



កាន់តែទុកចិត្ត កាន់តែចម្រើន

ហត្ថាកសិករ លីមីតធីត

HATTHA KAKSEKAR LIMITED

Annual
Report
2016

Providing a superior financial services for prosperity

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OPERATIONAL HIGHLIGHTS



Operational Highlights	2014	2015	2016
Operating provinces	25	25	25
Operating districts	191	195	197
Operating communes	1,574	1,644	1,674
Operating villages	9,852	10,641	10,991
Distribution networks	141	150	153
Total ATMs	72	102	123
Total staff	1,911	2,243	2,325
Total borrowers	100,636	112,777	117,637
Loans outstanding /Credit Officer (in USD)	306,233	392,129	464,764
Loans outstanding /staff (in USD)	130,922	162,062	191,503
Average loan size (in USD)	2,486	3,223	3,785
Portfolio at risk (PAR %)	0.03%	0.09%	0.72%
Total depositors	190,652	217,991	221,480
Total loan portfolio (in USD)	250,192,757	363,504,006	445,243,662
Total deposit balance (in USD)	173,618,560	238,162,778	360,091,054
TOTAL ASSETS (in USD)	316,363,805	446,116,297	586,507,682

FINANCIAL HIGHLIGHTS



Financial Highlights

2014

2015

2016

Assets

Loans to customers – net	249,680,252	361,818,717	442,277,524
Total assets	316,363,805	446,116,297	586,507,682

Liabilities

Deposits from customers	172,333,352	236,414,270	357,772,465
Total liabilities	277,619,090	388,445,325	519,648,560

Equity

Total equity	38,744,715	57,670,972	66,859,122
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Income and expenses

Interest income	45,496,801	64,226,422	81,568,073
Interest expenses	(16,881,286)	(24,756,709)	(35,502,532)
Income tax expenses	(2,078,333)	(2,859,385)	(3,416,171)

Net profit for the year	8,121,935	11,112,084	12,819,057
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SOCIAL PERFORMANCE HIGHLIGHTS



Social Performance Highlights	2014	2015	2016
Responsibility to clients			
Female borrowers	70%	67%	66%
Female savers	50%	66%	64%
Rural coverage, borrowers	81%	82%	82%
Client retention rate	81%	79%	78%
Credit history checked, Credit Bureau	100%	100%	100%
Micro-insurance, number of active insured	1,111	7,875	15,650
Number of SME Loans	131	318	588
Percentage of clients earning less than \$2.50(PPP)a day	27%	25%	23%
Responsibility to staff			
Female staff	27.84%	29.47%	30.37%
Staff retention rate	90.74%	93.62%	91.35%
Average years of staff service	3.14	3.33	3.86
Number of training courses per staff member	7	10	7
Responsibility to government (in USD)			
Tax on salary and fringe benefits	561,744	736,596	1,646,870
Withholding tax	1,745,401	2,441,579	2,868,470
Annual tax return	2,189,272	3,341,027	3,648,432

CAMBODIA'S ECONOMIC INDICATORS



Main Economic Indicators	2014e	2015f	2016f	2017f
GDP				
Nominal GDP (millions USD)	16,367	17,759	19,173	22,043
GDP per capita (in USD)	1,139	1,237	1,347	1,451
Consumer price index	5.0	5.5	6.0	6.1
Real DGP growth rate (constant prices 2000) (in %)	7.0	7.0	7.2	7.2
Agriculture (in %)	4.2	4.0	4.0	4.0
Industry (in %)	9.9	9.3	9.1	8.8
Services (in %)	6.8	7.1	7.1	7.2
Inflation				
Inflation rate (in %)	1.1	3.04	2.7	3.5
Public sector				
Government revenue (% GDP)	16.1	16.4	16.4	18.2
Government expenditure (% GDP)	20.4	20.9	21.3	23.2
Government balance, excluding grants (% GDP)	-4.3	-4.5	-4.9	-5
Government balance, including grants (% GDP)	-2.5	-3.5	-3.3	-3.4
Government net lending/borrowing (% GDP)	-2.8	-2.3	n/a	n/a
Government gross debt (% GDP)	28.9	28.9	n/a	n/a
Foreign Trade and Investment				
Trade balance (millions USD)	-2,908	-2,956	-2,856	-2,623
Exports of goods (million USD)	8,193	9,700	11,572	9,937
(% change yoy)	18.9	18.4	19.3	-10.2
Import of goods (million USD)	11,102	12,656	14,428	12,559
(% change yoy)	17.0	14.0	14.0	-9.7
Foreign direct investment (million USD)	1,380	1,400	1,450	1,799

	2014e	2015f	2016f	2017f
Financial Markets				
Deposit in the banking system (% change yoy)	21.3	18.9	N.A	N.A
Outstanding loans in the banking system (% change yoy)	16.2	28.0	N.A	N.A
Deposits to GDP (% change yoy)	53	61.6	74.0	N.A
Loan to GDP (% change yoy)	50	N.A	N.A	23
Exchange rate (riel/USD, eop)	4,065	4,076	4,050	4,100
Commercial bank and specialist banks (loans outstanding) (million riels)	39,265	51,045	66,358	86,266
MFI (loans outstanding) (million riels)	7,254	10,760	15,386	22,003
Business				
Competitiveness index	4.00	3.88	3.94	3.98
Competitiveness rank	88	95	90	89
Investment (yoy percentage change)				
Building and construction	9.3	10.4	6.0	12.8
Core machinery and equipment	30.0	15.0	12.0	N.A

The total population was about 15.63 million by 2016 with the population growth of around 1.44% and median age was 25 years old. The gross domestic product (GDP) was equal to USD 20 billion (2016 estimate) and GDP per capita was around USD 1,345 (2016 estimate) with the purchasing power of 59 billion of international dollars (2016 estimate)

Sources:

- National Bank of Cambodia (NBC)
- National Strategic Development Plan (2014-2018), National Institution of Statistics, Ministry of Planning;
- International Monetary Fund (IMF)
- ASIAN DEVELOPMENT BANK (ADB)
- National data sources
- World Bank staff estimates

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

94

1994

A food security project established by OCSD/OXFAM-Quebec, a Canadian organization, provided micro loans to rural people in four communes in Pursat province.

96

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". The Head Office of Hattha Kaksekar NGO was based in Pursat province.

01

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.

07

2007

The savings account and configured systems were put in place. Meanwhile, HKL increased its capital from USD 257,850 to USD 1,339,700. Due to its sustainability in terms of finance, operation and governance, HKL was offered a permanent microfinance license by the National Bank of Cambodia.

10

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 mobilize 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 to the company's strategy to transform itself into a commercial bank in the future.

12

2012

Hattha Kaksekar Limited's new CBS successfully went live across the company's distribution networks. This new online system increased the effectiveness of HKL's business operations. HKL also invested nearly USD 2 million in the ATM and mobile banking project. This investment facilitates offering a wide range of financial services and serves customers fast and conveniently through cash deposit and withdrawal machines that were publicly launched by the end of 2012. Customers were able to perform many new transactions including cash withdrawal, funds transfers, remittances, mobile top-up, and currency exchange, etc.

14

2014

Due to its sustainability in terms of finance, operation and governance, HKL has increased its paid-up capital from USD 4,036,800 to USD 5,271,188 with the National Bank of Cambodia. With the new paid-up capital, Hattha Kaksekar Limited has the capability to expand its business operations countrywide.

16

2016

HKL was acquired by Bank of Ayudhya (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.



Mr. Sudargo (DAN) Harsono *Chairman of the Board of Directors*

The year 2016 marked a pivotal milestone for Hattha Kaksekar Limited. The company completed a transaction with 100% share acquisition by Bank of Ayudhya PCL (Krungsri Bank), the fifth largest universal bank of Thailand and a member of Mitsubishi UFJ Group (MUFG) which is one of the world's largest financial groups. By the end of 2016, Krungsri Bank's asset size stood at \$53.8Bn while it delivered a net profit of \$620M. Krungsri continued to be a market leader in retail consumer banking and microfinance provider in Thailand. Its retail and SME business accounted for 59% of the bank's total loan portfolio. Under the umbrella of Krungsri Bank as its new shareholder and being part of MUFG Group, HKL can tap into countless opportunities to grow and transform itself to a superior financial service provider in Cambodia over the long run.

The Cambodian economy in 2016 showed further consistent growth at the estimated 7%, a rate that met expectations amid tough natural and economic conditions in the agriculture sector. The growth was mainly driven by exports, construction, and government spending. The tourism sector also performed well while the agricultural sector showed signs of recovery in the last quarter of the year after a severe drought during the first half of the year.

The banking sector including MFI grew at a more moderate rate compared to the previous year. The total loan outstanding rose by 15%, lower than the increase of the previous year of 29%. The percentage of the NPL of banks increased from 1.99% to 2.4% in 2016. Despite the significant impact of droughts and low commodity prices, MFI lending grew to 23% in 2016 compared to 45% in the prior year. The percentage of the NPL of the MFI sector grew from 0.77% to 1.44%. The moderate growth in loans outstanding is expected to continue as the market becomes more mature.

Despite several challenges in the economy and increasing competition, HKL continued to grow in line with the sector. HKL's loan portfolio stood at \$445M, 22% growth from the previous year. The total deposit balance reached \$360M. The percentage of the NPL increased to 0.62%; however, it was still much lower than the industry average. The net profit was \$12.8M, exceeding that of the previous year by 15.3%. Primary growth in loan and profits was driven by improving sales productivity and larger loan sizes granted to entrepreneurs in the SME segment.

The Outlook for 2017 and HKL Strategy

The economy is expected to sustain a high growth trajectory in the range of 7% over the next 2 years, driven primarily by government spending and garment export. Moderate growth in tourism and a recovering agriculture sector would also help propel the economy.

Overall, the favorable outlook is likely to continue, underpinned by increasing trade and investment from regional integration. Certain risks include fallout from a rise in US interest rates, slower global growth and potential uncertainty related to the upcoming elections. The growth in urban areas for the garment, construction, and service sectors will drive down the overall poverty and increase the purchasing power of the low to medium income population.

As part of the global financial group, the overall strategy for HKL has been laid out to support a healthy growth with a more robust operating platform. Upon acquisition by Krungsri Bank, additional investment in resources and further efforts have been made to strengthen key areas which include compliance, finance, operations, risk management, and internal audits. In addition, HKL has gained access and is able to leverage relevant expertise within Krungsri Group across key areas, e.g. product development, IT capability, and human resource

management. This is a unique opportunity for HKL compared to its local competitors.

For growth strategy, HKL will continue to expand its branch network while improving its sales productivity to grow. The company will look to optimize its cost of fund by improving the capability to attract savings and sourcing lower cost funding. HKL also secures commitment from the parents group for providing sufficient capital to support growth and meet regulatory requirements.

On behalf of the Board of Directors, I would like to take this opportunity to express our deepest appreciation to the Government of Cambodia, the National Bank of Cambodia, our customers, and all stakeholders for their continuous support to HKL. I would also like to express the Board's gratitude to the management and staff of HKL for their passion and commitment in driving HKL toward becoming a stronger organization serving its customers and contributing to the development of Cambodia's financial sector and the overall economy.



Sudargo (Dan) Harsono
Chairman of Board of Directors

(1)



Hout Ieng Tong

President & CEO

“ 2016 was another high growth year for HKL despite several challenges ”

2016 proved to be another high growth year for HKL despite several challenges and was also the year that Hattha Kaksekar Limited became a subsidiary of Bank of Ayudhya Public Company Limited (Krungsri), the 5th largest commercial bank in Thailand.

Performance Achievement

HKL's total financial incomes rose by 27% to USD 81 million from USD 64 million with the support from the loan growth and effective loan quality management. The gross loan portfolio grew by 22% to USD 445 million from USD 363 million.

- The non-performing loan ratio has been maintained at 0.62% in 2016, resulting from the good result in loan quality in most of the branches and management of loan quality at all branches with less than 1% of non-performing loan ratio.
- HKL has increased its saving & deposit portfolio by 51% from USD 238 Million to USD 360 Million.
- Return on equity achieved at 20.27%.
- Net interest income rose by 18% to USD 46 million from USD 39 million. Operating expenses rose by 21% from USD 24 million to USD 29 million which were well managed upon the budget on the back of the financial and operational constant growth plan as well as the result of the acquiring and supporting professional staff, training, staff capacity development and performance-based incentives to support higher productivity and profitability.
- On the back bone of the stable growth plan and performance achievement, HKL has reached a net profit after tax of USD 12.8 million.

Service Quality & Clients Satisfaction and Protection

HKL keeps improving the service quality. A part from annual product development and customer care, significant studies, findings and prioritized focus has been practiced to improve HKL business activities including loans application procedures, front service improvement at the counter, and product pricing review. Moreover, HKL obtained Smart Campaign certification in June 2016 certifying that HKL has embedded the relevant principles into the policies and practice, upon the universally respected and required standards of Client Protection Principles. The clients of Smart Campaign certified institutions are privileged with the care according to the 7 principles: (1) Appropriate product design and delivery, (2) Prevention of over-indebtedness, (3) Transparency, (4) Reasonable pricing, (5) Fair & respectful treatment of clients, (6) Privacy of client data, and (7) Mechanism for complaints resolution.

Office Network and Product Development

In 2016, HKL's office network grew to 153 offices, bringing our financial services closer to the population and substantially increasing our catchment area. HKL has been offering a comprehensive range of financial products: loans to individual businesses, Small & Medium Enterprises, Green Loans, Students Loans; Savings & Deposits, Local Money Transfer, ATMs, Mobile Banking, Bill Payment. HKL has installed 21 additional ATMs in 2016, bringing our total number of ATMs by the end of 2016 to 123 ATMs in 25 provinces and the capital city, which can serve customers 24 hours per day, seven days per week and 365 days a year, including on national holidays and public holidays.

With HKL ATMs customers can do their transactions at any time, such as balance inquiries, mini statements, inter account transfers, remittance/transfers, loan payments, collection services and mobile phone top-ups.

HKL has expanded sale of micro insurance for health and accident insurance partnering with PKMI to 28 branches.

Industry Prospect

With the stable economic growth forecasted in year 2017 of 7% plus and Cambodia having become a lower middle income country in 2016, HKL has prospected for another constant growth in loan with quality and saving portfolio, increase of numbers of savers and depositors, friendly use of ATMs, and mobile banking subscribers, strong internal control, compliance to regulations, and increase of clients' satisfaction.

2017 Strategic Direction

- Continue adopting and improving the financial accounting system of IFRS.
- Grow loan portfolio with more balance for each key product supported by more branch network and credit officers.
- Reduce cost of fund by attracting more low cost deposits
- Strengthen risk management and compliance with all regulations
- Improve operational excellence and controllership

Giving Thanks

On behalf of the management and myself, I would like to thank all stakeholders of Hattha Kaksekar Limited for their contribution to the successes of the company. I would personally like to thank the retiring board members; Mr. Erik Peter Geurts, Mr. Eelco Mol, Mr. Tor G. Gull and Mr. Pak Sereivathana, who did a good job at the board of directors for the development of the company and I also thank the previous shareholders who kept supporting the company from the beginning. We are profoundly grateful for the loyalty of our customers, the trust of our partners and associates, and the support of the National Bank of Cambodia, the Ministry of Commerce and the other regulators that have guided us over the years.

My heartfelt thanks go to our new Chairman, board members and shareholders for their guidance, support, and for entrusting the management team to continue to lead HKL. Similarly, my thanks also go to my fellow management colleagues and staff members for their support and commitment in steering Hattha Kaksekar Limited forward to a long future growth and sustainability.

Sincerely,



Hout Ieng Tong
President & CEO

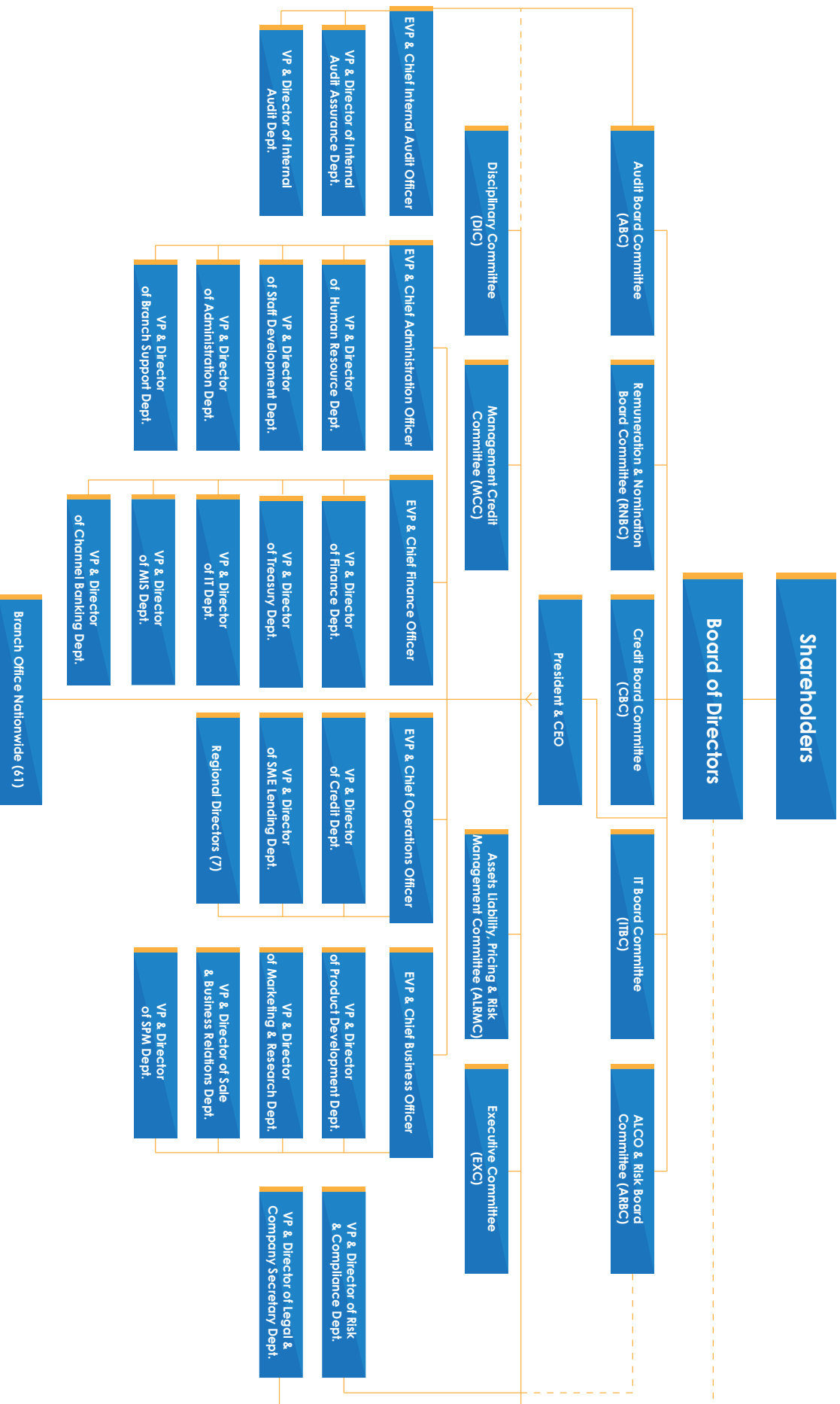
CORPORATE CAPITAL STRUCTURE



Founded in 1945, the Bank of Ayudhya Public Company Limited, known as Krungsri, is the fifth largest financial group in Thailand in terms of assets, loans, and deposits with 72 years of history in the country. Krungsri is a strategic member of the Mitsubishi UFJ Financial Group (MUFG), Japan's largest financial group and one of the world's largest financial organizations. 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 695 branches (658 Banking Branches and 37 Auto Business Branches) and over 31,000 service points nationwide. The Krungsri Group is the largest card issuer in Thailand with 8.1 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).

ORGANIZATIONAL STRUCTURE





Mr. Hout leng Tong, Mr.Lonh Hay, Mr. Piyasak Ukritnukun, Mr. Rohit Khanna, Mr. Sudargo (DAN) Harsono, Mr. Dy Davuth, Mr. Chandrashekar Subramanian Krishnoolindmangalam, Ms. Duangdao Wongpanitkrit, Ms. Tai Nay Im

B OARD OF DIRECTORS



Mr. Sudargo (DAN) 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 Jan 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.



Mr. Hout leng Tong
Member

Oknha Hout leng Tong was co-founder of Hatha Kaksekar Limited in 1996, and has represented the institution since then. With a broad range of experience in microfinance, Oknha Hout leng 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 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.



មហាសន្និបាតលើកទី ២០

ដើម្បីប្រកួតប្រជែងលទ្ធផលការងារឆ្នាំ២០១៦ និងផ្សព្វផ្សាយផែនការយុទ្ធសាស្ត្រឆ្នាំ២០១៧
ក្រោមអធិបតីភាព លោក ឌុកញ៉ា ហួត រៀងក្នុង ប្រធានអគ្គនាយក ហត្ថាកសិករ លីមគីត



Group Photo of HKL Management at General Assembly 2016

M ANAGEMENT TEAM



Oknha Hout leng Tong
President & CEO

Oknha Hout leng Tong was co-founder of Hatha Kaksekar Limited in 1996, and has represented the institution since then. With a broad range of experience in microfinance, Oknha Hout leng 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 at Build Bright University. In addition, he has participated in many microfinance-related workshops in the USA, the Philippines, Indonesia, France, Germany and many other countries.



Wanchairabin Jitwattanatam
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.



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.



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.



Rath Sarun
EVP & Chief Finance 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. 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.



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 years 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.



Touch Lina
EVP & Chief Operation Officer

Mr. Touch Lina was appointed as EVP & Chief Operation Officer in 2013, after starting his career at HKL in March 2005. 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.



Bong Benly
VP & IT Director

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.



Chen Boranchanborath

VP & Legal and Company Secretary Director

Mr. Chen Boranchanborath joined HKL as VP & Legal and Company Secretary Director 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.



In Socheata

VP & Treasury Director

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 & Treasury Director 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.



Keo Kimhuth

VP & Marketing and Research Director

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



Ke Sopheak

VP & Branch Support Director

Mr. Ke Sopheak was appointed as VP & Branch Support Director 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.



Leang Kimhouth
VP & SME Loan Director

Mr. Leang Kimhouth was appointed as VP & SME Loan Director in January 2014, after starting his career with HKL in 2006. He has extensive experiences in credit analysis, credit control, branch management, and SME loan management. He obtained a Bachelor's Degree in Accounting and a Master's Degree in Management from Build Bright University.



Ly Siven
VP & Loan Portfolio Management Director

Mr. Ly Siven was appointed as VP & Loan Portfolio Management Director 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.



Ou Kimthon
VP & Sale and Business Relation Director

Mr. Ou Kimthon was assigned as VP & Sales and Business Relations Director in June 2013. He 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.



Oum Chulsak
VP & Internal Audit Director

Mr. Oum Chulsak is currently working as VP & Internal Audit Director, 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.



Ouk Maliny
VP & Finance Director

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.



Phat Thomas
VP & Administration Director

Mr. Phat Thomas started his new position as VP & Administration Director in 2009. He has more than five years' experience with microfinance institutions in the field of human resources and administration. Phat Thomas earned a Master's Degree in Management together with practical skills in staff management, leadership, communications, administration, and human resource management.



Phan Sovithyea
VP & Channel Banking Director

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.



Sem Souphoan
VP & Human Resource Director

Mr. Sem Souphoan joined HKL as VP & Human Resources Director 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.



Son Savang

VP & Product Development Director

Mr. Son Savang was assigned as VP & Product Development Director 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, leadership, and management.



Vann Bonida

VP & Social Performance Management Director

Ms. Vann Bonida was appointed as VP & Social Performance Management Director 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.



Chheng Sokun

VP & Risk and Compliance Director

Ms. Chheng Sokun joined HKL as VP & Risk and Compliance Director 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.



Leng Visoth

VP & Management Information System Director

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 for SME.



Leang Siebh

VP & Internal Audit Assurance Director

Mr. Leang Siebh was appointed as VP & Internal Audit Assurance Director 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.



Tho Sroy

VP & Staff Development Director

Mr. Tho Sroy was appointed to be VP & Staff Development Director 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.



Pen Vanndarong

VP & Credit Director

Mr. Pen Vanndarong joined HKL as Assistant to Chief Operation Officer in April 2015, and was promoted to be VP & Credit Director in November 2016. Prior to being a part of HKL, he used to work at various commercial banks with primary responsibilities in credit analysis, deal structuring, credit underwriting, portfolio management, and customer relationship management. Vanndarong graduated Master Degree in International Business Economics from Oxford Brookes University (sponsored by British Chevening Scholarship) and Bachelor of Business Management from University of Cambodia, and is currently pursuing Master of Finance at Pannasatra University of Cambodia and ACCA at CamEd Business School.

CUSTOMER PROFILE

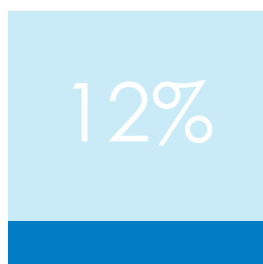
Hattha Kaksekar Limited (HKL) has a large number - more than 80% of the total buying customers - in rural areas, while the remaining of 20% are in cities and provincial towns. Micro and small loans perform well among customers living in rural areas, while medium and large loans are more popular among those based in urban areas. Generally, active HKL clients are the family breadwinners with an age rank of 26 to 55 years old, who mostly had access to secondary education and make their living by occupations such as agricultural activities, retail and mechanized work, trading, small-scale services, garment employment, and others. The majority of this group is married and has children. It is reported that there are 4.76 members per household on average, while 2.57 of them are family supporters. There is a higher rate of female customers applying for HKL products and services due to their important roles in family cash management.

Established as a food security program, HKL has strived to develop itself to become the 3rd largest microfinance institution in Cambodia with strong commitment to help Cambodian people, especially those in rural areas, to overcome poverty and reach a better living standard. With sustainable development over years, HKL has full capability to serve a wide range of products and services to different groups of customers across the country. Besides loans as the core business product, Deposits, ATMs, Mobile banking, money transfer, and other financial services have been delivered according to particular needs and wants of each customer.

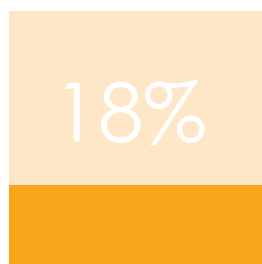
Market Share

By Dec 2016, HKL's loan portfolio amounted at more than 435 million USD lent to more than 117,637 borrowers. For Savings and Deposit services, there were more than 221,480 depositors subscribing to HKL services with approximately 356 million USD as deposit balance. Ranked by Cambodia Microfinance Association (CMA), HKL earned a large market share of loans at 14.51% and 23.58% regarding savings collection.

Loans Outstanding



Savings Outstanding





Marketing and Research department has the three important roles of market research and analysis, branding, and customer services management. Particularly market research and analysis have contributed a major input to providing up-to-date survey studies on the market such as trends in market needs, competitors' practices, and market sizes. Supporting the annual strategic plan, there are several important studies highly required by related departments for research unit to perform. Namely, there were mystery shopping, customer dropout, customer satisfaction and staff satisfaction surveys in addition to ad hoc studies prior to new product launches and evaluation after specific initiatives.

Branding units are mainly responsible for creating and maintaining the HKL brand in the market as well as performing adverting and promotional activities in order to promote products to potential customers. Internal and external communications are well aligned through direct and indirect marketing. Mass media, Corporate Social Responsibility and events together with PR are implemented as part of the strategic plan to help establish the brand identity of HKL and core products within clients' minds. Promotion and outreach communications are used to deliver messages to the market, introducing new products, and to raise client awareness about the institution.

Under the management of Marketing and Research department, the Customer Service unit is assigned to develop policies and maintain quality in service, making sure demanding customers are satisfied at any point of sales and after sales. To ensure these, foundation courses and specifically designed courses are delivered both to Customer Service Officers and related frontline staff members with recurring schedule. Service monitoring through systematic reports is applied at each branch with close interaction from the Head Office. Customers are welcome to submit inquiries or requests through the most accessible and convenient channels including call center, front desk and online complaint management system. HKL believes that good customer services would contribute to various benefits to institution.

- Good service keeps customers.
- Good service builds word of mouth business.
- Good service can help you overcome competitive disadvantages.
- Good service is easier than many parts of your business.
- Good service helps you work more efficiently.





General Loan

General Loan is designed for individuals, micro, small, medium and large businesses with clear purposes for running new operations and improving existing operations. Customers can request loans of up to USD 50,000 (or its equivalent in other currencies) based on their repayment capacity. With flexible terms and conditions, HKL provides competitive interest rates and repayment terms according to the size and business cycle.

Small and Medium Enterprise Loan

SME Loan is provided to individuals or corporate entities in need of funds to create or extend their business. Small and medium businesses can use this loan as working capital and/or for investment purposes. Clients are offered a special interest rate with flexible terms and conditions based on their repayment capacity and loan size. This loan is available up to USD 200,000 (or its equivalent in other currencies).

Housing Loan

Housing Loan is specifically offered to individuals who are planning to buy their houses. The customers can borrow up to USD 100,000 with loan terms of up to 12 years. HKL provides very reasonable interest rates to customers depending on the loan size and term.

Home improving loan

Home improving loan is serving for customers who aim to renovate or finish their residential construction. The customers can borrow up to USD 30,000 (or its equivalent in other currencies) with very reasonable interest rates based on the loan size and term.

Consumption Loan

Consumption loan offers opportunity to customers to purchase various belongings as personal or family use. Material and consumption should be included new and/or second-hand accessory that is not older than 5 years from its manufacturing date. HKL provided this type of loan up to USD 5,000 within loan term up to 3years.

Green Loan

Green Loan is recommended to customers who wish to improve their living standard through green energy such as for a bio-digester plant, solar energy, water filter, sanitation and so on. They can borrow up to USD 2,500 with a loan term of 3 to 24 months at a competitive interest rate and with a flexible repayment mode

Khmer Student Loan

Khmer Student Loan is created for parents or students who need funds to pursue their study for a Bachelor's degree, Master's degree or intensive course. They can borrow up to USD 8,000 with loan terms of 6 to 84 months. HKL provides flexibility on loan requirements and repayments.

Savings Accounts

Savings Accounts offer customers are able to deposit and withdraw in any amount at any branch, and at any time through HKL ATM networks. The minimum balance required for this account is just USD 5 (or its equivalent in other currencies), allowing customers to earn very competitive interest rates depending on the currency.

Ezzy Account

Ezzy Account mainly serves HKL clients who wish to earn a high interest rate from their savings. Customers will also benefit from modern Mobile Banking Services and ATM service features free of charge. The minimum balance for this type of account is USD 50 (or its equivalent in other currencies).

Smart Account

Smart Account provides the highest interest rate of all forms of voluntary saving. Customers are able to utilize Mobile Banking Services and ATM Services free of charge for their daily transactions. The minimum balance for this kind of account is USD 250 (or its equivalent in other currencies).

Planned Account

Planned Account is mainly for those who wish to have a fund for a specific future expense. This account requires customers to make cash deposits in installments on a weekly or monthly basis. To open this account, customers have to place a minimum deposit of USD 25 (or its equivalent in other currencies) with a flexible deposit term of 6 to 60 months.

Kids Saving Account

Kids Saving Account is designed for customers who want to make deposits for their children. In a planned Savings Account, customers are able to deposit installments on a weekly or monthly basis with a flexible savings term of 2 to 18 years. To open this account, the customers have to bank a minimum deposit of USD 50 (equivalent to other currencies).

High Income Deposit Account

High Income Deposit Account is a term deposit account that offers a high interest rate to customers wishing to invest their available money with a high security financial institution. 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 (equivalent to other currencies).

High Return Deposit Account

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

MyATM Services

MyATM Services offers a variety of services, both cash and non-cash transactions, such as cash deposit, cash withdrawal, funds transfer, remittance payment, currency exchange, mobile top up, balance inquiry, and so on. With more than 100 ATM machines countrywide, customers can easily conduct their transactions regardless of time and place.

MyMobile Banking Services

MyMobile Banking Services is a high-end technology service that allows customers to do transactions at anytime and anywhere through their mobile phones. Customers can perform financial transactions such as remittance, funds transfer, mobile top up, bill payment, loan repayment, and some other non-financial transactions such as balance inquiry, mini statements, SMS notifications, look up ATMs, exchange rate, interest rate, and can also access other financial services.

Local Money Transfer Services

Local Money Transfer Services is the best solution for customers who wish to transfer money from one place to another regardless of time and location. With reliability and security, customers can transfer their money through HKL branch networks, Mobile Banking, and ATM machines in 25 provinces and Cities in Cambodia.

Micro insurance

HKL has been partnering with PKMI (Prévoir Kampuchea Micro Life Insurance) to provide additional micro health and life insurance services to both savings and loan clients of Hattha Kaksekar Limited. The clients pay a single small premium at the beginning of the loan schedule as insurance for up to 12 months, with the maximum benefits covering up to the full actual cost of hospitalization in public health facilities in case of illness or accident during the insurance coverage period.

Payroll Services

HKL offers payroll services to client as institution regarding service of arrangement on bulk payment of salary & wages. Institutions themselves can reduce workload of administrative tasks. HKL offers very competitive fee charge based on negotiation.

Collection services

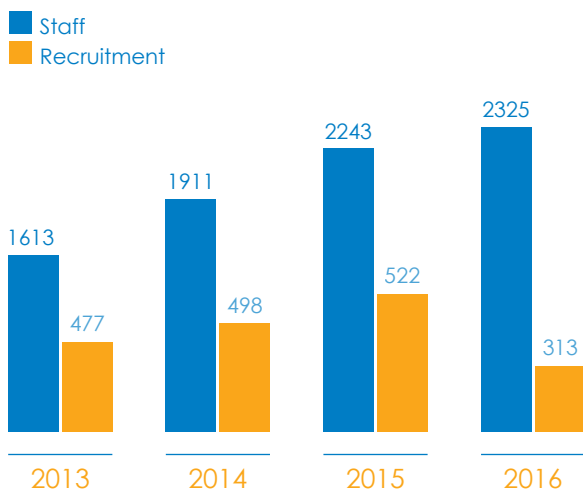
HKL collection is a services recommended to clients, which have a large number of business partners in different locations. This financial service offers payment collection through 153 branch offices in every city and province across the country. Clients and their partners are able to benefit the high security, effectiveness and convenience with accessibility and ease.



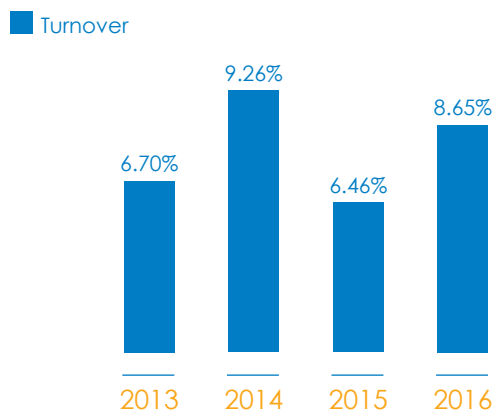
Human resources

Human Resources department has been assigned with important roles for maintaining and enhancing human capital and supporting sustainable growth apart from business operation. A solid HR strategy was developed and maintained to scale up initiatives and contribute to the success of the institution. Respecting the strategic direction, HKL paid high attention to good governance and employee care. Since starting in the early 90s, HKL has always been recognized with a low rate of employee misconduct and fraud. In 2016, HKL's turnover rate was as low as 8.65%, while the number of newly recruited staff members was 313, making the total number of HKL employees increase to 2,325 based at 153 branch offices nationwide.

Staff and Recruitment in 2016



Staff Turnover Rate 2016



Staff Capacity Development

Staff Capacity Development department holds an important role of equipped both newly recruited and on working staff necessary skills for their everyday job. Scheduled internal training and specially formed courses were tailor-made and delivered by skills management and outsourcing experts within and outside the country. There were 313 new trainees attending orientation training, and 324 staff members attending a foundation course. In average, an employee is invited at least to one skill training course per a year, and to at least 6 refreshment subjects. Besides, HKL has also been involved in social contribution to human resource development through an internship program provided to university students to acquire practical working experience for their future career and thesis purposes.

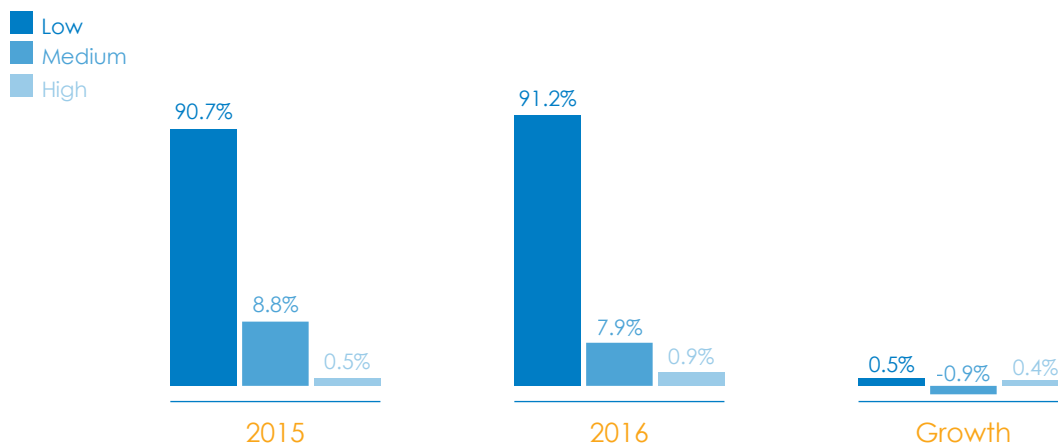


Environmental and Social Protection

With the commitment to supporting the movement of no-harm to the environment and society, HKL has undertaken the assessment of business purposes of borrowers to ensure their business practices to be financed would have not posed or will not pose any impact to the safety and health of people, environment and labor. 33,885 households with USD 287 million loan amount have been reviewed in 2016 with the environmental and social exclusion list and assessed regarding the environmental and social impact.

Compared to the previous year, the medium level of E&S risks has dropped by 0.9%, while the high risk has increased by 0.4% and HKL could well manage and closely monitor the risk mitigation upon the regular follow up of clients' business activities. As a result, the medium and high levels of E&S risks have dropped 1% and 0% respectively in 2016 compared to 2015; which reveals HKL's clients businesses have less negative impacts on environment and society than last year. High Risk Business is still monitored closely and medium risks mitigate regarding the regular follow up of clients' business activities.

Level of Environmental Social Risk

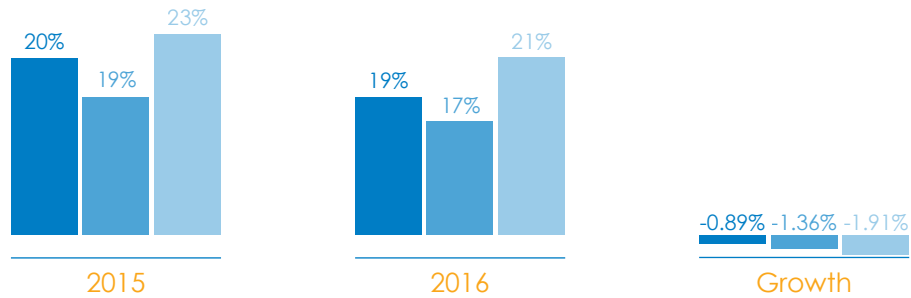


In 2016, its environmental and social risks have been reviewed and minimized with a remarkable result the environmental risk of air pollution has declined by

0.89%, the health risk of personal injury has declined by 1.36%; and the labor risk of bad working conditions has declined by 1.91% in 2016 compared to 2015.

Categories of Environmental and Social Risk

- Environment_Air Pollution
- Labor_Bad Working Environment
- Health & Safety_Personal Injury

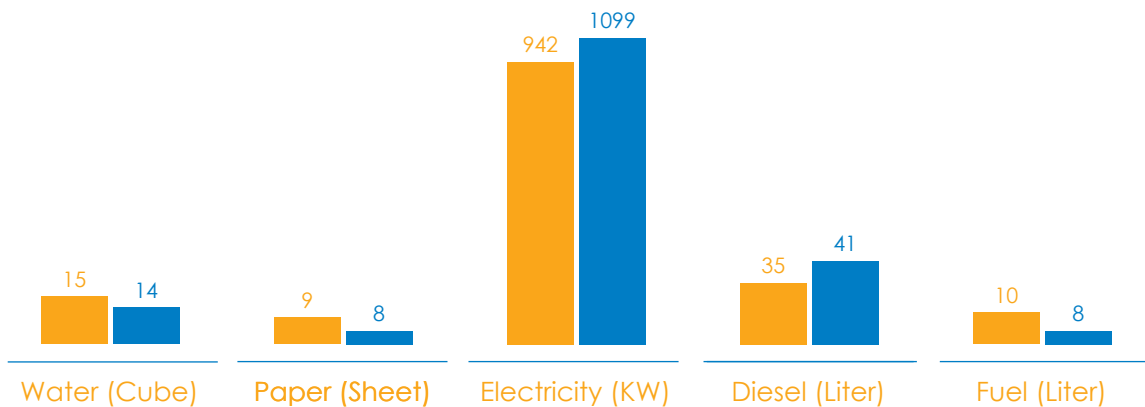


Beside the social and environmental protection toward its borrowers financed, HKL also has its own practice to ensure the consumption of material, energy and

water supply has been managed, proved with reasons and proper tracking.

Environmental Performance (Quantity / Per Staff Member)

- 2016
- 2015



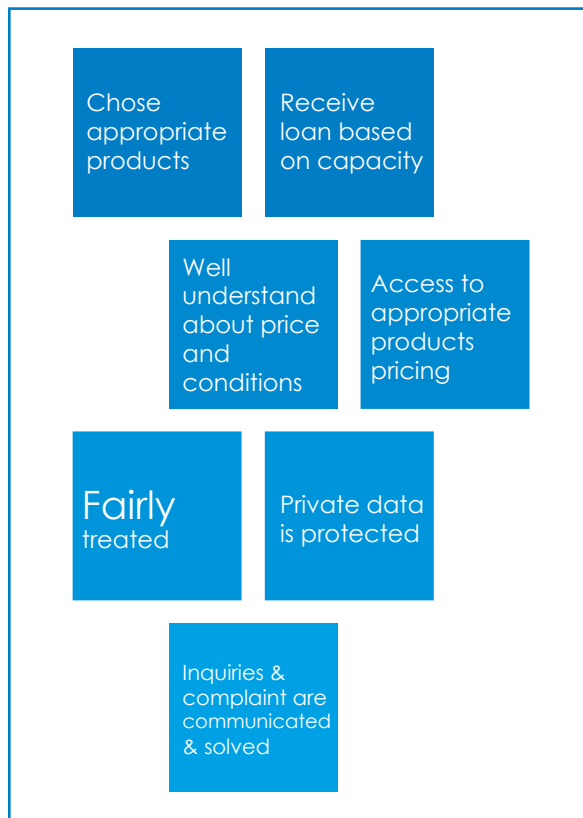
Clients are well-protected

With the development of the policy and guideline and training to staff on the matter of how clients are well protected, HKL has been certified by “Smart Campaign” certification program in June 2016 in the aspect of fulfillment of Client Protection Principles.

HKL has ensured clients know their right to the following: (1) Appropriate product design and delivery, (2) Prevention of over-indebtedness, (3) Transparency, (4) Reasonable pricing, (5) Fair & respectful treatment of clients, (6) Privacy of client data, and (7) Mechanism for complaints resolution.



HKL has ensured clients know their right to do and perform the followings:



Corporate Social Responsibilities

HKL has not only incorporated social and environmental activities into its business and operations, but has also extended its areas of social responsibility to the communities:

- Road Traffic Law Awareness Campaign:** 20 people of HKL’s members have been trained on the new traffic law, enabling them to lead the HKL’s group members to participate in educating people on the reinforcement of “Helmet Wearing” and “Respect of the traffic law”, through verbal comments and key messages on the leaflet distributed in Sihanoukville by around 250 people of HKL’s members to around 540 passengers.
- Personal & household financial education program:** HKL not only provided financial services to clients, but has also uplifted the financial education of clients and non-clients to improve their knowledge on why and how they should manage their financials effectively. HKL has adopted 3 categories programs for personal & household financial education as follows:

- **Financial Education Training of Trainer Program:** In order to support the plan on financial education program for target audiences (high school students and HKL's employees), 20 people have been trained in Financial Education Training of Trainers in order to team up for the conduct of the workshop and further develop other HKL's members.
- **Financial Education for Clients:** With the continuous conduct of the financial literacy program adopted from Planet Finance, HKL's operators at Prey Chhor Branch have educated clients, reaching 60 participants in 2016.
- **Financial Education Workshop for Youth:** HKL has conducted a financial education workshop for university students, targeting the young generation for the motivation to manage their money wisely and to learn about the ethics of money management hence to become more aware of financial risks and opportunities, avoid over-indebtedness, and achieve their financial goal. In 2016, we have reached the targeted number of 1,530 students in Phnom Penh.
- **Gifts to female staff members on International Women's Day:** An embroidery cloth was given to 738 female employees of HKL. It is demonstrating that HKL's management is paying much attention to promote gender transparent. In addition, the management has always supported, encouraged, and motivated female members to long for the opportunity of entering higher positions, including on management level, in HKL.
- **HKL's Football Championship 2016:** The Football Champion has been set up for health, friendship and solidarity sense, enabling strong team work within the regional network to compete for the best champion in Phnom Penh.
- **Phnom Penh International Half Marathon:** For the healthy and active lifestyle, 60 HKL's members have participated in the 6th Phnom Penh International Half Marathon as an international sporting event, supported by HKL.
- **Environmental Education Support:** HKL has supported the environmental education program conducted to target high school students on behavior changing toward energy saving in their daily life. The program has been organized in Pouk District, Siem Reap province with 250 students participating.

RISK MANAGEMENT AND COMPLIANCE

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

After integration with 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.

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 as Board of Directors and the President & Chief Executive Officer with another senior management as secretary.

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

The Risk and Compliance Department acts as a second line of defense with its independent function of risk management, reporting directly to ALCO and Risk Management Committee and ALCO and Risk Board Committee.

HKL Risk Management Structure Chart



Key Activities of the ARBC

The meeting of ARBC was convened six times throughout 2016 in February, May, September, October, November, and December. 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 and Compliance Department 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 Department has to ensure that potential risks are identified and appropriate action is taken to mitigate the risks. One of the key activities of the board within 2016 was to advise on and approve the Market Risk and Liquidity Risk Policy version 1.0, a consolidated version of three existing policies. Moreover, regarding the compliance function, the committee had approved the revised AML/CFT Policy version 2.0 and the Volcker Rule Policy as required by the group.

To align with the Group, HKL has improved its risk management in many areas such as:

1. Capital requirement to follow Basel III standard which focuses on capital requirements for credit risks and operational risks using the Standardized Approach.
2. Credit Risk Management: HKL has utilized more tools for credit analysis presented as credit risk dashboard which include loan delinquency (DQ30+ and DQ90+), delinquency roll rate (transition matrix), the vintage curve, first payment default, month on book (MOB3 and MOB9), and collection efficiency.
3. Market Risk Management: HKL has revised its foreign exchange exposure limit by currency to be in a more conservative way in order to minimize loss from the fluctuation of exchange rates in the market. Additional reports were produced for monthly monitoring on the market risk exposure.
4. Liquidity Risk Management: strengthening and improving stress testing by focusing both on sensitive analysis and scenario analysis. HKL has improved the behavioral assumption on both the assets and liabilities side.
5. Operational Risk Management: on the top of the current tools such as Key Risk Indicators, Risk Control Self-Assessment, and Loss Event HKL has utilized more tools for monitoring including company-wide KRIs and operational incident reporting.
6. The Enterprise Risk Management (ERM) was introduced and adopted in HKL.

FINANCIAL STATEMENT

BALANCE SHEET AS AT 31 DECEMBER 2016

ASSETS	Note	2016		2015	
		US\$	KHR'000	US\$	KHR'000
Cash on hand	4	9,317,664	37,615,410	8,143,748	32,982,179
Deposits and placements with National Bank of Cambodia	5	45,996,092	185,686,223	21,359,572	86,506,267
Deposits and placements with banks	6	74,272,524	299,838,179	41,170,385	166,740,059
Loans to customers, net	7	442,277,524	1,785,474,364	361,818,717	1,465,365,804
Other assets	8	8,435,869	34,055,603	6,885,277	27,885,372
Property and equipment	9	4,713,214	19,027,245	5,300,230	21,465,932
Intangible assets	10	545,826	2,203,500	848,248	3,435,404
Deferred tax assets, net	17(a)	948,969	3,830,988	590,120	2,389,986
TOTAL ASSETS		586,507,682	2,367,731,512	446,116,297	1,806,771,003
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers	11	357,772,465	1,444,327,441	236,414,270	957,477,794
Borrowings	12	116,750,949	471,323,581	83,933,535	339,930,817
Amount due to shareholders	13	44,750	180,655	33,786,278	136,834,426
Subordinated debts	14	24,729,319	99,832,261	19,729,319	79,903,742
Provident benefits	15	2,318,590	9,360,148	1,748,508	7,081,457
Other liabilities	16	14,988,449	60,508,369	10,075,351	40,805,171
Current income tax liability	17(b)	3,044,038	12,288,781	2,758,064	11,170,159
TOTAL LIABILITIES		519,648,560	2,097,821,236	388,445,325	1,573,203,566
EQUITY					
Share capital	18(a)	6,824,594	27,550,886	6,824,594	27,639,606
Share premium		19,082,502	77,036,061	19,052,319	77,161,892
Legal reserves		682,459	2,755,087	682,459	2,763,959
Other reserves		975,604	3,938,513	805,493	3,262,247
MEP/Equity-settled share-based payments	18(b)	-	-	30,183	122,241
Retained earnings		39,293,963	158,629,729	30,275,924	122,617,492
TOTAL EQUITY		66,859,122	269,910,276	57,670,972	233,567,437
TOTAL LIABILITIES AND EQUITY		586,507,682	2,367,731,512	446,116,297	1,806,771,003

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 31 December 2016		Year ended 31 December 2015	
		US\$	KHR'000	US\$	KHR'000
Interest income	19	81,568,073	329,290,311	64,226,422	260,117,009
Interest expense	20	(35,502,532)	(143,323,722)	(24,756,709)	(100,264,671)
Net interest income		46,065,541	185,966,589	39,469,713	159,852,338
Other operating income	21	877,402	3,542,072	328,370	1,329,898
Operating expenses	22	(28,992,784)	(117,043,869)	(24,553,842)	(99,443,060)
Operating profit		17,950,159	72,464,792	15,244,241	61,739,176
Allowance for bad and doubtful loans	7	(1,714,931)	(6,923,176)	(1,272,772)	(5,154,727)
Profit before income tax		16,235,228	65,541,616	13,971,469	56,584,449
Income tax expense	17(c)	(3,416,171)	(13,791,082)	(2,859,385)	(11,580,509)
Net profit for the year		12,819,057	51,750,534	11,112,084	45,003,940

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital US\$	Share premium US\$	Legal reserves US\$	Other reserves US\$	MEP/Equity-settled share-based payment US\$	Subordinated debt US\$	Retained earnings US\$	Total US\$
At 1 January 2015	5,271,188	10,492,717	527,119	635,382	-	729,319	21,088,990	38,744,715
Additional capital	1,553,406	8,559,602	-	-	-	-	-	10,113,008
Net profit for the year	-	-	-	-	-	-	11,112,084	11,112,084
Transfer subordinated debts to liabilities (Note 14)	-	-	-	-	-	(729,319)	-	(729,319)
Transfer to legal reserves	-	-	155,340	-	-	-	(155,340)	-
Transfer to other reserves	-	-	-	170,111	-	-	(170,111)	-
MEP/Equity-settled share-based payment	-	-	-	-	30,183	-	-	30,183
Dividends distribution (Noted 23)	-	-	-	-	-	-	(1,599,699)	(1,599,699)
At 31 December 2015	6,824,594	19,052,319	682,459	805,493	30,183	-	30,275,924	57,670,972
KHR'000 equivalents								
At 31 December 2015	27,639,606	77,161,892	2,763,959	3,262,247	122,241	-	122,617,492	233,567,437
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)	-
Transfer MEP/equity settled share-based payment to share premium	-	30,183	-	-	(30,183)	-	-	-
Settlement of MEP shares (Note 18(b))	-	-	-	-	-	-	(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

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 31 December 2016		Year ended 31 December 2015	
		US\$	KHR'000	US\$	KHR'000
Cash flow from operating activities					
Profit before income tax		16,235,228	65,541,616	13,971,469	56,584,449
Adjustments for non-cash income and expense					
Depreciation and amortisation	22	2,808,229	11,336,820	2,469,597	10,001,868
Allowance for bad and doubtful loans	7	1,714,931	6,923,176	1,272,772	5,154,727
Provident benefits	15	588,977	2,377,700	494,834	2,004,078
Loss/(gain) on disposal of property and equipment	21 & 22	2,979	12,026	(5,382)	(21,797)
Net interest income		(46,065,541)	(185,966,589)	(39,469,713)	(159,852,338)
Effect of currency translation differences					
Borrowings		97,662	394,262	(321,649)	(1,302,678)
Amount due to related parties		-	-	(172,198)	(697,402)
		(24,617,535)	(99,380,989)	(21,760,270)	(88,129,093)
Changes in:					
Balances with the NBC		(9,960,000)	(40,208,520)	(5,506,754)	((22,302,354)
Loans to customers		(82,173,738)	(331,735,380)	(113,411,237)	(459,315,510)
Other assets		(947,211)	(3,823,891)	(909,878)	(3,685,006)
Deposits from customers		121,358,195	489,923,033	64,080,918	259,527,718
Other liabilities		919,696	3,712,814	894,606	3,623,154
Amount due to related parties		44,750	180,656	-	-
Cash generated from/(used in) operations		4,624,157	18,667,723	(76,612,615)	(310,281,091)
Interest received		80,964,692	326,854,462	63,111,413	255,601,223
Interest paid		(31,439,708)	(126,922,101)	(22,111,769)	(89,552,664)
Income tax paid	17(b)	(3,489,046)	(14,085,279)	(2,369,028)	(9,594,563)
Provident benefits paid	15	(88,317)	(356,536)	(83,131)	(336,681)
Settlement of MEP shares		(3,630,907)	(14,657,972)	-	-
Net cash generated from/(used in) operating activities		46,940,871	189,500,297	(38,065,130)	(154,163,776)
Cash flow from investing activities					
Purchases of property and equipment	9	(1,693,914)	(6,838,331)	(2,978,289)	(12,062,070)
Purchases of intangible assets	10	(229,183)	(925,212)	(171,057)	(692,781)
Proceeds from disposal of property and equipment		1,327	5,357	10,988	44,501
Net cash used in investing activities		(1,921,770)	(7,758,186)	(3,138,358)	(12,710,350)

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 31 December 2016		Year ended 31 December 2015	
		US\$	KHR'000	US\$	KHR'000
Cash flows from financing activities					
Proceeds from borrowings		36,101,743	145,742,736	56,961,649	230,694,678
Repayments of borrowings		(29,168,269)	(117,752,302)	(30,408,613)	(123,154,883)
Proceeds from amounts due to shareholders		-	-	15,000,000	60,750,000
Repayments of amounts due to shareholders		(8,000,000)	(32,296,000)	(4,012,346)	(16,250,001)
Proceeds from subordinated debts		5,000,000	20,185,000	5,000,000	20,250,000
Proceeds from capital injections		-	-	9,163,262	37,111,211
Dividends paid	23	-	-	(1,599,699)	(6,478,781)
Net cash generated from financing activities		3,933,474	15,879,434	50,104,253	202,922,224
Net increase in cash and cash equivalents		48,952,575	197,621,545	8,900,765	36,048,098
Cash and cash equivalents at the beginning of the year		50,367,773	203,989,480	41,467,008	168,978,057
Currency translation differences		-	(654,780)	-	(1,036,675)
Cash and cash equivalents at the end of the year	24	99,320,348	400,956,245	50,367,773	203,989,480

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Awards & Rating



Shareholders



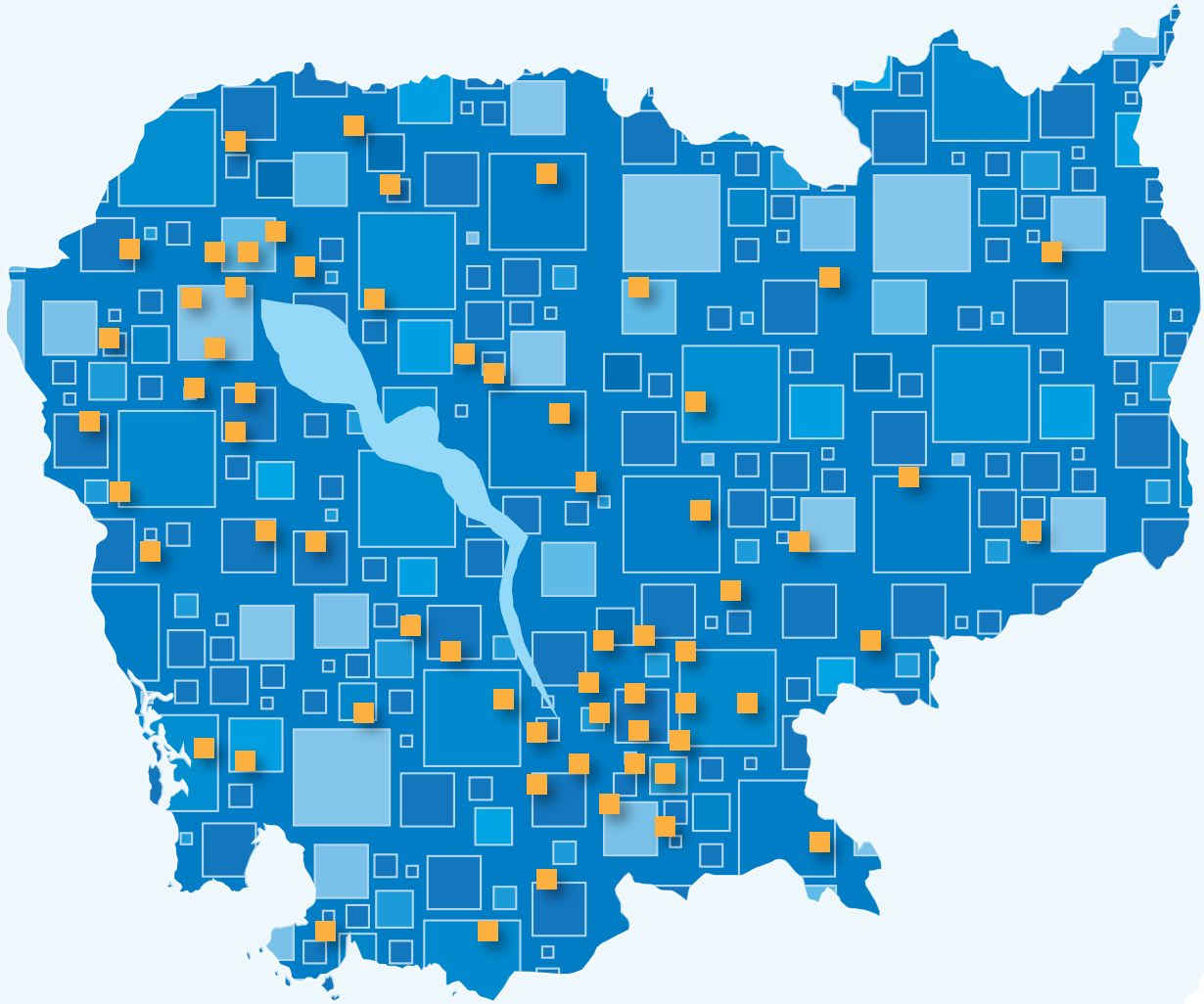
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