



កាន់តែទុកចិត្ត កាន់តែបំរើសេវា

ហត្ថាកសិករ លីមីតធីត
HATTHA KAKSEKAR LIMITED

2017

ANNUAL REPORT





Operational Highlights

Operational Highlights	2015	2016	2017
Operating provinces	25	25	25
Operating districts	195	197	197
Operating communes	1,644	1,674	1,704
Operating villages	10,641	10,991	11,586
Branch Offices	150	153	168
Total ATMs	102	123	126
Total staffs	2,243	2,325	3,024
Total borrowers	112,777	117,637	123,618
Loan outstanding /Credit Officer (in USD)	392,129	464,764	432,768
Loan outstanding /Staff (in USD)	162,062	191,503	190,767
Average loan size (in USD)	3,223	3,785	4,667
Portfolio at risk (PAR %)	0.09%	0.72%	1.10%
Total depositors	217,991	221,480	225,960
Total loan portfolio (in USD)	363,504,006	445,243,664	576,880,156
Total deposit balance (in USD)	238,162,778	360,091,055	367,553,680
Total Asset (in USD)	446,116,297	586,507,682	691,007,573



Financial Highlights

Financial Highlights	2015	2016	2017
	(In USD)	(In USD)	(In USD)
Assets			
Loans to customers – net	361,818,717	442,277,524	567,536,202
Total assets	446,116,297	586,507,682	691,007,573
Liabilities			
Deposit from customers	236,414,270	357,772,465	367,421,079
Total liabilities	388,445,325	519,648,560	585,616,886
Equity			
Total equity	57,670,972	66,859,122	105,390,687
Income and expenses			
Interest income	64,226,422	81,568,073	94,996,654
Interest expenses	(24,756,709)	(35,502,532)	(38,555,784)
Income tax expenses	(2,859,385)	(3,416,171)	(4,114,230)
Net profit for the year	11,112,084	12,819,057	15,356,159



Social Performance Highlights

Social Performance Highlights	2015	2016	2017
Responsibility to clients			
Female borrowers	67%	66%	66%
Female depositors	66%	64%	64%
Rural coverage, borrowers	82%	82%	82%
Client retention rate	79%	78%	79%
Credit history checked, Credit Bureau	100%	100%	100%
Micro-insurance, number of active insured	7,875	15,650	15,270
Number of SME Loan	318	588	788
Percentage of clients below \$ 2.50 (PPP) a day	25%	23%	22%
Responsibility to staff			
Female staff	29.47%	30.37%	29.99%
Staff retention rate	93.62%	91.35%	91.53%
Staff's average year of service	3.33	3.86	3.51
Number of training courses per staff	10	7	6
Responsibility to government (in USD) *			
Tax on salary and fringe benefits	736,596	1,646,870	1,423,381
Withholding tax	2,441,579	2,868,470	3,756,611
Annual profit tax	3,341,027	3,648,432	4,336,909

* HKL disclosed only material amount paid to the General Department of Taxation.



Cambodia Economic Indicators

Main Economic Indicators	2015	2016	2017(e)	2018(p)
Nominal GDP (millions USD)	18,241	20,020	22,095	24,355
GDP per capita (in USD)	1,171	1,264	1,374	1,493
Consumer price index	1.3(e)	3.5(p)	3.7	4.2
Real GDP growth, at constant factor prices	6.9	6.8(e)	6.8	6.8
:Agriculture(in%)	0.2	1.2(e)	1.0	0.8
:Industry(in%)	11.7	10.4(e)	9.8	8.9
:Services(in%)	7.1	6.8(e)	7.1	8.0
Inflation rate(in%)	1.2	3.0	2.9	3.2

Public Sector

Government revenue (% GDP)	17.6	18.5	19.7	18.7
Government expenditure (% GDP)	21.1	22.0	22.3	24.6
Government balance, excluding grants (% GDP)	-3.5	-3.6	-2.7	-5.9
Government balance, including grants (% GDP)	-3.2	-3.1	-2.3	-5.6
Government net lending/borrowing (% GDP)	-1.6	-1.7	-3.6	-4.8
Government gross debt (% GDP)	31.3	32.4	33.8	35.3

Main Economic Indicators	2015	2016	2017(e)	2018(p)
Foreign Trade and Investment				
Trade balance (millions USD)	-2,261(e)	-2,276(p)	-2,451	-2,570
Exports of goods (million USD)	8,280(e)	9,115(p)	10,044	10,994
(% change yoy)	8.4(e)	10.1(p)	10.2	9.5
Import of goods (million USD)	10,542(e)	11,391(p)	12,495	13,565
(% change yoy)	9.1(e)	8.1(p)	9.7	8.6
Foreign direct investment (million USD)	1,668	2,164	2,381	2,664
Financial Markets				
Deposits to GDP (% change yoy)	61.6	74.0	N/A	N/A
Loan to GDP (% change yoy)	28.6(e)	25.8(p)	23.2	21.5
Exchange rate (riel/usd, cop)	4,025	4,058	4,062	4,067
Commercial bank and specialist banks (loan outstanding)	51,045	66,358	86,266	112,145
MFI (loan outstanding)	10,760	15,386	22,003	31,464
Business				
Competitiveness index	3.88	3.94	3.98	3.93
Competitiveness rank	95	90	89	94
Investment (YOY percentage change)				
Building and construction	10.4	6.0	12.8	N/A
Core machinery and equipmen	15.0	12.0	N/A	N/A

The total population was about 15.84 million by 2017 with the population growth of around 1.42% and median age was 25 years old. The gross domestic product (GDP) was equal to USD 22 billion (2017 estimate) and GDP per capita was around USD 1,451 (2017 estimate) with the purchasing power parity of 64 billion of international dollars (2017 estimate).

Sources:

- The global competitiveness report 2017-2018, World Economic Forum
- Fearless forecast 2018, economic overview, CBRE Cambodia
- National Strategic Development Plan (2014-2018), National Institution of Statistics, Ministry of Planning;
- International Monetary Fund (IMF), Data Mapper
- Cambodia economic update 2017, Staying competitive through improving productivity, World Bank Group

e = estimate f= forecast p = projection

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VISION

To be the leading, sustainable microfinance provider, helping clients to succeed in their businesses by providing suitable financial services to contribute to the development of Cambodia.

MISSION

HKL is committed to long-term social and financial sustainability and improving the income of its clients. HKL provides loans, savings, and other inclusive financial services countrywide, in particular to women and low income families in rural areas.

Milestones / Company Profile

1994

Hattha Kaksekar Started as a food security project established by OCSD/OXFAM–Quebec, a Canadian organization, provided micro loans to rural people in four communes in Pursat province.

1996

The food security project was registered with the Ministry of Interior of Cambodia as a non-governmental organization (NGO) called Hattha Kaksekar. In Khmer, "Hattha Kaksekar" means "Farmer's Hand" or "A Helping Hand for Farmers" with the head office based in Pursat province.

2001

Hattha Kaksekar (HK) NGO was registered with the Ministry of Commerce with paid-up capital of USD 77,850 to transform itself into a private limited company with a new name, Hattha Kaksekar Limited (HKL). At the same time, HKL was granted a three-year license by the National Bank of Cambodia to operate microfinance services across Cambodia.

2010

The National Bank of Cambodia offered HKL an MDI "Micro-Finance Deposit Taking Institution" license due to the sustainability of its operations and finances. This license disclosed one of HKL's successes in providing customers with financial services, permitting HKL to officially mobilizes savings from the public. Most noteworthy was the work done by the MIS team to equip the Core Banking System (CBS) to provide a prompt and efficient service in response.

2016

HKL was acquired by Krungsri Bank, the 5th largest bank in Thailand and a member of Mitsubishi UFJ Financial Group (MUFG), Japan's largest banking group and one of the world's largest and most diversified financial groups.

2017

HKL received a newly injection of USD 23.2 million from parent company, increasing HKL's shareholder equity to USD 105.4 million, including USD 30 million of registered capital.



Chairman of the Board of Director's Remarks

The year 2017 was another challenging year, yet HKL showed remarkable growth and development. Despite several headwinds in the industries, HKL managed to minimize the impacts fairly well. The most notable was the interest rate cap enforced in April 2017, which had a significant impact on HKL's net interest income. Intense competition from both new and existing players across the commercial banking and microfinance industry resulted in increasing pressure on pricing that impacted profitability.

Despite these challenges, HKL ended the year with solid performance. HKL opened 15 branches to expand its network coverage in new areas supported by more than 1,200 credit officers. The organization was realigned and a dedicated sales distribution unit was established to allow HKL to be closer to the market and to grow the portfolio more efficiently. HKL revisited its strategy to focus on selected segments to maintain profitability and asset quality. The loan portfolio grew by 30%, standing at \$567.5 Million. Asset quality improved with NPL to 1.10%, among the lowest in the microfinance industry. During the year, deposits increased by 2% ending at \$367.6 Million. The operating costs were well under control and resulted in 18% growth in net profit, amounting to \$15.4 Million. The capital adequacy ratio (CAR) stood at 18.1%, providing ample cushion against risk and was well above the central bank's requirement.

Internally, HKL made significant improvements in many areas by leveraging support from Krungsri Group, its shareholder. HKL placed emphasis on strong risk management and credit discipline. Many enhancements were implemented, including rigorous credit quality monitoring, the deployment of field staff to improve

collateral assessment and the loan assessment standard. Audit and compliance were strengthened in terms of methodology and effective monitoring. HKL also worked closely with Krungsri on knowledge transfer for new product development. A new loan product was introduced, called Cardkri Loan, where customers can use their car or motorcycle as collateral for borrowing, modeled after a successful product from the group.

Outlook for 2018 and HKL Strategy

The Cambodian economy is projected to grow solidly in the range of 6.8% to 6.9% driven by strong export and service sectors, including tourism. HKL will continue to enhance and elevate itself to a higher standard in order to serve customers in various parts of the growing economy. HKL will expand its customer base not only in the traditional microfinance segment but also in the new segments of retail and the consumer banking space. This is thanks to the unparalleled advantages of leveraging Krungsri's expertise to build retail and consumer banking.

In the Mid-Term Business Plan (MTBP), covering the period between 2018 and 2020, HKL set its aspiration to be the most admired MDI and ready for commercial banking by 2020. It sets an ambitious yet achievable goal, committing to enhance HKL in various dimensions to be ready as a commercial bank to better serve the country. HKL aspires to delight its customers with the best experiences through the quality of its staff, well-designed processes, and digital technology.

Four key strategies drive HKL during the MTBP period:

- Strengthen the internal platform to support growth by focusing on risk control and automation;
- Optimize growth and profitability through the right mix of products and channels;
- Broaden the funding capability with various instruments raised in both domestic and international markets to improve the costs of the fund and reduce the concentration of risk;
- Enhance human resource management and organizational management to strengthen the organization and speed up changes.

HKL will continue to collaborate closely with Krungsri in various areas including branding, funding, business referrals, and knowledge transfer. HKL is confident that it has laid out a solid plan with strong shareholder support to move itself upwards to achieve its aspiration.

On behalf of the HKL Board of Directors and employees, I would like to take this opportunity to express our sincere appreciation for your continued trust in our business.



Sudargo (Dan) Harsono
Chairman of the Board of Directors



Remarks from the President & CEO

2017 was a remarkable year for Hattha Kasekar Limited with a well-managed and competitive performance result in loan (both quantity and quality), deposit and other financial services initiatives. HKL has achieved significant milestones in intensive product development, risk management, compliance, collection, business development and staff capacity building, despite strong competitive environment and prudential regulatory requirements. HKL is proud to mark the first anniversary of HKL-Krungsri integration, “Stronger Together” with this achievement.

Economic Development

Cambodia has sustained an economic growth rate of 7% in 2017, mainly supported by the sectorial contribution in services (39%), followed by industry (30%) and the agriculture sector (25%), according to MoEF, and backed by the robust performance in the construction (18%), textile (7%), and tourism sectors (5%), despite the number of challenges in the moderate growth of global and regional trade partners like the EU, the US and China, according to NBC.

Industry Environment

The microfinance sector in Cambodia is highly competitive due to the fast-growing number of new entrants, currently with more than 50 banks and 70 MFIs, as well as the strong growth rate of bank lending with no less than 20% growth in the sector. The prudential regulations have strengthened the financial institutions’ capacity to another secured and sustainable level and ensured the industry’s sustainable growth. Financial Institutions’ assets have grown by 20.2%; while the amount of loans and deposits has grown by 18% and 24.5% respectively in 2017. HKL has caught up with the industry growth, maintaining its loan growth rate at 30% in 2017.

Despite the strong competitive environment, HKL has managed to rank in top position, 3rd in loan outstanding, 2nd in deposit, and 2nd in the numbers of ATM machines deployed.

Performance Achievement

HKL has achieved a Net Profit after Tax of USD 15.4 Million, close to the annual profit goal, with the income hitting 92% of the target; and operational expenses were kept 23% lower than planned.

- Lending amounts grew by 30% to USD 567.5 Million from USD 445 Million in 2016.
- The non-performing loan ratio has increased compared to 2016 but was still manageable at 1.1% in 2017.
- HKL has slightly increased the saving & deposit amounts to USD 367.6 Million.
- HKL has provided ATM services to 40,027 card holders with 126 ATM machines, 13 of which are deposit ATMs, throughout the towns and cities of Cambodia.
- HKL recorded 210,871 mobile transactions during 2017 with 6,013 mobile banking subscribers.
- HKL has successfully promoted micro health insurance, providing services to 26,296 insured in 2017, helping clients to protect themselves for any health or accident related risks.
- Return on Average Equity was achieved at 21.43%.
- Net interest income rose by 23% to USD 56.44 Million from USD 46.07 Million, resulting from the higher loan volumes in 2017.
- Operating expenses rose only by 8.21 % to USD 31 Million which were well managed.

Social Responsibilities, Customers' Satisfaction and Client's Protection

HKL has maintained its strong interest in corporate social responsibility, having supported the related educational activities program, environment and people's health & safety, and ensuring HKL's clients has produced no harm to the environment and society. HKL continues to improve the service quality. On annual basis, clients' survey feedback has been collected and reviewed for service improvement to meet the customers' needs. A few campaigns were initiated to offer special prices to loyal customers and to incentivize members who referred clients to HKL. HKL also set up a tele-Sale team to communicate with depositors to fit the specific need of each customer group.

Offices and ATMs network of HKL

In 2017, HKL's office network grew to 168 offices from 153 offices in 2016 and to 126 ATM machines, bringing our financial services closer to the population and substantially increasing our catchment area and increasing the access of customers to the services with no limit of time and day.

Industry Prospects

The Cambodia economic growth is forecasted to remain strong at around 7% in 2018, supported by the growth in industry of 8.6%, service of 7.6% and agriculture of 2%, and by stronger growth of non-garment exports, in wholesale & retail trade, and in crops; and with shared contribution from the garment, construction, real estate, transportation, hotel and restaurant sectors, according to a report of the NBC. The service and industry sectors remain the largest contributors to Cambodia's economy. With the remarkable growth pace, the loan and the deposit growth in the Financial Industry in 2018 is projected to grow at similar pace to 2017 at a rate of 18% and 24% respectively.

Strategic Plan & Priority

HKL has developed a Mid Term Business Plan for 3 years, aspiring to become the most admired MDI and to be well-prepared for Commercial Banking by 2020, embarking on the journey of best customer experiences, platforms development to achieve sustainable growth & banking standards, and digital technology advancement to improve product offering and internal efficiency.

Acknowledgement

We are profoundly grateful for the dedication of HKL's team for their contributions and commitment to the sustainable growth of HKL. The trust of our customers, partners and associates, and the support of the National Bank of Cambodia and other regulatory bodies have made our achievement recorded. My heartfelt thanks to our chairman, board members and shareholders for their guidance and support, and for entrusting me to continue to lead HKL.



Hout Ieng Tong
President & CEO

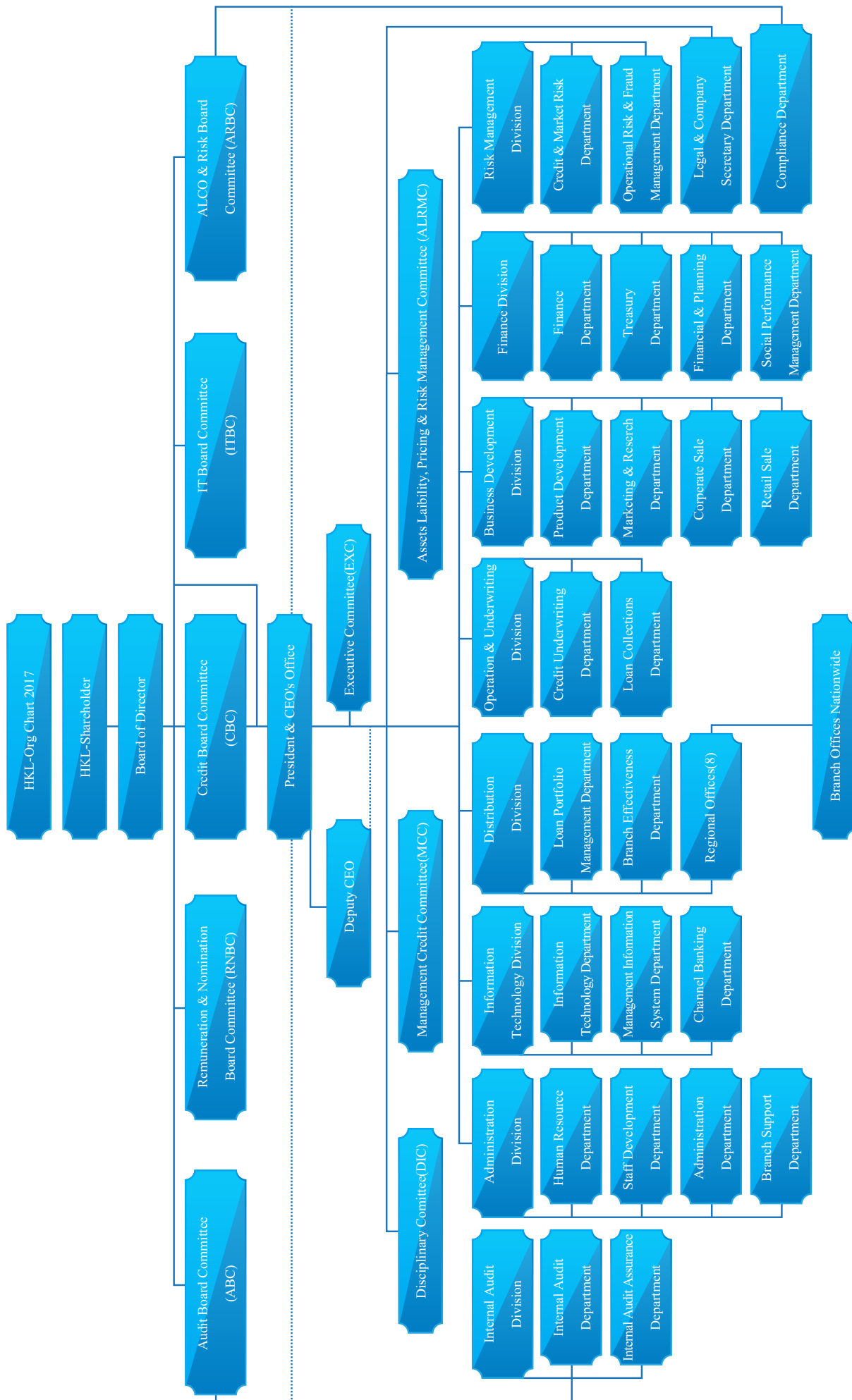


Corporate Capital Structure

Founded in 1945, Bank of Ayudhya Public Company Limited, known as Krungsri, is the fifth largest financial group in Thailand in terms of assets, loans, and deposits, being one of Thailand's Domestic Systemically Important Banks (D-SIBs) with 73 years of history in the country. Krungsri is a strategic member of the Mitsubishi UFJ Financial Group (Fitch, A, Long-term, / F1, Short-term November 2017).

Krungsri provides a comprehensive range of banking, consumer finance, investment, asset management, and other financial products and services to individual customers, SMEs, and large corporations through 700 branches (663 banking branches/auto-business branch and 37 Auto Business).

The Krungsri Group is the largest card issuer in Thailand with 8.6 million credit cards, sales finance, and personal loan accounts in its portfolio; a major automobile financing service provider (Krungsri Auto); one of the fastest growing asset management companies (Krungsri Asset Management); and a pioneer in microfinance (Ngern Tid Lor).





Mr. Sudargo Harsono, Chairman

Mr. Sudargo (Dan) Harsono is the Senior Executive Vice President of Bank of Ayudhya (Krungsri). With his extensive experience in business management and financial services, Dan had been appointed for significant decision making positions including Chief Marketing Officer, Head of Marketing and Cross Sale, Head of Marketing and International Business Development, Head of Marketing and Branding, and Head of Retail and Consumer Banking before entering his current position. He graduated with a Master's degree in Finance and Marketing from Indiana University in Bloomington, Indiana in addition to his Bachelor's Degrees with honors in Electrical Engineering and Biomedical Engineering from the University of Southern California in Los Angeles, California.



Mr. Chandrashekar Subramanian Krishoolndmangalam, Member

Mr. Chandrashekar (Chandra) was appointed as Chief Risk Officer of Bank of Ayudya (Krungsri) in January 2007. He is currently a member of the risk management committee, EXCOM and ALCO. Prior to joining Krungsri, Chandra worked as Chief Risk Officer at GE Money India, managing all retail products including mortgages, personal loans, car loans and credit cards. Chandra completed his Master's degree in Commerce at Mumbai University in 1985.



Mr. Rohit Khanna, Member

Mr. Rohit Khanna joined Bank of Ayudhya (Krungsri) in 2010 and currently serves as Head of Corporate Strategy and Planning. He is responsible for developing and implementing the corporate strategy in order to make Krungsri become a leading regional financial institution with global reach. In October 2015, he expanded his role to also oversee the marketing, branding, communication and corporate social responsibility functions. Rohit has a Bachelor's degree in Electronics Engineering and a Master's degree in Business Administration from XLRI, India. Moreover, he is a certified Master Black Belt and a certified GE Six Sigma instructor.



Ms. Duangdao Wongpanitkrit, Member

Ms. Duangdao Wongpanitkrit was appointed as Chief Financial Officer (CFO) of Bank of Ayudhya (Krungsri) on 1st January 2013. She earned her Bachelor's degree in Business Administration in Financial Accounting from Thammasart University and an MBA from Chulalongkorn University. She is a certified public accountant (CPA Thailand). Duangdao has gained solid working experience in financial management at various companies including KPMG, Star petroleum, and Standard Chartered Bank before joining Krungsri.



Mr. Piyasak Ukritnukun, Member

Mr. Piyasak Ukritnukun is currently serving as Managing Director of Ngern Tid Lor Company Limited, Krungsri Group. After joining the company in 2008, he spent about 5 years working as Chief Marketing Officer and Head of Business Development at Microfinance before having been appointed as Managing Director in 2013. Regarding his education background, Piyasak gained his Bachelor's degree in International Program Management at Thammasat University in 1999 and a Bachelor with Honors in Business Administration and Finance in 2003.



Oknha Hout Ieng Tong, Member

Oknha Hout Ieng Tong was co-founder of Hatha Kaksekar Limited in 1994, and has represented the institution since then. With a broad range of experience in microfinance, Oknha Hout Ieng Tong is an outstanding performer in both financial and non-financial management. Besides graduating with a Bachelor's Degree in Agriculture in 1991, he completed his Master's Degree at Build Bright University. In addition, he has participated in many microfinance-related workshops in the USA, Philippines, Indonesia, France, Germany and many other countries.



Dr. Dy Davuth, Member

Dr. Dy Davuth is a highly experienced advisor in Finance Management. He has worked at various national and international institutes and held responsibility for significant projects including JVK NAGA MOVERS, ADB, and SMEC International. Dr. Dy Davuth also has qualifications in Academic Management, and he is currently serving as Vice President of Undergraduate Studies at Build Bright University.



Mr. Lonh Hay, Member

Mr. Lonh Hay is a retired governmental official with more than 25 years' experience working with the National Bank of Cambodia, the Central Bank. He worked in various departments and was exposed to international and regional financial activities, giving him a wide range of experience. His last position at NBC was as Deputy Director General and Advisor to the Governor.



Ms. Tal Nay IM, Member

Ms. Tal Nay Im retired from the National Bank of Cambodia (NBC) and Commercial Bank in 2010. Her last position at NBC was as Director General responsible for four departments: Banking Supervision Departments, Banking Operations Department, the Statistics and Economic Research Department, and the Foreign Exchanges Department.



Oknha Hout Ieng Tong, President & CEO

Oknha Hout Ieng Tong was co-founder of Hatha Kaksekar Limited in 1994, and has represented the institution since then. With a broad range of experience in microfinance, Oknha Hout Ieng Tong is an outstanding performer in both financial and non-financial management. Besides graduating with a Bachelor's Degree in Agriculture in 1991, he completed his Master's degree at Build Bright University. In addition, he has participated in many microfinance-related workshops in the USA, Philippines, Indonesia, France, Germany and many other countries.



Mr. Wanchairabin Jitwattanatham, Deputy Chief Executive Officer

Wanchairabin joined HKL in November 2016. He has brought in diverse professional experiences across banking, management consulting and engineering industries from more than 15 years primarily with Bank of Ayudhya (Krungsri), GE Capital, and AT Kearney. Prior to joining HKL, Wanchairabin hold a leadership position as Head of AEC Strategy in Krungsri where he managed the bank's regional expansion and M&A in Mekong region. With a combined experience of banking and management consulting in South East Asia, he led several high impact strategy and growth initiatives across market segments and business areas which include corporate strategy, product/channel development, telemarketing enhancement, process re-engineering, and new sales/service model establishment. Wanchairabin holds an MBA from Melbourne Business School in Australia and a Bachelor of Engineering from Chulalongkorn University in Thailand.



Ms. Im Vandith, EVP & Chief Administration Officer

Ms. Im Vandith joined HKL in 1995 as one of the very first group of employees. Prior to joining HKL, she was working for UNTAC for the National Parliamentary Elections in Cambodia and American Relief Committee. She obtained a Master's degree at Build Bright University in 2008, adding a specialization in Accounting. She has continued to enhance her knowledge through participating in microfinance-related training programs conducted both within and outside the country.



Mr. Mech Sokmetrey, EVP & Chief Business Officer

Mr. Mech Sokmetrey was appointed to be EVP & Chief Business Officer in January 2014 after working for eight years at HKL in the marketing and risk management fields. He has extensive experiences in marketing, branding, customer relationship management, and compliance and risk management. In 2013, Sokmetrey became a Certified Expert in Risk Management of the Frankfurt School of Finance and Management.



Mr. Rath Sarun, EVP & Chief Sale & Distribution Officer

Mr. Rath Sarun joined HKL in June 2007 as Assistant to the General Manager and Board Secretary, and was then promoted to EVP & Chief Finance Officer in September 2011 while he was also a project manager for new system implementation and conversion. In 2017 he was appointed again to be EVP & Chief Distribution Officer. Sarun has more than 15 years of extensive and diverse experiences in accounting, finance, treasury, budgeting and business planning, investor relations, internal control and fraud investigations, human resource management, administration, business and IT partner, and credit operations in microfinance.



Mr. Ros Vol, EVP & Chief Internal Audit Officer

Mr. Ros Vol was appointed to be EVP & Chief Internal Audit in 2015. He had more than eight year experiences in the field of internal audit and branch management. He earned his Master's degree from Preston University after being awarded a Bachelor's Degree in Management from the Maharishi Vedic University in 1998.



Mr. Touch Lina, EVP & Chief Operation and Underwriting Officer

Mr. Touch Lina was appointed as EVP & Chief Operation Officer in 2013, after starting his career at HKL in March 2005. He was appointed to be EVP & Chief Operation and Under Writing Officer in 2017. He oversaw HKL's business operations including credit operations and branch management. Lina graduated from the National Institution of Management in 2003, and has also participated in numerous practical training programs conducted both locally and internationally, especially in the Philippines, Vietnam and Luxembourg.



Mr. Bong Benly, VP & Director Of Information Technology

Mr. Bong Benly joined HKL in December 2002, and has advanced expertise in IT Systems Infrastructure. In addition to his university education on IT, he continues to update his skills in IT technology, recently developing his competency related to network infrastructure, cloud and mobile, and information system security both locally and abroad, including in Japan, Hong Kong, Malaysia and USA.



Mr. Chen Boranchanborath, VP & Director of Legal and Company Secretariat

Mr. Chen Boranchanborath joined HKL as VP & Director of Legal and Company Secretary Department in 2011. He previously had 10 years' experiences working as business legal and secretary for a commercial bank. Mr. Boranchanborath's education comprises of Bachelor's and Master's Degrees of Private Law from the Royal University of Law and Economics.



Ms. In Socheata, VP & Director of Treasury

Ms. In Socheata joined HKL in 2001 and held several positions in HKL both at branch and head office level before being promoted to be VP & Director of Treasury Department in 2012. Socheata obtained a Master's Degree in Finance and Banking from Build Bright University in 2011. Additionally, she attended various training courses, including in budgeting, financial analysis, accounting and finance policy in MFI, credit appraisal, internal audit, trade finance and others.



Mr. Keo Kimhuth, VP & Director of Marketing and Research

Mr. Keo Kimhuth was appointed as VP & Director of Marketing and Research Department in January 2013. Prior to joining HKL in 2012, he had many years' experience in the micro-finance sector with solid skills in research, marketing, branding and financial product development products. Kimhuth is currently pursuing MBA in Marketing Management at Pannasastra University of Cambodia.



Mr. Ke Sopheak, VP & Director of Branch Support

Mr. Ke Sopheak was appointed as VP & Director of Branch Support Department in February 2015, after 10 years' experience in branch management, marketing and risk management. He obtained his Bachelor's Degree in Accounting and Finance from Build Bright University in 2006 and a Master's Degree in Management from the Royal University of Law and Economic (RULE) in 2011.



Mr. Leang Kimhouth, VP & Director of Credit Underwriting

Mr. Leang Kimhouth was appointed as VP & Director of SME Loan Department in January 2014 and was appointed to be VP & Director of Credit Underwriting in 2017, after starting his career with HKL he has extensive experiences in credit analysis, credit control, branch management, and SME loan management. He obtained a Bachelor's Degree in Accounting in 2007 and a Master's Degree in Management from Build Bright University.



Mr. Ly Siven, VP & Director of Loan Portfolio Management

Mr. Ly Siven was appointed as VP & Director of Loan Portfolio Management Department in October 2016 after beginning his career with HKL in May 2000. Prior to joining HKL, he had more than eight years experiences at the National Bank of Cambodia and the Ministry of Public Work and Transportation. Siven obtained his Bachelor's and Master's Degrees of Business Administration at the University of Management and Economics in Banteay Meanchey.



Mr. Ou Kimthon, VP & Director of Corporate Sale

Mr. Ou Kimthon was assigned as VP & Director of Sales and Business Relations Department in June 2013 and in 2017 he was appointed to be VP & Director of Corporate Sale. Kimthon has more than eight years' experiences in credit analysis, credit control, and branch management. Kimthon obtained a Bachelor's Degree in Management and a Master's Degree in Finance and Banking at Build Bright University..



Mr. Oum Chulsak, VP & Director of Internal Audit

Mr. Oum Chulsak is currently working as VP & Director of Internal Audit Department and has mainly been involved in two departments: Risk & Compliance and Internal Audit. He has a Bachelor's Degree in Accounting from the National Institute of Management and a Master's Degree in Finance and Banking from Build Bright University.



Ms. Ouk Maliny, VP & Director of Finance

Ms. Ouk Maliny joined HKL in October 2012 as Deputy Finance Director. She spent seven years at KPMG Cambodia Ltd. where she was in charge of auditing companies in trading, manufacturing, micro-finance institutions, banking, insurance and other services. In addition to her academic qualification, she obtained a Certified Accounting Technician qualification from Kampuchea Institute of Certified Public Accountants and Auditors in 2007, and an Advanced Diploma in Accounting from CamEd Business School in early 2013. Currently, she is pursuing an ACCA qualification. In May 2013, She was promoted to be VP & Director of Finance.



Mr. Phan Sovithyea, VP & Director of Channel Banking

Mr. Phan Sovithyea joined HKL in April 2005, as Deputy IT Director and was then promoted to Assistant to ATM and Mobile Banking Project Manager in 2012. Sovithyea spent more than two years in the ICT field including as a technician, and in software development and business solution development. He completed a Diploma of Accounting in 1998, his Bachelor of Computer Science from the Royal University of Phnom Penh (RUPP) in 2002, and attended several training courses, such as Micro banker System, Oracle Flex cube (current CBS of HKL), Wincor ATM, BPC Smart Vista Switch System, and Leadership, etc. He completed his MBA in 2014 at the Royal University of Law and Economics (RULE) majoring in Finance and Banking.



Mr. Sem Souphoan, VP & Director of Human Resource

Mr. Sem Souphoan joined HKL as VP & Director of Human Resources Department in December 2010. He has 27 years' experiences working in different sectors, including a fourteen-year track record of human resource management, organization development, human resources planning and leadership development. Souphoan holds a Master of Business Administration in Leadership Development from Eastern University, Philadelphia, USA, and a Bachelor's Degree in Public Law from Norton University.



Mr. Son Savang, VP & Director of Product Development

Mr. Son Savang was assigned as VP & Director of Product Development Department in April 2014. He had 12 years' experience in the microfinance sector in credit and branch management, and also has Bachelor's and Master's degrees in Business Administration. Savang participated in various workshops related to Operation Management, Credit Management, Branch Management, Product Development, leader-ship, and management.



Ms. Vann Bonida, VP & Director of Social Performance Management

Ms. Vann Bonida was appointed as VP & Director of Social Performance Management Department in January 2015. She has a wide range of knowledge and skills, particularly in procurement, officer management, compensation and benefits, staff retention strategy, staff training and capacity building, employee well-being, labor law, industrial relation, HR policy and procedures and, more recently, in communication, marketing and business operations. She holds Bachelor's Degrees in Finance & Banking and TEFL and a Master's Degree in Management.



Ms. Chheng Sokun, VP & Director of Credit & Market Risk

Ms. Chheng Sokun joined HKL as VP & Director of Risk and Compliance Department in April 2015. She previously had nine years' experience working in a commercial bank. She has participated in numerous training courses, including identifying risk in banking and microfinance, business continuity plan (BCP) and disaster risk reduction management (DRRM), financial lease, loan impairment assessment, trade finance, credit, marketing and TESOL. She obtained a Bachelor's Degree in Information Technology at RUPP in 2006 and a Master's Degree in Finance and Banking at NUM in 2011.



Mr. Leang Siebh, VP & Director of Internal Audit Assurance

Mr. Leang Siebh was appointed as VP & Director of Internal Audit Assurance Department in May 2015, after beginning his career with HKL in 2011. He has good knowledge of accounting and financial management. Siebh obtained his Bachelor's Degree in Mathematics and another Bachelor's Degree in Economic Development, which he followed with a Master's Degree in Finance from NUM in 2009.



Mr. Tho Sroy, VP & Director of Staff Development

Mr. Tho Sroy was appointed to be VP & Director of Staff Development Department in April 2015. He has an extensive experience in training and curriculum development with both private companies and non-governmental organizations, including Amret MFI, RTI-CSCS, and PIO. Sroy obtained a Master's Degree in Management from AEU and a Bachelor's Degree in Project and Program Development Management from BBU. He has also participated in numerous practical training programs both locally and internationally such as Singapore, Malaysia and Thailand.



Ms. Heng Sreypoch, VP & Director of Compliance

Ms. Heng Sreypoch has recently joint with HKL as VP & Director of Compliance Department after the integration with Krungsri Bank. She has been working as head of department in commercial bank for several years in Compliance and Risk management covering AML compliance, regulatory compliance, FATCA, Volcker Rule and risk management framework. She has obtained various training in Taiwan, Singapore and Thailand on her compliance, risk management and banking operation knowledge.



Ms. You Sovannsreyrath, VP & Director of Retail Sales

Sreyrath has joined HKL since 2017 as VP and Director of the Retail Sales Department. She has extensive working experience for more than 10 years in the financial services industry in both international commercial banking and local microfinance institutions. She obtains Bachelor's Degrees in English literature, and Finance and Banking. Additionally, She has also Participated in various training courses such as Excellent Sales, Professional Customer Service, Leadership and Banking Operations.



Mr. Duong Chansovicha, VP & Director of Operational Risk and Fraud Management

Mr. Duong Chansovicha joined HKL in July 2017 as VP and the Operational Risk and Fraud Management Department. With extensive working experience of 14 years in the financial services industry, he has held significant positions including AVP & Deputy Manager of the Risk Management Department at one of the top microfinance institutions in Cambodia. Vichea earned his Bachelor's and Master's degree in Finance and Banking from the National University of Management.



Mr. Chheang Taing, VP & Director of Financial & Planning

Mr. Chheang Taing joined HKL in May 2017 as VP and Director of the Financial & Planning Department. With extensive working experience of over 13 years in commercial banking and MDI, Taing is very skillful in accounting & tax, finance, treasury, budgeting and business analysis. He has participated in various trainings both local and overseas, including IFRS, ALM, Taxation, Treasury Management, Financial Ratios, and Budgeting. He obtained a Bachelor's Degree in Accounting & Finance from NUM, a Master's Degree in Finance from PUC, and is pursuing the ACCA program at the CamEd Business School.



Mr. Leng Visoth, VP & Director of Management Information System

Mr. Leng Visoth joined HKL in 2007 as a programmer and was gradually promoted to higher levels due to his superior performance in assigned tasks. Visoth has a broad range of experiences in the development of application-automated solutions and other in-house applications, and conversion and data from MBWIN system into Oracle Financial Service system. On top of his university education, Visoth has attended numerous training courses, such as Oracle Database Administrator, a one-year course on application development, strategic planning, interpersonal communication, and IFRS.



Customer profile

Starting business from micro-lending in a few communes of a province, HKL is now expanding its business to both rural and urban areas countrywide, but the majority of its clients are based in rural areas rather than in urban areas. It's client's age is between 25 to 45 years old which they are in an active age group to generate income for supporting family and doing business. In alignment with our vision, the majority of our customers are women, which account for more one half of customers. They usually have diversified sources of incomes but majority of customer's sources of income are from agriculture sector and followed by trade and service, and employment.

We know our clients' need and want. HKL is committed to offer suitable and simple financial services that could help them have a better future. Thus, products and services have been developed based on the specific needs of the customers and we try to simplify our process to make it easy and faster, simplify our conditions for easy understanding and flexibility for our customers, and illustrate all conditions to be transparent with the customers.



Marketing and Research

Marketing and research has played very important roles to increase the market share of the company that could contribute to growth and profitability through enhancing HKL corporate awareness, developing marketing strategy, market and competitor analysis, response in a proper manner to customer complaints and providing best services to customers. In 2017, marketing and research have pretty much focus on the following dimensions.

- This year, the research team not only focused on annual research projects such as customer dropout, customer satisfaction, brand positioning, mystery shopping and competitor update, but also customer demand survey for developing new products. As a result, the analysis has been focused on customer demand and competitor practice on title loan product. We have provided enough and proper input for product development team to initiate new product concept and transform into product details to fulfill customer needs.
- Marketing and communication is another aspect that would help with business growth. In addition to its routine tasks to build HKL brand image through advertising via above the line and

below the line marketing channels, marketing has played a crucial task to initiate attractive and effective promotional campaign. As evidence, we have created an attractive and effective loan promotional program of “Borrow Money! Win Money!” Furthermore, we have created specific marketing programs along with promotional programs such as member get member of loan, telesales for loan top-up, telesales for cross-sell, etc.

- Customer complaint management to enhance customer service has been put as a priority. The complaint channels have been informed and available to customers such as call center, email, website, and suggestion box at each branch office of HKL. All customers have been tracked and kept in an in-house system, and the report is made to National Bank of Cambodia on a quarterly basis. Interestingly, marketing has initiated best customer service program for awarding to outstanding performance branches in terms of customer services. A few criteria were set for branches to compete such as retention rate, number of complaints, service turnaround time, and result of mystery shopping survey. As the result, there were 3 branches were selected to award.

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សេវាធនាគារធូលី ហ្វាស៊ីក



Products and Services

Loan Products

General Loans

General Loans are a lending services, which HKL provides to individual, micro, small, and medium-sized business enterprises aiming to start up and extend their existing businesses. Potential borrowers are able to apply for loans up to USD 200,000 (or its equivalent in other currencies) based on repayment capacity. HKL provides very long loan tenors with competitive interest rates and flexible terms and conditions in alignment with business cycle.

Personal Consumption Loans

Personal Consumption loans offer more flexible choices for the customer to possess personal belongings based on their needs in order to improve their living standard. Customer can request loan amount up to USD 5,000 with reasonable interest rate and long loan tenors up to 36 months.

Home Improvement Loans

Home Improvement Loans are provided to customers who aim to renovate or complete their residential construction such as room, roof floor, and for the purpose of improving their living conditions. The customers can borrow up to USD 30,000 (or its equivalent in other currencies) at reasonable interest rates and long loan tenors up to 72 months.

Housing Loans

Housing Loans are provided to individual customers who aim to build or purchase a new house for residential purposes. The customers can borrow up to USD 100,000 (or its equivalent in other currencies) at reasonable interest rates and long loan tenors up to 144 months based on their repayment capacity.

Green Loans

Green Loans are recommended to customers who wish to improve their living standards through green energy, such as bio-digester plant, solar energy, water filter, sanitation and etc. Customers can borrow up to USD 2,500 with loan tenors up to 24 months at a competitive interest rates and flexible repayment mode.

Khmer Student Loans

Khmer Student Loans are offered to parents or students who need funds to pursue their studies for a Bachelor's Degree, Master's Degree, or intensive course and other expenses during their studies. This loan can be applied up to USD 8,000 with loan tenors up to 84 months.

Deposti Products

Savings Accounts

Savings Accounts offer more flexible choices for customers to deposit and withdraw any amount at any branch, and at any time through HKL ATM networks. The minimum balance requirement for this account is just USD 5 (or its equivalent to other currencies), Customers will receive very competitive interest rates depending on type of account and deposited currency.

* From USD 2 to USD 500 based on account type.

Term Deposit Products

High Income Deposit Accounts

High Income Deposit Accounts are term deposit account that offers a high interest rate to customers, who wishing to invest their available money with financial institution that has high security. Customers are allowed to withdraw interest earned each month.

* This service can be subscribed from 1 to 36 months with a minimum balance of USD 50 (or its equivalent in other currencies).

High Return Deposit Accounts

High Return Deposit Accounts provides the highest interest rate with flexible terms and conditions. These product are highly recommended to individuals who have a large amount of money available. The minimum balance requirement is USD 50 (or its equivalent in other currencies), which can be deposited for 1 to 36 months.

* Maturity withdrawal

Other Products & Services

Local Money Transfer Services

HKL offers Local Money Transfer as the best solution for customers, who wish to transfer money from one place to another in Cambodia regardless of time or location. With a reliable and highly secure service, customers can transfer money to their beloved families, relatives and business partners through HKL branch networks, mobile banking, and ATM machines in 25 cities and provinces across the country.

My ATM Services

HKL ATM machines are ready to serve our client with a variety of functions for both cash and non-cash transactions, such as cash deposits, cash withdrawals, funds transfers, remittance, bill payments, mobile top ups, balance inquiries, and so on. HKL has largest ATM networks nationwide, customers can easily perform their transactions regardless of the time or location.

MyMobile Banking Services

HKL offers MyMobile Banking Services as branchless services allowing customers to perform their transactions at anytime and anywhere through their mobile phones. Customers can perform financial transactions, such as remittances, fund transfers, mobile top ups, bill payments, loan repayments, and other non-financial transactions, such as balance inquiries, mini statements, SMS notifications, identify ATM locations, exchange rates, interest rates, loan inquiries, and access other financial services.

Payroll Services

HKL offers Payroll Services to enterprises, companies, non-governmental organizations, and associations that aim to reduce their expenses and workloads for managing their payroll process. Both companies and their employees will be provided with saving accounts, which have good interest rates and other advantages.

Fast Payments

Fast Payments are newly launched financial service by the National Bank of Cambodia (NBC) in cooperation with commercial banks and microfinance deposit taking institutes to provide convenience for customers in performing fund transfers and.

Collection Services

HKL Collection offers clients the convenience for the payment of utility bills, internet and others through HKL offices, ATM machines and mobile banking.

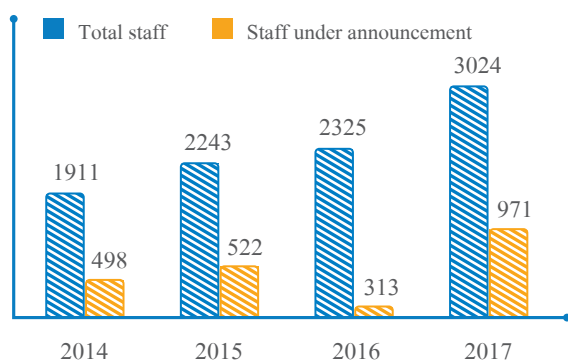


Human Resources

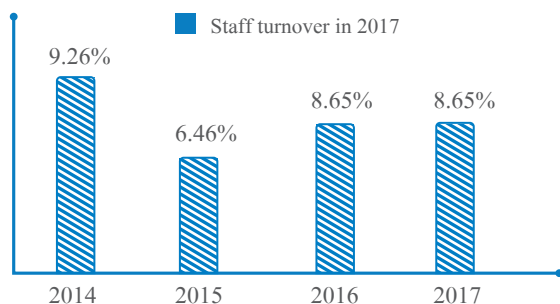
Human Resources

To achieve goal after becoming a subsidiary of Krungsri Bank, the Human Resource Department has been working on improving some workflows to recruit potential staff. HKL's expectations are made with reference to the clear strategic plan to engage staff to compete in the financial market. 2017 is the year that the Human Resource Department has had the highest increase in the number of new employees supporting both internal and external functions. HKL takes great care in retaining employees for their growth. As a result of 2017, newly recruited staff reached 971 while the turnover rate was as low as 8.56%.

Number of staff and staff under announcement in 2017



Number of staff turn over in 2017



Staff Development

In 2017, there were 1,027 new staff, who attended 30 orientation-training courses and 1,310 new staff, who attended 41 foundation-training courses. 415 banking system users have been trained and refreshed in the banking system training courses. 416 staff were sent to attend external training courses (external customized courses, external public short courses, and external E-learning courses) which were lectured and facilitated by both local and international external trainers and consultants. There were 304 middle and frontline supervisors, who were invited to participate in leadership training courses, which were facilitated by the VP & Director of Staff Development of HKL. There were 2,692 HKL staff who had the opportunity to attend short courses and refresher courses conducted by head office. Meanwhile, 12,786 branch staff members have attended training courses conducted by branch trainers. Furthermore, HKL had also involved in social contributions to human resource development. Voluntary work and internship programs were created and provided an opportunity for 150 university students to acquire practical working experience from staff and learn about HKL's performance by writing a thesis or study report. Apprenticeship training program for 44 persons had been conducted properly to fulfil the regulation requirement following the Prokas of the Ministry of Labour and Vocational Training.



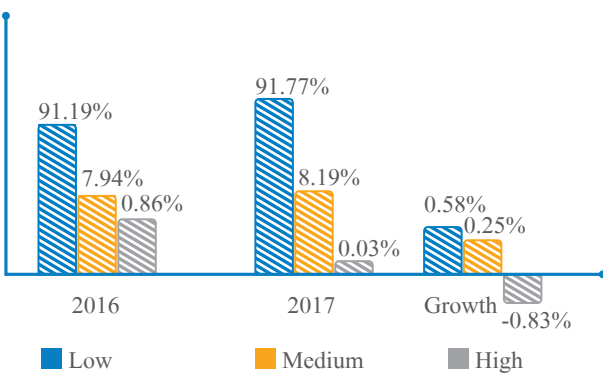
Social Performance Management

Environmental & Social Protection

To build the social and environmental friendly business, HKL has undertaken the assessment of our borrowers' business purpose to ensure the business practices to be financed do not pose any impact to the safety and health of people, the environment or the workforce.

In 2017, 17,200 borrowers were reviewed in accordance with the social and environmental standard to assess the impact. Only 8% of borrowers were at middle risk, which is divided for borrowers into a health risk of 4% an environmental risk of 4% and a workforce risk of 3%. Only a few businesses had a high-risk impact: 1 in construction, 2 in personal households, 2 in commercial trades, and 1 in service.

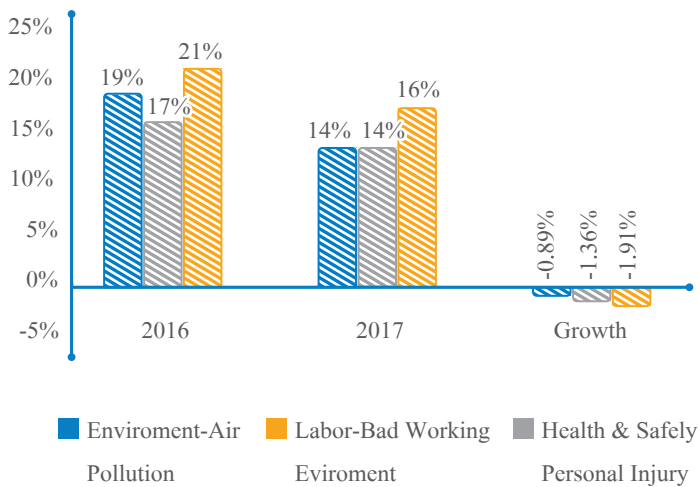
Level of Environmental and Social Risk



Corporate Social Responsibility

In each three categories of risk (Health, Environment, and Workforce Risk), it was found that personal injury, air pollution and bad working environments respectively have the highest percentage of impact.

Categories of Environmental and Social Risk



Corporate Social Responsibility

Apart from the support and care shown towards our clients and the shareholders, HKL has introduced some forms of CSR for community services and its employees.

Financial Education Program

The program was introduced to HKL by Planet Finance in late 2011 as this is recognized as one of the main indicators to prevent the clients from over-indebtedness, which remains a hot issue after the global financial crisis. Two HKL staff have been trained and become the Financial Education Trainers. These trainers have conducted trainings on a case-by-case basis and reported to the Environmental and Social Unit, who have further trained 42 Credit Officers and Sub-Branch Chief Credit Units in four branches in Kampong Cham.

More Trust More Gain Workshop

In order to support financial education, HKL has conducted a workshop for university students named “More Trust, More Gain” to improve the knowledge of using money wisely and learning how to control/plan their financial budgets. In 2017, we have reached 923 students in 7 provinces. Based on the survey finding, 80% of Students were satisfied with the workshop.

HKL For a Beautiful Beach & City

HKL not only provides financial support but also supports for the public and the environment through the participation of HKL’s members in promoting clean beaches and cities with the removal of rubbish, plastic bags and bottles from the beaches and the streets. More than 200 staff participated in the removal of plastic bag at Ocheteal beach in Sihanouk ville.

Employee’s Safety, Health & Welfare

HKL has a human resource policy, which is aligned with local applicable laws in promoting fair and respectful employment, good working environments, safety, health, and welfare. Beyond HKL’s policy, we have developed some CSR activities to promote employee’s safety, health and welfare.

Together for Education

HKL has also supported the project of “Together for Education” and also raised positive awareness of education and provided study materials, school facilities, classroom redecoration, and support funds to disadvantage schools in Kampong Speu province.

Risk Management

HKL has established a strong risk management structure that is commensurate with its size and the nature of its business. This structure facilitates effective management oversight and execution of risk management and control processes.

After integration with the Bank of Ayudhya (Krungsri), HKL has a stronger risk management structure and framework. HKL has aligned with the risk management policies and procedures from Krungsri to enhance the capabilities in identifying, assessing, mitigating, and monitoring risks within acceptable levels of risk appetite.

HKL follows the international and the Group's best practice of three lines of defense:

- Front line
- Risk management
- Internal audit

Risk Management Structure

The Asset Liability and Risk Board Committee (ARBC) were formed to establish and oversee the risk management framework. This committee comprises of at least three members, such as from the Board of Directors and the President & Chief Executive Officer with another member of senior management as the secretary.

The Asset Liability and Risk Management Committee (ALRMC) is another committee at the management level overseeing the day-to-day risk management of HKL.

The Risk Management Division acts as a second line of defense with its independent function of risk management, reporting directly to the CEO. The Risk Management Division reports to ALRMC and ARBC on a monthly basic.

HKL-Risk Management Structure Chart



The Board of Directors

- ◆ Approved the risk management policies.
- ◆ Approved the risk appetite and all significant exposure limits to avoid concentration risks.
- ◆ Delegated credit approval authority based on loan amounts and risks to the Board Credit Committee and Management Credit Committee, Head Office and the branch level.

The ALCO and Risk Board Committee (ARBC)

- Reviewed and recommended risk management policies to the Board of Directors;
- Reviewed and recommended risk identification and measurement methodologies;
- Reviewed and monitored portfolio quality;
- Reviewed key credit, market and operational risks, operational losses/fraud, as well as related system and human errors;
- Reviewed management reports detailing the adequacy and overall effectiveness of the company's risk management function and its implementation by the management, and reports on internal control, any recommendations, and confirmation that appropriate action has been taken;
- Reviewed risk philosophy, strategy and policies as recommended by management, ensuring compliance with such policies and with the overall risk profile of the company.

Key Activities of the ARBC

The meeting of the ARBC was convened on a monthly basis throughout 2017. The company's risk profile, including credit risks, operational risks, market risks, liquidity risks, compliance risks, technology risks, and other relevant risks, was presented by the Risk Management Division and discussed during the meeting to ensure that key risk indicator measurements and limitations were fully in compliance with the set limits as approved by the Board of Directors. The Division has to ensure that potential risks are identified and appropriate action is taken to mitigate the risks. The key activities of the ARBC within 2017 including.

- 01 - approval on updated operational risk management policy and credit risk management policy
- 02 - approval on business continuity management policy
- 03 - approval on outsourcing policy
- 04 - approval on debt restructuring policy
- 05 - approval on new facility classification and provision policy
- 06 - approval of the risk limits
- 07 - approval of having the Independent Risk Champion to take part in approving loans at the branch level.



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Compliance

The compliance function has been separated from Risk Management into another department, which has a direct reporting line to the Board Committee and an indirect dotted line to the President and CEO. Following integration with the Bank of Ayudhya (Krungsri), the Compliance Department has to take charge of the NBC regulation requirements and AML/CFT, and our professional code of conduct within our banking operation.

The Compliance Department has implemented the spirit and the letter of the anti-corruption program, other policies, managing policies, procedures and manuals for our institution. The increase in compliance awareness is also important to promote and re-enforce a compliance culture. For 2017, the compliance has always been on the agenda during the refresher and foundation trainings, as well our BMs meeting and annual staff general assembly.

Balance sheet

	31 December 2017		31 December 2016	
	US\$	KHR'000	US\$	KHR'000
ASSETS				
Cash on hand	9,923,604	40,061,589	9,317,664	37,615,410
Balances with the NBC	41,260,115	166,567,084	45,996,092	185,686,223
Balances with other banks	57,097,552	230,502,817	74,272,524	299,838,179
Loans to customers, net	567,536,202	2,291,143,647	442,277,524	1,785,474,364
Other assets	9,349,972	37,745,837	8,435,869	34,055,603
Property and equipment	3,958,984	15,982,418	4,713,214	19,027,245
Intangible assets	611,726	2,469,538	545,826	2,203,500
Deferred tax assets, net	1,269,418	5,124,640	948,969	3,830,988
TOTAL ASSETS	691,007,573	2,789,597,570	586,507,682	2,367,731,512
LIABILITIES AND EQUITY				
Deposits from customers	367,421,079	1,483,278,896	357,772,465	1,444,327,441
Borrowings	156,384,184	631,322,951	116,750,949	471,323,581
Amounts due to related parties	19,204,661	77,529,216	44,750	180,655
Subordinated debts	24,729,319	99,832,261	24,729,319	99,832,261
Provident benefits	132,601	535,310	2,318,590	9,360,148
Other liabilities	14,235,033	57,466,827	14,988,449	60,508,369
Current income tax payable	3,510,009	14,169,906	3,044,038	12,288,781
TOTAL LIABILITIES	585,616,886	2,364,135,367	519,648,560	2,097,821,236
EQUITY				
Share capital	30,000,000	121,110,000	6,824,594	27,550,886
Share premium	19,082,502	77,036,061	19,082,502	77,036,061
Legal reserves	682,459	2,755,087	682,459	2,755,087
Other reserves	1,145,714	4,625,247	975,604	3,938,513
Retained earnings	54,480,012	219,935,808	39,293,963	158,629,729
TOTAL EQUITY	105,390,687	425,462,203	66,859,122	269,910,276
TOTAL LIABILITIES AND EQUITY	691,007,573	2,789,597,570	586,507,682	2,367,731,512

The accompanying notes from pages 15 to 62 form an integral part of these financial statements.

Income statement

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000	US\$	KHR'000
ASSETS				
Interest income	94,996,654	383,501,492	81,568,073	329,290,311
Interest expense	(38,555,784)	(155,649,700)	(35,502,532)	(143,323,722)
Net interest income	56,440,870	227,851,792	46,065,541	185,966,589
Other income	1,307,423	5,278,067	877,402	3,542,072
Operating expenses	(31,374,510)	(126,658,897)	(28,992,784)	(117,043,869)
Operating profit	26,373,783	106,470,962	17,950,159	72,464,792
Allowance for bad and doubtful loans	(6,903,394)	(27,869,002)	(1,714,931)	(6,923,176)
Profit before income tax	19,470,389	78,601,960	16,235,228	65,541,616
Income tax expense	(4,114,230)	(16,609,147)	(3,416,171)	(13,791,082)
Net profit for the year	15,356,159	61,992,813	12,819,057	51,750,534

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US\$	Share Premium US\$	Legal reserve US\$	Other reserves US\$	MEP/Equity-settled share-based Payment* US\$	Retained earnings US\$	Total US\$
At 1 January 2016	6,824,594	19,052,319	682,459	805,493	30,183	30,275,924	57,670,972
Net profit for the year	-	-	-	-	-	12,819,057	12,819,057
Transfer to other reserves	-	-	-	170,111	-	(170,111)	-
MEP/Equity-settled share-based payment	-	30,183	-	-	(30,183)	-	-
Settlement of MEP shares	-	-	-	-	-	(3,630,907)	(3,630,907)
At 31 December 2016	6,824,594	19,082,502	682,459	975,604	-	39,293,963	66,859,122
KHR'000 equivalents							
At 31 December 2016	27,550,886	77,036,061	2,755,087	3,938,513	-	158,629,729	269,910,276
At 1 January 2017	6,824,594	19,082,502	682,459	975,604	-	39,293,963	66,859,122
Additional capital	23,175,406	-	-	-	-	-	23,175,406
Net profit for the year	-	-	-	-	-	15,356,159	15,356,159
Transfer to other reserves	-	-	-	170,110	-	(170,110)	-
At 31 December 2017	30,000,000	19,082,502	682,459	1,145,714	-	54,480,012	105,390,687
KHR'000 equivalents							
At 31 December 2017	121,110,000	77,036,061	2,755,087	4,625,247	-	219,935,808	425,462,203

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	31 December 2017		31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities				
Profit before income tax	19,470,389	78,601,960	16,235,228	65,541,616
Adjustments for non-cash income and expense				
Depreciation and amortisation	2,559,547	10,332,891	2,808,229	11,336,820
Allowance for bad and doubtful loans	6,903,394	27,869,002	1,714,931	6,923,176
Provident benefits	698,573	2,820,139	588,977	2,377,700
(Gains)/losses on disposal of property and equipment	(521)	(2,104)	2,979	12,026
Net interest income	(56,440,870)	(227,851,792)	(46,065,541)	(185,966,589)
Effect of currency translation differences:				
Borrowings	964,256	3,892,703	97,662	394,262
	(25,845,232)	(104,337,201)	(24,617,535)	(99,380,989)
Changes in:				
Balances with the NBC	(2,837,539)	(11,455,145)	(9,960,000)	(40,208,520)
Loans to customers	(132,162,072)	(533,538,285)	(82,173,738)	(331,735,380)
Other assets	70,684	285,351	(947,211)	(3,823,891)
Deposits from customers	9,648,614	38,951,455	121,358,195	489,923,033
Other liabilities	(618,366)	(2,496,344)	919,696	3,712,813
Amount due to related parties	159,911	645,561	44,750	180,656
Cash (used in)/ generated from operations	(151,584,000)	(611,944,608)	4,624,157	18,667,722
Interest received	94,011,867	379,525,907	80,964,692	326,854,462
Interest paid	(38,619,615)	(155,907,386)	(31,439,708)	(126,922,101)
Income tax paid	(3,968,708)	(16,021,674)	(3,489,046)	(14,085,279)
Provident benefits paid	(2,955,781)	(11,932,488)	(88,317)	(356,536)
Settlement of MEP shares	-	-	(3,630,907)	(14,657,972)
Net cash (used in)/ generated from operating activities	(103,116,237)	(416,280,249)	46,940,871	189,500,296
Cash flows from investing activities				
Purchases of property and equipment	(1,523,935)	(6,152,126)	(1,693,914)	(6,838,331)
Purchases of intangible assets	(349,305)	(1,410,144)	(229,183)	(925,212)
Proceeds from disposal of property and equipment	2,544	10,270	1,327	5,357
Net cash used in investing activities	(1,870,696)	(7,552,000)	(1,921,770)	(7,758,186)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017		31 December 2016	
	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities				
Proceeds from borrowings	105,508,182	425,936,531	36,101,743	145,742,736
Repayments of borrowings	(66,839,203)	(269,829,863)	(29,168,269)	(117,752,302)
Proceeds from amounts due to related party	19,200,000	77,510,400	-	-
Repayments of amounts due to related party	(200,000)	(807,400)	(8,000,000)	(32,296,000)
Proceeds from subordinated debts	-	-	5,000,000	20,185,000
Proceeds from capital injections	23,175,406	93,559,114	-	-
Net cash generated from financing activities	80,844,385	326,368,782	3,933,474	15,879,434
Net (decrease)/increase in cash and cash equivalents	(24,142,548)	(97,463,467)	48,952,575	197,621,545
Cash and cash equivalents at the beginning of the year	99,320,348	400,956,245	50,367,773	203,989,480
Currency translation differences	-	-	-	(654,780)
Cash and cash equivalents at the end of the year	75,177,800	303,492,778	99,320,348	400,956,245

Awards and Shareholders

Awards



Shareholders



Coverage Areas and Distribution Networks



Branch and ATM Networks

Cities/Provinces : 25
Head Office : 01

Branches : 59
Sub-Branched : 109

ATM : 126

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