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ហត្ថាកសិករ លីមីតធីត

HATTHA KAKSEKAR LIMITED

2015 Annual Report

more convenient & closer anywhere with HKL's services

Operational Highlights



Operational Highlights	2013	2014	2015
Operating provinces	24	25	25
Operating districts	188	191	195
Operating communes	1,456	1,574	1,644
Operating villages	8,832	9,852	10,641
Distribution networks	135	141	150
Total ATMs	45	72	102
Total staff	1,613	1,911	2,243
Total borrowers	83,416	100,636	112,777
Loans outstanding /Credit Officer (in USD)	206,328	306,233	392,129
Loans outstanding /staff (in USD)	90,308	130,922	162,062
Average loan size (in USD)	1,746	2,486	3,223
Portfolio at risk (PAR %)	0.06%	0.03%	0.09%
Total depositors	143,519	190,652	217,991
Total loan portfolio (in USD)	145,667,482	250,192,757	363,504,006
Total deposit balance (in USD)	83,386,093	173,618,560	236,414,270
TOTAL ASSETS (in USD)	179,572,686	316,402,691	446,160,697

Financial Highlights



Financial Highlights	2013	2014	2015
Assets			
Loans to customers – net	144,194,570	249,680,252	361,818,717
Total assets	179,572,686	316,363,805	446,116,297
Liabilities			
Deposits from customers	82,473,575	172,333,352	236,414,270
Total liabilities	154,309,308	277,619,090	388,445,325
Equity			
Total equity	25,263,378	38,744,715	57,670,972
Income and expenses			
Interest income	30,035,239	45,496,801	64,226,422
Interest expenses	(9,556,305)	(16,881,286)	(24,756,709)
Income tax expenses	(1,095,896)	(2,078,333)	(2,859,385)
Net profit for the year	4,259,995	8,121,935	11,112,084
Ratios			
Net Margin After Tax	14.18%	17.85%	17.30%
Return on Equity	18.94%	26.83%	23.82%
Operational Self-Sufficiency	121.29%	128.70%	127.85%

Social Performance Highlights



Social Performance Highlights	2013	2014	2015
Responsibility to clients			
Female borrowers	70%	70%	67%
Female savers	47%	50%	66%
Rural coverage, borrowers	79%	81%	82%
Client retention rate	77%	81%	79%
Credit history checked, Credit Bureau	100%	100%	100%
Micro-insurance, number of active insured	-	1,111	7875
Social & environmental loan portfolio (in USD)	391,440	403,459	337,417
Number of SME Loans	-	131	318
Percentage of clients earning less than \$2.50(PPP)a day	29.48%	27.26%	24.76%
Responsibility to staff			
Female staff	26.84%	27.84%	29.47%
Staff retention rate	93.30%	90.74%	93.62%
Average years of staff service	3.00	3.14	3.33
Number of training courses per staff member	9	7	10
Responsibility to government (in USD)			
Tax on salary and fringe benefits	443,855	561,744	736,596
Withholding tax	1,345,739	1,745,401	2,441,579
Annual tax return	1,122,445	2,189,272	3,341,027

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

Cambodia's Economic Indicators



Main Economic Indicators

	2013	2014e	2015f	2016f
GDP				
Nominal GDP (millions USD)	15,373	16,367	17,759	19,173
GDP per capita (in USD)	1,036	1,139	1,237	1,347
Consumer price index	4.6	5.0	5.5	6.0
Real DGP growth rate (constant prices 2000) (in %)	7.6	7.0	7.0	7.2
Agriculture (in %)	4.2	4.2	4.0	4.0
Industry (in %)	9.8	9.9	9.3	9.1
Services (in %)	8.8	6.8	7.1	7.1
Inflation				
Inflation rate (in %)	4.6	1.1	3.04	2.7
Public sector				
Government revenue (% GDP)	15.1	16.1	16.4	16.4
Government expenditure (% GDP)	21.5	20.4	20.9	21.3
Government balance, excluding grants (% GDP)	-6.4	-4.3	-4.5	-4.9
Government balance, including grants (% GDP)	-2.7	-2.5	-3.5	-3.3
Government net lending/borrowing (% GDP)	-2.7	-2.8	-2.3	n/a
Government gross debt (% GDP)	28.41	28.9	28.9	n/a
Foreign Trade and Investment				
Trade balance (millions USD)	-2,598	-2,908	-2,956	-2,856
Exports of goods (million USD)	6,890	8,193	9,700	11,572
(% change yoy)	22.3	18.9	18.4	19.3
Import of goods (million USD)	9,489	11,102	12,656	14,428
(% change yoy)	17.3	17.0	14.0	14.0
Foreign direct investment (million USD)	1,299	1,380	1,400	1,450

	2013	2014e	2015f	2016f
Financial Markets				
Deposit in the banking system (% change yoy)	12.7	21.3	N.A	N.A
Outstanding loans in the banking system (% change yoy)	25.2	16.2	N.A	N.A
Deposits to GDP (% change yoy)	49	53	N.A	N.A
Loan to GDP (% change yoy)	49.8	50	N.A	N.A
Exchange rate (riel/USD, eop)	3,995	4,065	4,076	4,050
Commercial bank and specialist banks (loans outstanding) (million riels)	-	39,265	51,045	66,358
MFI (loans outstanding) (million riels)	-	7,254	10,760	15,386
Business				
Competitiveness index	4	4	3.88	3.94
Competitiveness rank	85	88	95	90
Investment (yoy percentage change)				
Building and construction	14.1	9.3	10.4	6.0
Core machinery and equipment	33.0	30.0	15.0	12.0

The total population was about 15.561 million by 2014 with population growth of around 1.63% and a median age of 24.1 years old. The gross domestic product (GDP) was equal to USD 18 billion (2015 estimate) and GDP per capital was around USD 1,181 (2015 estimate) with purchasing power of 55 billion USD (2015 estimate).

Sources:

- International Monetary Fund (IMF)
- ASIAN DEVELOPMENT BANK (ADB)
- National data sources
- World Bank Staff Estimates
- Ministry of Economy and Finance
- National Institution of Statistics, Ministry of Planning

e = estimate

f = forecast

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A smiling woman with dark hair, wearing a green floral patterned shirt and patterned pants, is sitting in a field of lush green plants. The background shows a wooden trellis structure with black netting, suggesting a greenhouse or nursery setting. The lighting is bright and natural, highlighting the vibrant green of the plants and the woman's joyful expression.

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

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

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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.

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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.

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HKL increased its paid-up capital from USD 180,000 to USD 257,850. This came from capital investment from CORDAID, based in the Netherlands. CORDAID held 19 percent of the total shares and became the fifth shareholder of HKL in addition to the existing shareholders: HK NGO, Hattha Kaksekar Staff Association (HKSA), Solidarité International Pour le Développement et l'Investissement (SIDI), and a private shareholder.

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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.

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08

There was a new capital injection from Oikocredit, Norfund and Triple Jump in HKL. The paid-up capital of HKL therefore increased USD 2.7 million. Within the year, HKL introduced the Local Money Transfer Service to its clients and the public to adapt to their changing needs.

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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.

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The registered capital of HKL was increased from USD 2,716,800 to USD 4,036,800 to adapt to the volatility of its business environment. The rise in capital was derived from the capital investment of responsAbility and other shareholders. HKL had already installed the new CBS as planned. The new online system is able to track the performance of transactions on a real time basis. Importantly, institutional business rating took place, and HKL was awarded an "A-" rating, indicating a very good business performance.

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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 deposits, funds transfers, remittances, mobile top-up, and currency exchange, etc.

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This was a fruitful year because HKL developed many new products to meet the demands of customers, among them green loans, student loans, and SMS notification services. Also, to provide customers with professional, fast, convenient and high quality customer services, HKL completed installation of the Call Center System. This system has excellent functions to increase the duration of servicing of HKL, as well as to improve the mechanism for receiving complaints and feedback from customers to improve its performance.

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This was a fruitful achievement year for saving, credit and other fee-based products. Due to its sustainability in terms of finance, operation and governance, HKL 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, HKL had the capability to expand its business operations countrywide.

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A successful year in which HKL expanded its branch networks across the nation, with 151 operating/operational branches and 102 ATMs in service and 2,337 employees working in 25 provinces and cities throughout the country. Mobile Banking and ATM services made up a greater proportion of daily transactions, indicating higher levels of product knowledge among HKL customers.



Erik Peter Geurts
Chairman of the Board of Directors

2015 was a year of growth in the Cambodian micro finance industry. The number of borrowers increased by almost 14% while credit increased by more than 46%. This means that the majority of growth result from granting larger loans to existing clients with a proven track record. One of the explanations for this increase can be found in the healthy growth rate of 7.3% during 2015 and under attended demand.

Hattha Kaksekar Ltd. (HKL) followed the general trend, with an 11% increase in borrowers (108,000 in December 2015 versus 97,000 by the end of 2014) and a 45% increase in the loan book. In our case most of the growth took place in the second half of the year. This was due to the unforeseen delay in the authorization of a capital increase of USD 10 million. Possibly HKL would have grown even more if authorization had been swifter. Nonetheless the board is satisfied that the company achieved most of its budget objectives.

The capital increase itself shows the commitment of the shareholders. All institutional shareholders have made use of their preemptive rights in order to participate. Notwithstanding the continuing strong support by shareholders and the strong growth rate of the company, the owners decided to look for a strategic partner to bring HKL to the next level. Shareholders, board and management are confident that HKL can reach that next level on its own. However with the right strategic partner the institution develop more rapidly. Pending regulatory approvals, the company believes it will be able to disclose more about this process during the present year.

In the meantime the capable management and staff of the company continue to run the company as successfully as ever. HKL has state of the art infrastructure and expert human resources that allow for smooth operations and maintenance of good portfolio quality. The company closed with a 0.1% portfolio at risk over 30 days. By worldwide standards this is an excellent achievement.

This good asset quality, capable management and the maintenance of sound solvency levels contributed to a substantial 37% increase in deposits. This is also a consequence of tailor made relationship management with its customers. In future HKL would like to take advantage of this good relationship with depositors to fuel further growth. In our view, clients will enjoy the increasing range of services offered by HKL to receive tailor made solutions for all their financial needs.

At the same time board and management will remain alert to the risk of over indebtedness. The company fully subscribes¹ to the practices of the SMART campaign¹, ensuring that clients are being treated fairly and transparently. The board also monitors social indicators. These indicators show that more than 65% of both borrowers and savers are women and that 80% of borrowers live in rural areas. The board was particularly happy to see that a great majority of our clients value our services so much that they chose to remain our clients. This is shown by a retention rate that is in the superior range compared to worldwide microfinance practice. This also makes

good economic sense, as existing clients are easier to monitor as well as being more profitable for the company than acquiring new clients. This is not to say that HKL is not looking for new clients. To the contrary: satisfied existing clients are the best incentive for others to become new clients of HKL.

On behalf of the board I would like to thank staff and management for the excellent way the company has been run during 2015. Thanks to them we concluded the year with a healthy return on equity of 23.6%, faithful to our objective to produce a combination of financial and social returns. Senior management has been attending to stakeholders located in many different parts of the world, if necessary by day and night, over weekends and during holidays. This would not have been possible without the valuable support of our 2,337 loyal and knowledgeable staff members who run our operations in the field and maintain customer relations with great diligence.



Erik Peter Geurts
Chairman of the Board of Directors

⁽¹⁾ SMART campaign brings the commitment of Microfinance Institutions towards the achievement of Client Protection Principles (SMART) Certification; with the objective seal of confidence that MFI is doing everything it can to treat its clients well and protect them from harm.



Hout Ieng Tong
President & CEO

Industry Competition Environment

With average economic growth for the last five years of around 7%, Cambodia has reached Olympians growth in the global context, supporting the microfinance industry to achieve rapid growth in previous years as well as the prosperous results of 2015. Industry has welcomed new MFIs and newly formalized MFIs to the existing robust market. However, HKL has maintained its market share position of loans at around 12% for the five years up to 2015. HKL has grown loans by 45%, alongside industry growth.

Performance Achievement

HKL's total financial incomes rose by 41% to USD 64 million from USD 45 million with the support of loan growth and effective loan quality management. Gross loan portfolios grew by 45% to USD 363 million from USD 250 million.

- The non-performing loan ratio has been maintained at 0.09% in 2015, following the good result in loan quality in most of the branches and management of loan quality at all branches with a non-performing loan ratio of less than 1%.
- HKL has increased its savings and deposit portfolio by 37% from USD 173 million to USD 236 million. HKL ensures the privacy of client's data, and protects clients, businesses, and the industry as a whole.
- HKL surpassed the headline key performance indicator with a return on equity of 23.59%, exceeding the budget of 19.52%.
- Net interest income rose 38% to USD 39 million from USD 28 million. Operating expenses rose by 23%

from USD 20 million to USD 24 million, and were well managed upon the budget on the back of the financial and operational constant growth plan. They were also the result of acquiring and supporting professional staff, training, staff capacity development and performance-based incentives to support higher productivity and profitability.

- With its stable growth plan and performance achievement as the backbone of its operations, HKL has achieved Net Profit after Tax of USD 11 million, exceeding budget estimates by 15.76%.

Service Quality and Client Satisfaction

HKL continues to improve its service quality from time to time. On an annual basis, regular client satisfaction surveys have been conducted. A number of findings have led to the introduction of prioritized focuses, such as on loan procedures to accelerate the service, service improvement at the counter, and product pricing reviews. Client protection principles through smart campaigns have been incorporated into operations to ensure that clients are well informed and protected for their sustainability. Along with the satisfied clients that HKL has nurtured through the years, HKL has thoroughly acknowledged the engagement of our staff members through various staff benefits as well as the survey on staff satisfaction to provide HKL's resources to the appropriate group.

Office Network and Product Development

In 2015, HKL's office network grew to 150 offices, from 143 offices in 2014, 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 (loans to

individual businesses, Small & Medium Enterprises, Green Loans, Student Loans) Savings & Deposits, Local Money Transfers, ATM and Mobile Banking.

HKL has installed 30 more ATMs in 2015, bringing our total number of ATMs by the end of 2015 to 102 ATMs across 25 provinces and the capital city, able to 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 make transactions at any time. These include balance inquiries, mini statements, inter account transfers, remittance/transfers, loan repayments, collection services and mobile phone top-ups. HKL has rolled out micro insurance in partnership with PKMI to 27 branches and test piloted consumption loan products to determine what clients need in terms of personal consumption for their household and family following our market and research findings.

Industry Prospect

With the stable economic growth forecast for 2016 of 0.1% higher than 2015, and Cambodia reaching towards becoming a lower middle income country in 2016, HKL has prospects for continuing growth in loans with its quality and savings portfolio; an increase in the numbers of savers and depositors, user friendly ATMs, and mobile banking subscribers, strong internal control, compliance with regulations, and improved client satisfaction.

Key Focus Goals in 2016

- Adopt and improve the financial accounting system of IFRS.
- Strengthen the capacity of SME lending and upgrade the credit scoring system for SME loans.
- Deliver quality and convenient services to customers through enhancing the facilities of Mobile Banking applications and ATMs, providing services 24 hours a day and 365 days a year.
- Improve the information management system.
- Introduce Financial Leasing.

Giving Thanks

Everything we achieved last year, everything we are today, and everything we stand for is a tribute to the commitment of our stakeholders. We are profoundly grateful for the dedication of all our staff and the loyalty of our customers, the trust of our partners and associates, and the support of the National Bank of Cambodia and the other regulatory authorities that have guided us over the years. My heartfelt thanks to our Chairman, board members, and shareholders for their guidance and support, and for entrusting me to continue to lead HKL. Similarly, my thanks also to my fellow management colleagues for their support and commitment in steering HKL forward.

Sincerely



Hout Leng Tong
President & CEO

Corporate Capital Structure



With strong support from shareholders, HKL continues to be the leading microfinance institution in Cambodia. The operation of loans, deposits, and other financial services has grown very well as a result of their full support. HKL currently has eight shareholders as listed below:

SHAREHOLDERS	SHAREHOLDING(%)
HK NGO	10.42
DY DAVUTH	0.81
NORFUND	20.94
ANMF (Triple Jump)	17.46
OIKOCREDIT	19.84
responsAbility	11.25
rAP	9.71
HK SA	9.57
TOTAL	100

Below is a brief background of HKL shareholders as of December 2015



Oikocredit is one of the world's largest sources of private funding to the microfinance sector. Oikocredit provides credit and equity to small businesses through microfinance institutions across the developing world, and directly to trade cooperatives, fair trade organizations and small-to-medium sized enterprises. Oikocredit is based in Amersfoort, the Netherlands and has local representation in approximately 30 countries worldwide. These offices source and monitor partners in more than 65 countries. The capital needed to provide development financing is derived from investments in Oikocredit by over 40,000 individuals and 6,000 organizations, including churches and church-related organizations around the globe. For more information, please visit www.oikocredit.coop.

responsAbility

leading social investments

responsAbility Investments AG is one of the world's leading independent asset managers in the field of Development Investments and offers professionally-managed investment solutions to both private and institutional investors. The company supplies debt and equity financing to non-listed companies with inclusive business models in emerging economies and developing countries. responsAbility currently has USD 3 billion in assets under management, which is invested in around 520 companies in more than 90 countries. Founded in 2003, the company is headquartered in Zurich and has local offices in Bangkok, Geneva, Hong Kong, Lima, Mumbai, Nairobi, Oslo and Paris. Its shareholders include reputable institutions from the Swiss financial market as well as its own employees. responsAbility is registered with the Swiss Financial Market Supervisory Authority FINMA. Further information is available at www.responsAbility.com.

responsAbility Participations AG (rAP)

responsAbility Participations AG is a company limited by shares with its registered office in Zurich, Switzerland. The company targets long-term participation in established and primarily unlisted companies in emerging and transitioning economies, with a particular focus on institutions which provide financial services to micro, small and medium-sized enterprises and/or low-income clients. responsAbility Participations AG is managed by responsAbility Investments AG, a leading asset manager with a track record of over a decade in the area of development investments. As of 31 December 2015, responsAbility Investments AG's assets under management amounted to USD 3 billion.

Hattha Kaksekar NGO

HKNGO was originally transformed from a food security project in 1996. In October 2001, this NGO was restructured to become a shareholder of Hattha Kaksekar Limited (HKL) and the assets and equity of the NGO were then transferred to HKL. The initial share amount of HK NGO was USD 35,010, representing 45% of the total shares of HKL. With an additional amount transferred from some of HK NGO's subordinated loans, HK NGO increased its share investment to USD 128,550. As at the end of 2015, the share capital of HK NGO to HKL amounted to USD 711,141, representing 10.42% of the total shares of HKL.



Hattha Kaksekar Staff Association (HKSA) is a legal entity which receives financial contributions from HKL staff. All HKL staff are permitted to acquire HKL shares through HKSA. The size of the dividend given to the staff as shareholders depends on the net profit of HKL from the previous fiscal year. As of the end of 2015, the share capital of HKSA to HKL accounted for USD 652,807, representing 9.57% of the total shares of HKL.



In 1999, ASN-Novib Microcredit Fund (ANMF) was established as a mutual fund for microfinance by ASN Bank and Oxfam Novib. Created with the goal of encouraging broader participation from all levels of society in the market economies of developing countries, ANMF allows private individuals to invest in financial intermediaries by issuing shares, which can be traded on a daily basis. ANMF invests in expanding and mature financial intermediaries, and operates in countries in Africa, Asia, Eastern Europe and Latin America.

As of October 2015, ANMF became the first microfinance investment fund with a listing in Europe. ANMF can offer long-term equity and follow-on investments, along with senior and subordinated debt. The fund is retailed by ASN Bank to its customers. The assets are managed by Triple Jump B.V., which specializes in responsible microfinance investment management and advisory services. At the end of 2015, the total assets of ANMF amounted to EUR 236 million. This amount was used to provide EUR 198 million in senior loans, sub debt and equity to 87 financial service providers across five continents. More information on the investments by ANMF and other funds managed by Triple Jump is available at www.triplejump.eu.



Norfund – the Norwegian Investment Fund for Developing Countries – was established by a special act of the Norwegian Parliament (the Norfund Law) in 1997. The organisation is the Norwegian government’s main instrument for combatting poverty through private sector development. Norfund’s objective is to contribute to sustainable commercial businesses in developing countries. The main investment areas of Norfund are in Financial institutions, SME investment funds, Clean energy and the Agriculture and Food Industry.

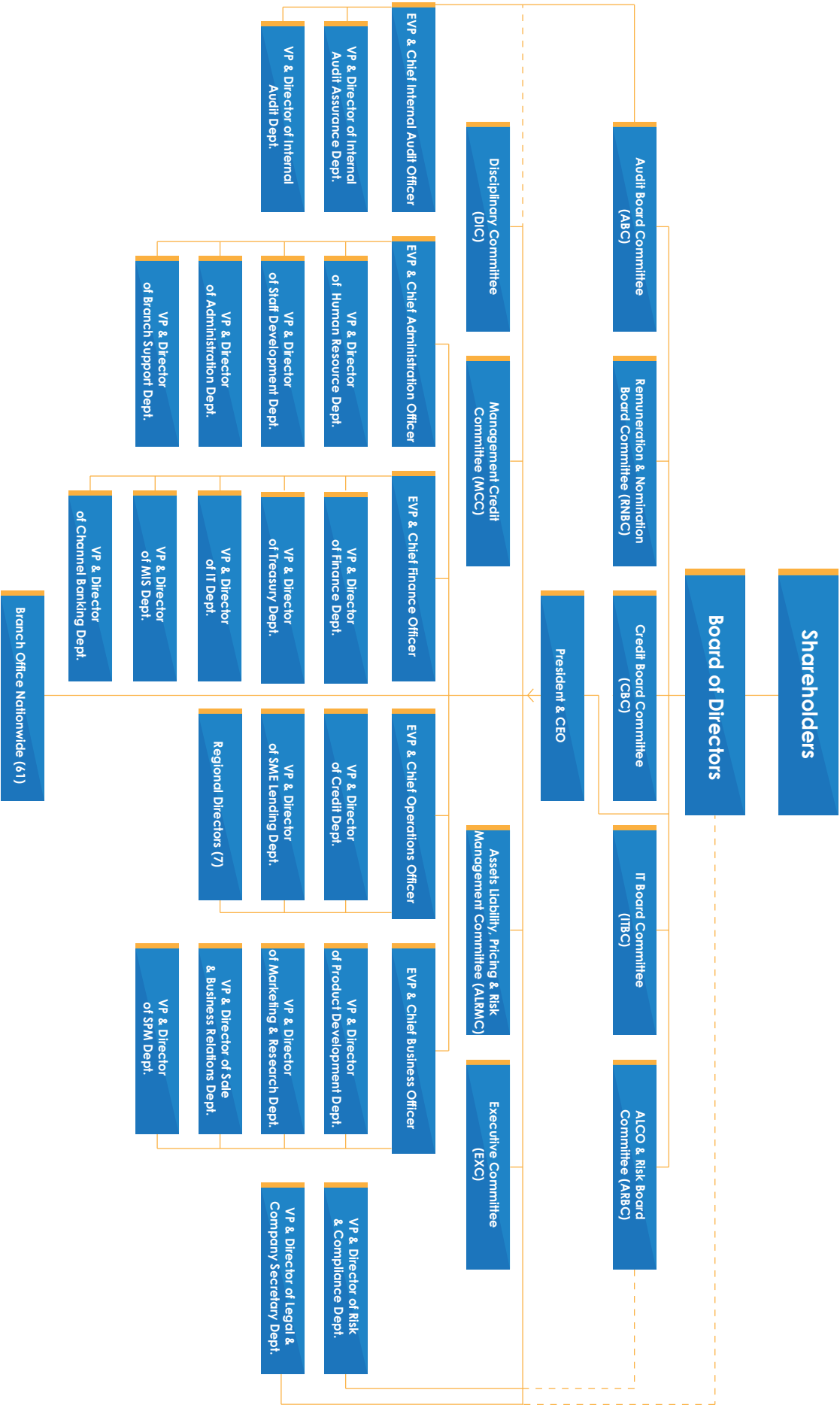
Norfund is a state-owned company with limited liability, and is owned on behalf of the Norwegian government by the Ministry of Foreign Affairs. The Minister of Foreign Affairs has constitutional responsibility for the organization, and Norfund’s Board of Directors is appointed by the King in Council. Funding is provided via capital allocations from Norfund’s development assistance budget.

At year-end 2015, Norfund had a portfolio of about USD 1.8 billion (NOK 15.2 billion) and 68 employees. To learn more about Norfund, please visit www.norfund.no.

DR. DY DAVUTH

He graduated with a Bachelor's Degree in Business Administration from the National University of Management in 1995 in Phnom Penh, Cambodia. In 2001, he completed his Master's Degree of Business Administration from the University of Utara Malaysia, Malaysia. In early 2005, he earned his Doctor of Philosophy from Rutherford University (Distance Learning) in Wyoming, USA. In addition, he has experience in various positions such as Administrative and Account Manager (JVK NAGA MOVERS), Finance and Administrative Manager (Microfinance Institution), Member of Project Coordination Committee (ADB Project), Vice Rector Academic and Chairman of the Academic Council (Build Bright University), Business Development Specialist of SMEC International Pty Ltd, Program Coordinator and Financial Management Consultant for the HLSP-Mott Macdonald Group (WB Project), Financial Sector Specialist of Maxwell Stamp (ADB Project), Financial Sector Specialist of AFC, Sub-Project Manager and Curriculum Development Specialist of World Bank Project / HEQCIP and he currently works as Vice President Undergraduate Studies. Furthermore, he has invested his equity investment with HKL since 2004.

Organizational Structure





Front row, from left to right:
Mr Lonh Hay, Mr Erik Peter Geurts, Ms Tal Nay IM
Back row, from left to right:
Mr Pak Sereivathana, Mr Tor G. Gull, Mr Eelco Mol, Dr Dy Davuth

Board of Directors



Erik Peter Geurts
Chairperson

Mr Erik Peter Geurts joined the responsAbility equity team for financial institutions in 2013, with 17 years' professional experience in development finance. His last position before joining responsAbility was as Manager Equity of the Dutch Micro finance Fund Manager Triple Jump. During his career, Erik has served on eight non-executive boards. Seven of these were at regulated financial institutions including deposit taking finance companies, specialized and non-specialized banks.



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 qualification in Academic Management, and he is currently serving as Vice President of Undergraduate Studies at Build Bright University.



Eelco Mol
Member

Mr Eelco Molis, co-founder of the investment management at Triple Jump, is currently serving as Head of Debt Investments. He has been in the field of microfinance and rural finance for 20 years, and has held important positions including Investment Officer at Oxfam Novib, Associate Professional Officer at the FAO, CDR consultancy at Costa Rica, and Associate Researcher at the Economic Faculty of the University of Wageningen. He has also been a board member of various microfinance institutions in Peru and Mexico.



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.



Tor G. Gull, Member
Member

Mr Tor G. Gull retired from his position as CEO of Oikocredit in the Netherlands in 2011. Since then, he has continued his involvement in development finance through short term assignments and board memberships. His experience includes four years in development work in Tanzania and Kenya and 14 years of banking in Finland. During this time he was the Chief Representative for the bank for three years in South East Asia and China based in Hong Kong.



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.



Pak Sereivathana
Member

Mr Pak Sereivathana is a consultant to IFC and an advisor to a number of businesses in Cambodia. He has more than 15 years' professional experience in business management and finance with international organizations and private companies, including commercial banks, FMCG and international finance corporations.



Group Photo of HKL Management at General Assembly 2015

Management 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 degree 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.



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 field. He has extensive experience 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&CFO 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 experience 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' experience 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 since 2011. He had 10 years' experience 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 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 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 an 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 Lending Director

Mr Leang Kimhouth was appointed as VP & SME Lending Director in January 2014, after starting his career with HKL in 2006. He has extensive experience 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 & Credit Director

Mr Ly Siven was appointed as VP & Credit Director in December 2011 after beginning his career with HKL in May 2000. Prior to joining HKL, he had more than eight years' experience 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 Relationship Director

Mr Ou Kimthon was assigned as VP & Sales and Business Relations Director in June 2013. He has more than eight years' experience 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. Oum Chulsak's 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 Microbanker System, Oracle Flexcube (current CBS of HKL), Wincor ATM, BPC SmartVista Switch System, and Leadership, etc. He completed his MBA in 2014 at the Royal University of Law and Economic (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' experience 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 Masters 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, office 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 experience 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.

Customer Profile



Hattha Kaksekar Limited is a microfinance institution that operates across the country, with practices characterized by quality and transparency. Based on the company vision and mission, HKL is committed to providing practical financial services to customers in rural areas as well as urban cities. To meet demand from clients of different backgrounds, a wide range of products and services has been developed and rigorously promoted, including loans for micro, small, medium and large entrepreneurs, along with deposit services and other services.

HKL has an active client group aged from 26 to 55 years old who have mostly completed secondary education. They are reported as breadwinners who generate family income through a range of occupations, such as agricultural activities, retail and mechanized work, trading, small-scale services, garment employment, and others.

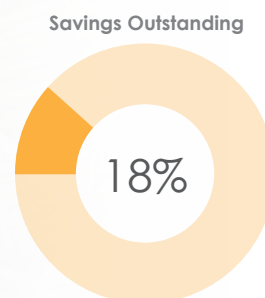
The majority of HKL customers are married and have children. There is an average of 4.76 members in each household, of whom an average of 2.57 members generate income. A higher rate of female than male clients subscribe to HKL products and services because of their important roles in family cash management.

Micro and small loans are successfully applied among customers living in rural areas, while medium and large loans is capable to customers who are living in provincial town and cities. HKL has provided a flexible policy to loan requisition and repayment methods. Central data collection reveals that customers are in favor of making monthly installments rather than balloon and semi-balloon payments, with the total amount of the loan being gradually deducted on a monthly basis.

Market Share

As one of the longest operating MFIs in Cambodia, HKL retains its strong leadership in the industry. Ranked by Cambodia Microfinance Association (CMA) in 2015, HKL was among the top five MFI who earned a large market share in terms of loans outstanding and savings collection.

With a customer base of around 330,768 subscribers to both deposits and also loans (CMA, 2015), HKL's market share has reached 12% of the total loans outstanding market and 18% for savings outstanding.





Market research and analysis are playing very important roles in providing institutions with a big-picture market overview through providing key information about trends in market needs, competitors' practices, and market size. In cooperation with the Business Relations and Product Development departments, the Marketing and Research team analyses all the data collected from related stakeholders in order to develop and improve products and services to meet clients' demands.

Customer Services is becoming a key point of competition between microfinance institutions, along with their core product benefits. Customer Service is regarded as a unique competitive advantage that cannot be copied from one institution to another, while for customers it is the most important value that they are looking for. To respond to this market trend, HKL has developed a Customer Service policy, procedures, and guidelines to ensure that frontline staff serve their customers, providing guaranteed satisfaction. In order to facilitate the use of each of their services, HKL has equipped facilities and modern technology such as systems for queue management, the call center, and customized complaint management in its own MIS. At the same time, Customer Service Officers have been recruited and appointed to work at many potential branches. To strengthen relationships with customers, a VIP program has also been implemented to provide gifts to our loyalty customers, while potential depositors are invited for business dinner.

Apart from Research and Customer Services, building the HKL brand and promoting new products to potential customers are also prioritized. New products and promotional campaigns are communicated to all potential customers through sales activation and mass

media. 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 in the minds of clients. Promotion and outreach communications are used to deliver messages to the market, introducing new products, and to raise client awareness about the institution.





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.

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.

SME 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 Finance

Housing finance is specifically offered to individuals who are planning to buy, rebuild, or renovate 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.

Savings Account

Savings Accounts are voluntary savings which 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

The 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 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

The 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

The 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.

Local Money Transfer

Local Money Transfer 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 towns 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.

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 Service

MyMobile Banking Service is a high-end technology service that allows customers to do transactions at any time 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, loan inquiry, and loan payment reminders, and can also access other financial services.

Payroll Service

HKL offers Payroll services to enterprises, companies, non-governmental organizations, and associations that aim to reduce their expenses and workload in managing the payroll process. Both companies and their employees will be provided with savings accounts, which could provide beneficial interest rates as well as other advantages.



Human resources

Along with sustainable growth, HKL has put greater efforts into ensuring the workforce matches the expanding size of business operations. Besides recruiting new staff, various policies have been issued to keep the turnover rate low, in line with company expectations. As result, the HKL turnover rate is lower than the industry norm, at only 6.46%. The principles and procedures related to human resources for better compensation are prioritized to all employees. In 2015, a large number of staff were needed, and 522 new staff were recruited to vacant positions, making HKL a large company, with 2,243 people across the country.

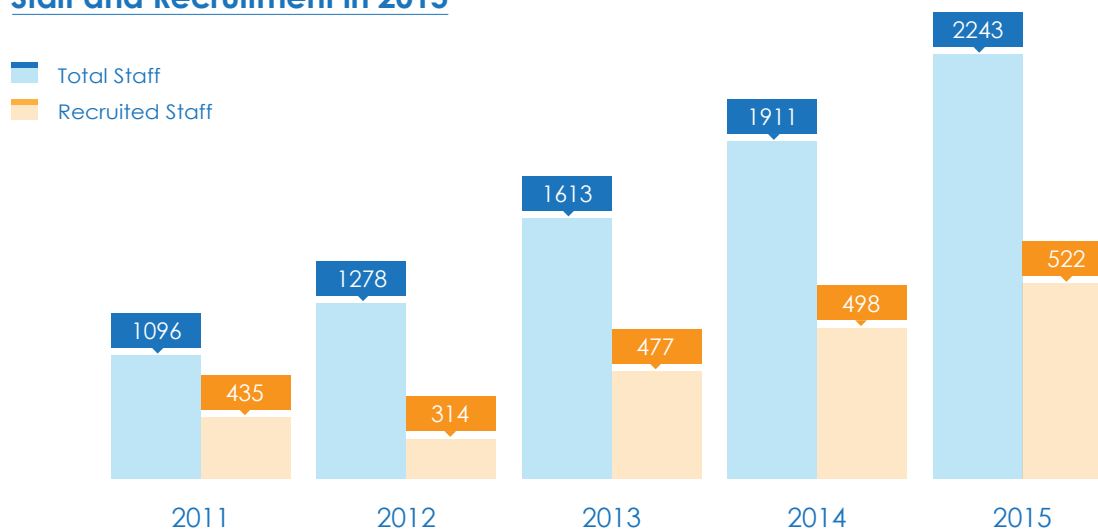
By December 2015, the HR department achieved the desired performance, maintaining the turnover rate at a low 6.46% of the total number of HKL staff.

Staff Development

Staff capacity development has also been prioritized for the institution. Numerous internal training courses have been held, including foundation courses for new employees, refreshment training related to policies, procedures, guidelines, and some basic working skills for our existing staff. Staff and management were also sent to participate in external training courses run by experts within and outside the country. For external training courses, staff and management have been equipped with a range of skills such as communication, leadership, and risk management, etc.

Last but not least, HKL has also been involved in human resources development through offering a voluntary job and internship program to 99 university students.

Staff and Recruitment in 2015



Social Performance Management



HKL's mission addresses all aspects of social performance including geographic outreach (countrywide), target clients (in particular to women and low income families in rural areas), the types of services (loans, savings and other inclusive financial services) and consideration for social responsibility (long term social and financial sustainability).

Ensure Environmental and Social Protection

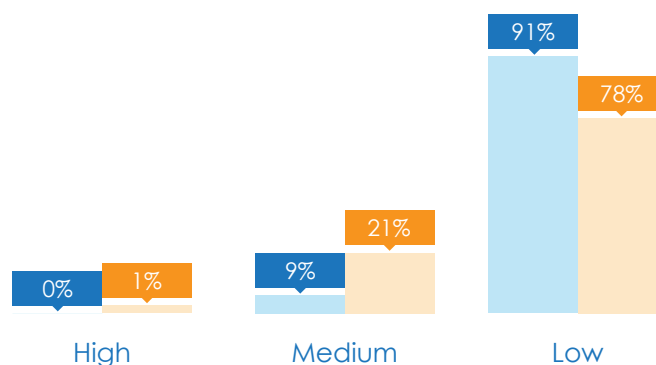
Environmental and social protection has been incorporated into HKL's business operations to reflect its mission through its practical actions. To achieve this HKL has put in place a Social and Environmental Policy for the borrowers or enterprises it finances. In 2015, 42% of new borrowers were assessed in terms of the environmental and social impact of their proposed business activity. All loans assessed were to be reviewed with reference to an environmental and

social exclusion list, and analyzed on the level of risk it may present. As a result, only borrowers' businesses or activities that were not listed in the exclusion list were financed. Environmental and social (E&S) risk have also been reviewed and have achieved significant results: the environmental risk of air pollution declined by 6%, health risk related to personal injury increased by 1%, and labor risk related to poor working conditions declined by 6% in 2015 compared to 2014.

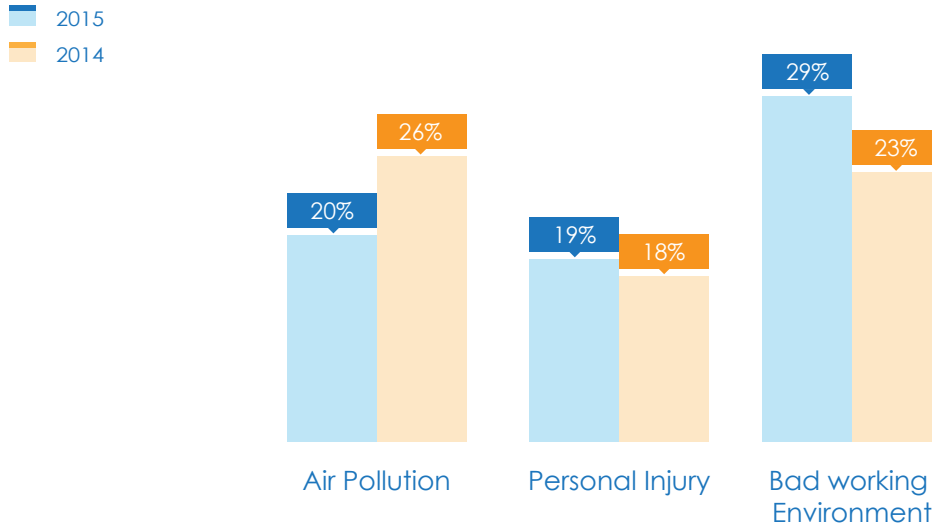
As a result, the medium and high level of E&S risks have dropped by 12%, and 1% respectively in 2015 compared to 2014, which reveals the reduction in the impacts of HKL clients' businesses on the environment and society since the previous year. HKL will continue to closely monitor high risk business activities and will also seek to mitigate moderate risk through regular follow up of clients' business activities.

Level of Environmental Social Risk

■ 2015
■ 2014



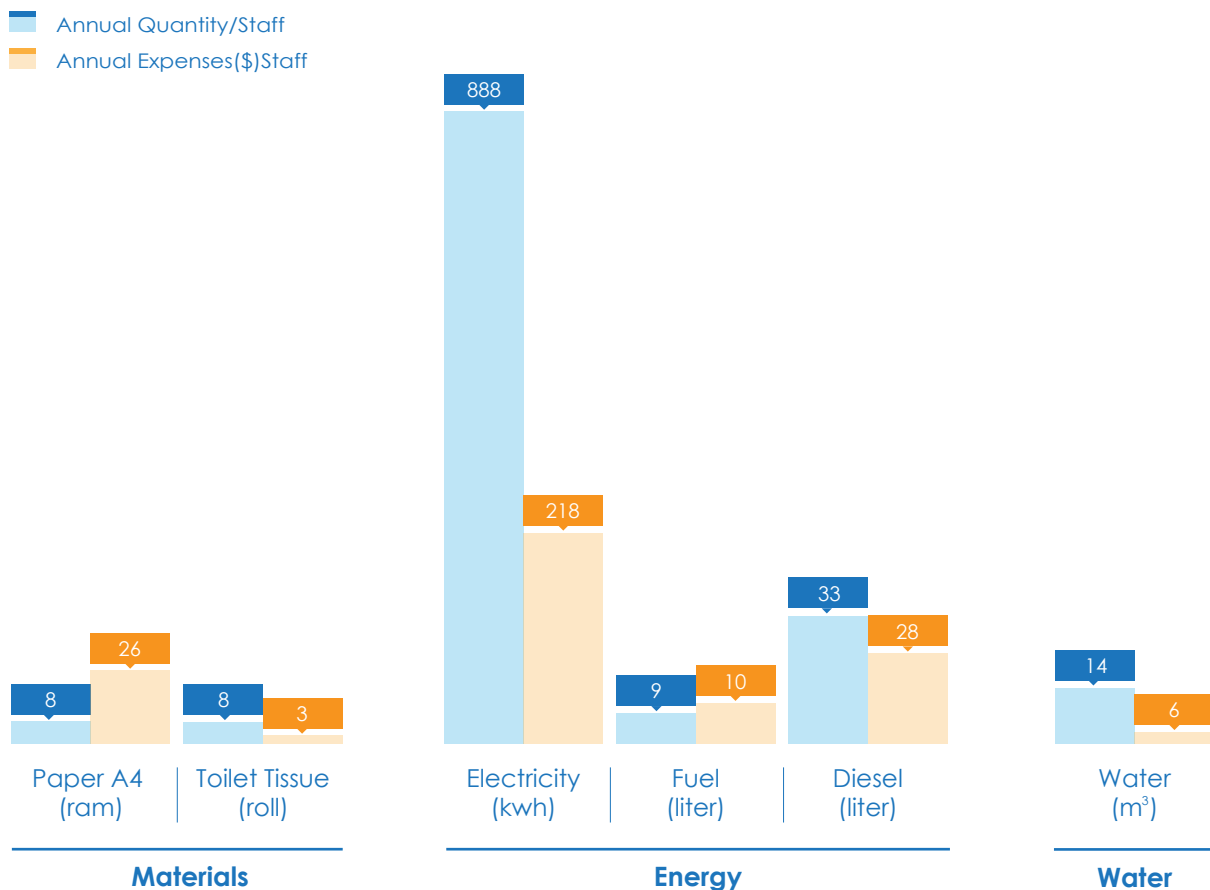
Categories of Environmental and Social Risk



Besides the social and environmental protection toward the borrowers it finances, HKL also has its own practice to ensure the consumption of material,

Energy and water supply has been managed and proved with evidence and proper tracking.

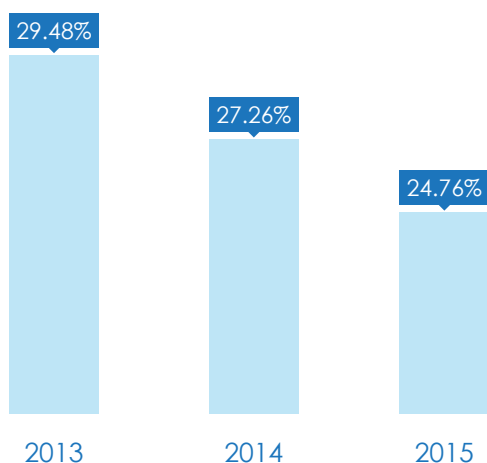
Environmental Performance Indicator 2015



Progress out of Poverty

The Progress out of Poverty Index (PPI) Tool has been adopted to measure HKL's clients' progress out of the poverty level each year since 2012, reflecting its vision to help clients succeed in their business and hence to improve each client's standard of living. The PPI result of 2015, conducted over 80,770 clients, indicates that 24.76% of HKL's clients have been living below the \$2.50 poverty line; 2.5% lower than the previous year's rate. This reflects the improvement in the living standards of HKL's clients, in line with HKL's commitment: "Growth together with the client".

Percentage of clients earning less than \$2.50 (PPP) a day



Ensure Clients are Protected

Since 2012, HKL has been sponsored by Agence Française de Développement (AFD) under the Project of CMA, aiming at implementing the action plan toward the promotion of the Client Protection Principles through the "Smart Campaign" certification program. In December 2015, HKL has gone through the assessment on Client Protection Principles. The commitment toward the certification has entailed the improvement and challenges of HKL in 2015 and upcoming year.

Corporate Social Responsibility

HKL has not only incorporated social and environmental activities into its business and operations, but has also extended its areas of social responsibility into education, health and safety, and local products.

- **Training of Trainers on Financial Education:** 40 trainers have been trained to deliver financial education programs to HKL clients in order to manage loans effectively, and to avoid over indebtedness.
- **Road Traffic Law Awareness Campaign** has been conducted to educate people on the reinforcement of "helmet wearing" and respecting the traffic law, and the key message of road traffic law has also been delivered to around 500 people in Sihanoukville.
- **Women's Gift on International Women's Day:** 630 female staff members received special gifts from HKL to mark the 104th Anniversary of International Women's Day, 8 March 2015, under the theme "Leading the Way: Cambodian Women after the Women's Global Agreement in 1995".
- **Bag of Hope:** HKL has sponsored the bag of hope program, through which school bags and study materials have been distributed to rural poor students in 25 provinces and cities of Cambodia. The program has provided benefits to 300 students.
- HKL has received an award certificate for five additional HKL branch offices that implement **HIV/AIDS activities within HKL 2015:** Angsnoul, Battambang, Kien Svay, Prey Chhor, and Staung.
- **Occupational Risk and First Aid Training:** 29 staff members have received occupational risk and first aid training, enabling them to help other members when first aid is necessary and appropriate.
- **Local Product, One Village One Product exhibition:** HKL has supported local products developed by local communities. Around 25,000 visitors have enjoyed testing and buying local products in the exhibition hall.
- **New Building in Pursat Primary School:** HKL has donated a new school building in Pursat Primary School with six rooms and three bathroom sets; 77 teachers, 214 outstanding students and 340 kindergarten students have received educational materials and financial packages from HKL. Meanwhile conservation trees have also been planted at the entrance to the school.

Risk Management and Compliance

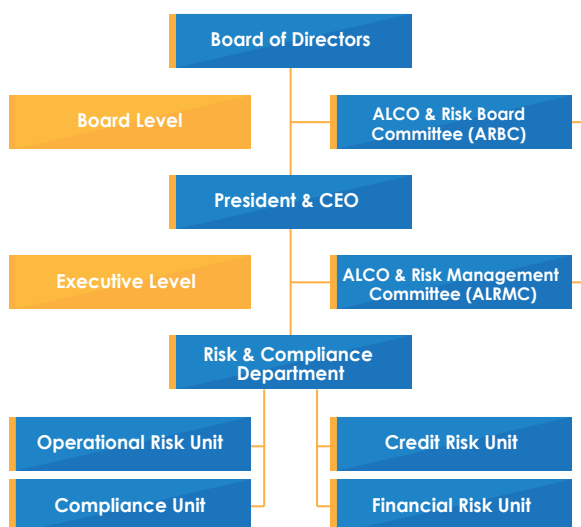
HKL has established a strong risk management structure that is commensurate with its size and the nature of the business. This structure facilitates effective management oversight and execution of risk management and control processes.

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

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

HKL has also established a Risk and Compliance Department as a second line of defense with an independent function of risk management reporting directly to the President & CEO. The Risk and Compliance Department reports to the ALRMC on a monthly basis, and to the ALRBC on a quarterly basis.

HKL Risk Management Structure



Duties of ALCO and Risk Board Committee (ARBC)

- Reviewing risk identification and measurement methodologies.
- Reviewing guidelines on HKL's tolerance for financial-risk and performance review against limits.
- Monitoring activities to ensure that HKL is meeting public regulatory requirements and covenants set by HKL's lenders in loan agreements.
- Reviewing management reports detailing the adequacy and overall effectiveness of the company's

risk management function and its implementation by management, and reporting on internal control, any recommendations, and confirming that appropriate action has been taken.

- Reviewing risk philosophy, strategy and policies as recommended by management, and ensuring compliance with such policies and with the overall risk profile of the company.

Key Activities of the ARBC

The meeting of ARBC was convened four times during 2015: in March, May, September, and November. The company's risk profile, including credit risk, operational risk, financial risk, liquidity risk, compliance risk, technology risk, and other relevant risks, was presented by the Risk and Compliance Department and discussed during the meeting to ensure that key risk indicators and limitations were in full compliance with the set limits as approved by the Board of Directors. It was also to ensure that potential risks were identified and appropriate action was taken to mitigate the risks. At the final meeting in November, the committee also performed its main function: to reset the credit limits to align with the company's risk profile and new business plan as well as with the current economic context of Cambodia and the economic forecast for the coming year.

Compliance

The Risk and Compliance Department is responsible for the compliance tasks of HKL, including internal and external compliance. HKL's compliance function is committed to performing its duties to ensure the adherence to the Prakas and Law on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). HKL has in place the AML/CFT policy, procedures, and guidelines to ensure that all HKL operations are in conformity with the AML/CFT Prakas and Law. In addition, early in the second quarter of 2015, HKL promulgate its guidelines related to US Foreign Account Tax Compliance Act (FATCA) implementation, as per the instructions from NBC. During year 2015, the Risk and Compliance Department undertook significant work with the relevant departments and branches to effectively implement FATCA. As a result, all essential data and information were ready in preparation for reporting to the competent authority.

Compliance training is very important for HKL and it has committed to training all employees on AML/CFT through foundation and refreshment training. The Risk and Compliance Department conducted a total of 19 courses on AML/CFT in 2015.

Financial Statement

BALANCE SHEET AS AT 31 DECEMBER 2015

ASSETS	Note	2015		2014	
		US\$	KHR'000	US\$	KHR'000
Cash on hand	5	8,143,748	32,982,179	7,139,818	29,094,758
Deposits and placements with National Bank of Cambodia	6	21,359,572	86,506,267	25,922,366	105,633,642
Deposits and placements with banks	7	41,170,385	166,740,059	23,204,002	94,556,308
Loans to customers, net	8	361,818,717	1,465,365,804	249,680,252	1,017,447,027
Other assets	9	6,885,277	27,885,372	4,860,390	19,806,089
Property and equipment	10	5,300,230	21,465,932	4,311,024	17,567,423
Intangible assets	11	848,248	3,435,404	1,163,311	4,740,492
Deferred tax assets, net	17(a)	590,120	2,389,986	82,642	336,766
TOTAL ASSETS		446,116,297	1,806,771,003	316,363,805	1,289,182,505
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers	12	236,414,270	957,477,794	172,333,352	702,258,409
Borrowings	13	83,933,535	339,930,817	57,702,149	235,136,257
Amount due to shareholders	14	33,786,278	136,834,426	22,970,821	93,606,096
Subordinated debts	19	19,729,319	79,903,742	14,942,778	60,891,820
Provident benefits	15	1,748,508	7,081,457	1,285,208	5,237,223
Other liabilities	16	10,075,351	40,805,171	6,624,553	26,995,053
Current income tax liability	17(b)	2,758,064	11,170,159	1,760,229	7,172,933
TOTAL LIABILITIES		388,445,325	1,573,203,566	277,619,090	1,131,297,791
EQUITY					
Share capital	18(a)	6,824,594	27,639,606	5,271,188	21,480,091
Share premium		19,052,319	77,161,892	10,492,717	42,757,822
Legal reserves		682,459	2,763,959	527,119	2,148,010
Other reserves		805,493	3,262,247	635,382	2,589,182
MEP/Equity-settled share-based payments	18(b)	30,183	122,241	-	-
Subordinated debts		-	-	729,319	2,971,975
Retained earnings		30,275,924	122,617,492	21,088,990	85,937,634
TOTAL EQUITY		57,670,972	233,567,437	38,744,715	157,884,714
TOTAL LIABILITIES AND EQUITY		446,116,297	1,806,771,003	316,363,805	1,289,182,505

*Note: All note within this financial highlight statement, please referred to HKL financial audit report for more detail.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015		2014	
		US\$	KHR'000	US\$	KHR'000
Interest income	20	64,226,422	260,117,009	45,496,801	185,399,464
Interest expense	21	(24,756,709)	(100,264,671)	(16,881,286)	(68,791,240)
Net interest income		39,469,713	159,852,338	28,615,515	116,608,224
Other operating income	22	328,370	1,329,898	282,218	1,150,038
Operating profit		39,798,083	161,182,236	28,897,733	117,758,262
General and administrative expenses	23	(24,553,842)	(99,443,060)	(19,609,362)	(79,908,150)
Allowance for bad and doubtful loans/ (reversal of allowance)	8	(1,272,772)	(5,154,727)	911,897	3,715,980
Profit before income tax		13,971,469	56,584,449	10,200,268	41,566,092
Income tax expense	17(c)	(2,859,385)	(11,580,509)	(2,078,333)	(8,469,207)
Net profit for the year		11,112,084	45,003,940	8,121,935	33,096,885

*Note: All note within this financial highlight statement, please referred to HKL financial audit report for more detail.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	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 2014	4,036,800	5,515,704	403,680	465,272	-	729,319	14,112,603	25,263,378
Additional capital	1,234,388	4,977,013	-	-	-	-	-	6,211,401
Net profit for the year	-	-	-	-	-	-	8,121,935	8,121,935
Transfer to legal reserves	-	-	123,439	-	-	-	(123,439)	-
Transfer to other reserves	-	-	-	170,110	-	-	(170,110)	-
Dividends distribution (Noted 24)	-	-	-	-	-	-	(851,999)	(851,999)
At 31 December 2014	5,271,188	10,492,717	527,119	635,382	-	729,319	21,088,990	38,744,715
(KHR'000 equivalents - Note4)								
At 31 December 2014	21,480,091	42,757,822	2,148,010	2,589,182	-	2,971,975	85,937,634	157,884,714
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 19)	-	-	-	-	-	(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 (Note 24)	-	-	-	-	-	-	(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 - Note 4)								
At 31 December 2015	27,639,606	77,161,892	2,763,959	3,262,247	122,241	-	122,617,492	233,567,437

*Note: All note within this financial highlight statement, please referred to HKL financial audit report for more detail.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015		2014	
		US\$	KHR'000	US\$	KHR'000
Cash flow from operating activities					
Net cash used in operating activities	25	(37,571,283)	(152,163,696)	(10,355,538)	(42,198,817)
Cash flow from investment activities					
Purchase of property and equipment	10	(2,978,289)	(12,062,070)	(2,524,118)	(10,285,781)
Purchases of intangible assets	11	(171,057)	(692,781)	(47,559)	(193,803)
Proceeds from disposal of property and equipment		10,988	44,501	122,465	499,045
Net cash used in investment activities		(3,138,358)	(12,710,350)	(2,449,212)	(9,980,539)
Cash flows from financing activities					
Proceeds from borrowings		56,961,649	230,694,678	27,090,385	110,393,319
Repayments of borrowings		(30,730,263)	(124,457,565)	(16,654,566)	(67,867,356)
Proceeds from amounts due to shareholders		15,000,000	60,750,000	12,964,686	52,831,095
Repayments of amounts due to shareholders		(4,184,543)	(16,947,399)	(3,387,482)	(13,803,989)
Proceeds from subordinated debts		5,000,000	20,250,000	10,000,000	40,750,000
Proceeds from additional capital		9,163,262	37,111,211	5,154,179	21,003,279
Dividends paid	24	(1,599,699)	(6,478,781)	(851,999)	(3,471,896)
Net cash generated from financing activities		49,610,406	200,922,144	34,315,203	139,834,452
Net increase in cash and cash equivalents		8,900,765	36,048,098	21,510,453	87,655,096
Cash and cash equivalents at the beginning of the year		41,467,008	167,941,383	19,956,555	81,322,961
Cash and cash equivalents at the end of the year	26	50,367,773	203,989,481	41,467,008	168,978,057

*Note: All note within this financial highlight statement, please referred to HKL financial audit report for more detail.

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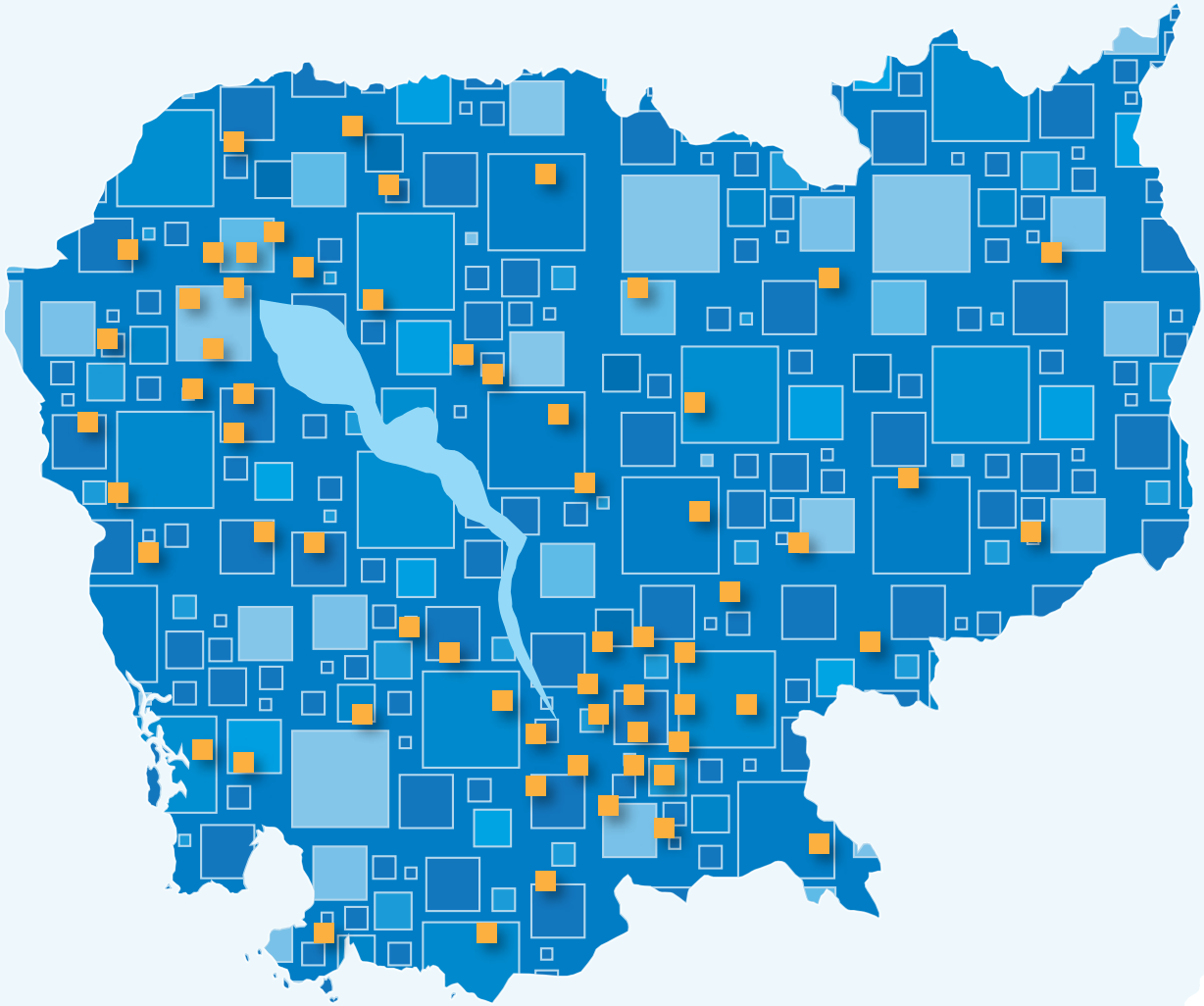
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■ Coverage Areas and Distribution Networks

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