>
<b>Grand total 1+2</b>	<u>9,042,029</u>		<u>181,495</u>
<b>Specific allowance recorded by the Company</b>			<u>181,495</u>
<b>Differences</b>			-
<b>All loan past due ≥ 30 days (A)</b>			437,877
<b>Loan outstanding (B)</b>			<u>9,042,029</u>

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