# TABLE of Contents

1. Corporate Information
   - Vision & Mission 1
   - Message from Chairman of the Board of Directors 2
   - Message from President & CEO 4
   - Cambodia Economic Review 7
   - Company Profile 9

2. Business Review
   - Corporate Capital Structure 10
   - Organizational Structure 13
   - Board of Directors 14
   - Management Team 16
   - Events of the Year 20
   - Customer Profile 22
   - Products and Services 24
   - Human Resources 27
   - Social and Environment Management 29
   - Geographical Coverage 30

3. Financial Highlights
   - Balance Sheet 31
   - Income Statement 32
   - Statement of Change in Shareholder’s Equity 33
   - Statement of Cash Flow 34

4. General Information
   - Lending and Network Partners 35
   - Contact Addresses 36
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.
2012 has been a year of consolidation and investment for our company. HKL achieved its objectives to increase the service level for its customers and become less dependent on foreign lending. This means that we are on track towards our long term goal to become a bank dedicated to our traditional customer base of entrepreneurs and self employed in all regions of the country. To this end we are offering competitive financial services to customers who are not normally the focus of mainstream banks.

Board and management are conscious of the fact that it requires investment to become a fully fledged financial services company. This year we implemented new software, installed the first ATMs and continued to improve our branches. These investments ensure that our customers are satisfied with our services.

At the same time we continued to raise savings and deposits. These increased from USD 16 million by the end of 2011 to USD 44 million by December 2012. These deposits finance 43% of our loan portfolio, making HKL less dependent on external funding from Europe and the USA. We have become a more comprehensive institution, offering savings, deposits and loans. Because of this increase in savings and deposits we are now much more embedded in the local economy of Cambodia, a trend that will continue in the year to follow.

As a signal of our commitment to our customers we ended the compulsory savings that were part of our previous lending policy. Existing compulsory savings will be phased out and customers will be given the opportunity to save on a voluntary base at competitive market rates.
HKL continuously invests in upgrading its risk management policies to ensure that savers can trust HKL with their money. Board, management and shareholders are also seeing to it that HKL remains properly capitalized to allow for further expansion.

Worldwide lending to lower income customers has become a more sensitive issue. The Prime Minister of Cambodia has turned his attention to this important aspect of micro finance. We at HKL firmly believe that offering the customer a product he or she really needs is the best guarantee to avoid our borrowers becoming overindebted. However to avoid problems of over indebtedness the whole micro finance industry needs to make sure that proper lending policies are offered. We certainly welcome the efforts of the National Bank of Cambodia in this field. The recently opened Credit Bureau Cambodia is a good start as it will allow financial institutions to check their borrowers. HKL will continue to cooperate with all stakeholders in the micro finance industry to avoid becoming overindebted.

For next year the board expects results from the investments that have been made. These results will be both social and financial. We will offer more tailor-made products, and continue to be financially sustainable in order to satisfy our stakeholders.

Erik Peter Geurts
Chairman of the Board of Directors
“To grow with clients, we need to humanize our services, and humanizing our services begins at home. We listen and respond to our customers promptly, so we are proud to deliver a record profit in fiscal year 2012 that exceeded our headline key performance indicators by healthy margins. Our robust performance comes from support of our clients and our employees,” said Hout Ieng Tong, President & CEO.

Performance Results

On the back of sustained economic growth in Cambodia and the region, 2012 was another outstanding year, and after-tax profits rose 49% to USD 4.4 million from USD 3 million the year before.

HKL total financial incomes advanced 48% to USD 23.5 million from USD 15.8 million with support by strong loans growth with a good loan quality. Gross loans grew 37% year on year to USD 102.8 million from USD 75 million. Almost all our branches posted strong results.

Net interest income rose 47% from USD 11.5 million to USD 16.9 million due to strong loans growth in Micro and Small loans that could have offered higher interest rates in fiscal year 2012.

Operating expenses rose 52% to USD 11.9 million from USD 7.8 million, lower than the previous year’s growth of 60%. Growth in expenses was largely the result of the demand for professional staff, training, staff capacity development and performance-based incentives, which are investments in human capital that we are confident will translate into higher productivity and profitability.

At USD 315,000 allowance for losses on loans was 4% lower than the year before due to lower bad debt.

With this financial performance, we surpassed our headline key performance indicator with a return on equity of 23.48% exceeding the budget of 17.13%.
The Improvement Journeys
HKL had named 2011 as “the year of beauty and advanced technology”. We put efforts into improving our brand image and our MIS system and infrastructure from that year on. Our brand shall at all times look appealing to the growing and affluent middle and low-income people who seek financial products and services which reflect their lifestyle aspirations and confidence. Moreover, HKL successfully implemented its core banking system, which allows HKL to transact online and in real time, providing greater convenience and freedom to our clients to access their funds in HKL. Similarly, HKL took another leap, deploying 15 ATMs in the initial stage.

We are also working on refining our existing product with relation to terms, conditions and pricing to ensure they are competitive. Likewise, we are working on various new products to be delivered to meet the needs of our clientele in the year to come. To gain the opportunity to grow in the competitive market, HKL continues to strongly focus on learning and staff development, internal control and operational and financial risk management as our ongoing best practice. Best practice for middle management is to make sure of staff satisfaction for all levels. Rolling out ATMs within branch networks and starting to implement mobile banking solution to leverage technology to ease our clients.

HKL believes that financial achievement is not an ultimate goal. We need to support our clients to succeed, as we will also grow with our clients. We need to humanize our services to deliver to our target group of clients, as clearly indicated in our vision and mission. The customer protection principle remains with us as the key success for HKL sound financial services. We have to make sure that our customers use our financial services as the right tools to support the economic growth of their families.

Talent Human Resources Need to Be Nurtured
In fiscal year 2012, HKL continued to focus on communicating our vision, mission and strategies to our staff, so as to achieve real cultural enhancement fuelled by our shared HKL VALUE (Home, Knowledge, Loyalty, Value, Activeness, Leading, Unity & Equality and Effectiveness). Travel within HKL operational offices has confirmed my view that we have tremendous talent at all levels in the company. My job is to harness the talent and unleash the energy of HKL employees. We have implemented an award program for our outstanding employees.

HKL is a great place to work. Numerous initiatives have been launched to nurture talent, boost efficiency, effectiveness, productivity and innovation, and to inculcate a spirit of service. All these initiatives are based on the recognition that each of our employees is an important asset with a part to play in our long-term sustainable future. We hire the best people for the job and strive to retain, motivate, empower and reward them for their contribution. In this way, and through our shared spirit, we believe our people find meaning in their work and will strive to serve from the heart. Improving our services begins at home. We engage our employees in honesty, openness, trust and dialogue regarding their viewpoints and aspirations. Many of our employees’ suggestions have been taken into consideration by senior management and implemented.
The Prospect
Statistics from International Monetary Fund (IMF) reveal that GDP Growth for the World in year 2012 is 3.3%, and the growth forecast in 2013 for the world will be 3.6%. Chinese GDP is expecting to grow 7.8% year on year in 2012, and 8.2% is forecast for 2013. Likewise, the GDP for Asia is projected at 5.4% in 2012, and will increase to 5.8% in 2013. The Economic Institute of Cambodia (EIC) estimates Cambodian GDP grew 6.2% year on year in 2012, and forecast a growth rate of 6.3% in 2013. Garment is one of the most important pillars for the Cambodian economy. The dominant market for Cambodian garment exports are the EU and US, taking account of more than 80% of total garment exports.

The positive progress of the economic and business environment will bring with it further opportunities for growth. Competition will undoubtedly intensify within the industry as well as bring new entrances. However, HKL is confident of having a solid ground and the right formula of working with clients to reap good returns in the long term.

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 Ieng Tong
President & CEO
Each year, Cambodia’s economy has experienced positive growth, despite the world economy not having completely recovered. Below is the economic extract on Cambodia from a speech of the Prime Minister of the Kingdom of Cambodia at the 2013 Cambodia Outlook Conference.

“... Between 2008–2012, Cambodia achieved a growth rate of 5.6% per year. If excluding the 2009 growth, which was the worst year of the crisis, the growth during the same period would stand at 6.8% per annum. Growth for 2012 has recently been revised upward from 7% to around 7.7% of GDP. Rising public and private investment; rebound in industry – especially garment exports; continued robust growth in the service sector – mainly in tourism and real estate activities combined with strong growth in the financial sector; and good performances in the industry and agriculture sectors – particularly rice production and exports have underpinned this year’s performance. The future outlook for Cambodia is positive, with projected annual growth of more than 7% over the medium term.

In addition, GDP per capita increased from USD 760 in 2008 to nearly USD 1,000 in 2012, with a projection of USD 1,080 in 2013. As a result, the poverty rate dropped to 20% in 2012, and to an estimated 19% in 2013. These achievements have made Cambodia the fifteenth fastest growing economy in the world during the last ten years, the fifth developing countries that can achieve the MDGs, and ranked 1st in the Asia Pacific in terms of improving social indicators.

Inflation has been contained. In particular, the 19.7% inflation in 2008 caused by the soaring oil and food price crisis dropped to 1% in 2009, followed by a slight increase to 2.5% in 2012. Inflation has been kept under control to ensure favourable conditions for economic activities and the stability of people’s livelihoods. Inflation is projected to be suppressed to less than 4% in 2013.
The exchange rate, especially against the US dollar, has been generally stable during the last few years, with a slight appreciation of the riel. In particular, the USD/Riel exchange rate was 4,065 in 2008 and largely remained stable at 4,050 in 2012. Within the Cambodian context, apart from helping strengthening macro-economic stability, this stable exchange rate also helps to balance the interests of both USD and Riel holders and increase public confidence in the riel. Cambodia’s international reserve has gradually increased, reaching USD 3.2 billion which is equivalent to five months of imports.

The trade deficit has been significantly reduced, declining from –15.3% of GDP in 2008 to –9.1% in 2012, enabling Cambodia to maintain a reasonable balance of trade. Increased production capacity for domestic supply and exports, along with enhanced export capacity and competitiveness have contributed to the decline of the trade deficit.

Despite the impact of the global financial crisis and several natural disasters, state revenue rose by an average of 13.6% per annum between 2008–2012, of which tax, customs and excise and non-tax revenues increased by 15.3%, 11.8% and 11.6% respectively.

Public expenditure policy and administration have also been improved and strengthened, resulting in better planning of expenditure requirements and better linkages to policy priorities as well as more effective and efficient use of state budget. The public expenditure policy gives priority to education, health, agriculture and rural development sectors as well as to the improvement and expansion of physical infrastructure such as roads, bridges, ports, electricity, clean water, schools, hospitals and irrigation systems. In particular, public expenditure increased by 17% per annum, of which current expenditure and capital expenditure increased by 17.6% and 16.8% respectively.

Public investment financed by state revenue increased from 711 billion riel in 2008 to 1,327 billion riel in 2012, with much focus directed to physical infrastructure for underpinning growth and social development and protection of national sovereignty and integrity, while financing by external sources increased from 1,926 billion riel in 2008 to 2,860 billion riel in 2012.

Public investment on physical infrastructure totalled 9,852 billion riel between 2008–2012, of which transport, irrigation and electricity absorbed 6,821 billion riel, 2,251 billion riel and 780 billion riel respectively. Between 2008–2012, public investment on transport increased from 850 to 1,851 billion riel; irrigation investment increased from 201 to 650 billion riel, and electricity investment increased from 128 to 327 billion riel.

From 1993 to 2012, the condition of government debt significantly improved. In particular, debt to GDP ratio was 73%, debt to export ratio was 643%, while debt to state revenue was 1,766%. However, in 2012, these ratios dropped significantly. Debt to GDP decreased to 31%, debt to export ratio decreased to 72%, and debt to state revenue dropped to 227%.

In the last few years, Cambodia’s strong economic growth has somewhat cushioned our economy from most of the impact. Thoughout the crisis, Cambodian government has maintained a prudent and flexible macroeconomic policy while strengthening financial safety nets.”

Source: Speech of the Prime Minister of the Kingdom of Cambodia at the 2013 Cambodia Outlook Conference
1994 A food security project established by OCSD/OXFAM–Quebec, a Canadian organization, provided loans to rural people in four communes of Pursat province.

1996 The food security project was registered with the Ministry of Interior of Cambodia as a non-governmental organization (NGO) called Hattha Kaksekar. In Khmer, “Hattha Kaksekar” means “Farmer’s Hand” or “A Helping Hand for Farmers”. The Head Office of Hattha Kaksekar NGO was based in Pursat province.

2001 Hattha Kaksekar (HK) NGO was registered with the Ministry of Commerce with paid-up capital of USD 77,850 to transform itself into a 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.

2003 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% of the total shares and became the fifth shareholder of HKL in addition to the existing shareholders: HK NGO, HK Staff Association, Solidarité Internationale pour le Développement et l’investissement (SIDI), and a private shareholder.

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 an MFI permanent license by the National Bank of Cambodia.

2008 There was a new capital injection from Oikocredit, Norfund and Triple Jump in HKL. Thus, paid-up capital of HKL increased to USD 2.7 million. Within the year, HKL introduced the Local Money Transfer Service to its customers and the public to adapt to their changing needs.

2010 HKL was offered an MDI “Micro-Finance Deposit Taking Institution” License by the National Bank of Cambodia 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. Remarkably, the MIS team was working on equipping the core banking system to provide a prompt and efficient service in response to the company’s strategy to transform itself into a commercial bank in the future.

2011 The registered capital of HKL was raised 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 selected a new core banking system which enables customers to withdraw their money as needed at all HKL offices.

2012 Hattha Kaksekar Limited’s new core banking system successfully went live across the company’s distribution network. This new on-line system increased the effectiveness of HKL’s business operations. HKL invested nearly USD 2 million USD in the ATM and mobile banking project. This investment facilitates the offering of a wide range of financial services and serves customers fast and conveniently through cash machines and mobile banking services. With ultramodern ATM and mobile banking services, customers can perform many new transactions including cash deposits, fund transfers, remittances, mobile top-up and currency exchange, etc. The ATM service was publicly launched by the end of 2012.
The significant growth of the loans and savings portfolio as well as of the number of borrowers and depositors has proven the continuous progress of Hattha Kaksekar Limited. Hattha Kaksekar Limited maintains a strong capital structure with eight strong shareholders from various countries.

The shareholders of Hattha Kaksekar Limited consist of Hattha Kaksekar NGO, holding 15.46% of the share value, SIDI 10.09%, Oikocredit 20.02%, NORFUND 17.62%, ANM (Triple Jump) 17.62%, responsAbility 10.17%, HK SA 7.64%, and Mr. DY DAVUTH 1.38%.

Supervisory Board meetings are held four times a year. The main purpose of the board meeting is to ensure the highest standards of governance, business planning, budgeting and institutional management. The work of the Supervisory Board is facilitated by a number of Board Committees: Audit Board Committee, Remuneration and Nomination Board Committee, Credit Board Committee and the ALCO and Risk Board Committee.

The following list provides a brief background of each shareholder of HKL as of December 2012.

**OIKOCREDIT**

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 comes from investments in Oikocredit by over 40,000 individuals and 6,000 organizations, including churches and church-related organizations around the globe. In addition to earning modest financial returns, investors are secure in the knowledge their money is being used to fight poverty, promote fair trade and respect our planet’s natural resources. For more information, please visit [www.oikocredit.org](http://www.oikocredit.org).
Norfund is wholly owned by the Norwegian government and commenced operation in 1998. The company is structured as a separate legal entity with limited liabilities (Norfund Law), and the chairman and the board of directors are appointed by the government. The purpose of Norfund is to invest risk capital in private companies in emerging markets, making these companies grow in a sustainable way. The institution currently receives its investment capital from the Norwegian government. The total capital of Norfund as at the end of 2012 was about USD 1,400 million, which is expected to grow steadily for several years to come. The aim of Norfund is to be a leading investment fund for emerging markets by combining a strong financial position with high-quality investment management skills and extensive international experience. The main investment areas of Norfund are in financial institutions, SME investment funds, renewable energy and agriculture. To learn more about Norfund, please visit www.norfund.no.

ANMF (Triple Jump)  
ANMF (Novib Microkrediet fonds–ANMF, duly represented by Triple Jump B.V.) is a Dutch-based mutual fund for microfinance. The fund was created in 1999 by the Dutch development organization Oxfam–Novib and the Dutch ethical bank ASN Bank N.V. It was one of the first regulated mutual funds created to allow the Dutch public to invest in microfinance. By the end of 2011 more than 10,000 private investors had taken advantage of this opportunity by investing in the fund. The fund is retailed by ASN Bank to its customers. The assets are managed by Triple Jump B.V., a specialist microfinance investment manager. At the end of 2011 total assets of ANMF fund amounted to EUR 231 million. This amount was used to provide EUR 181 million in senior loans, sub debt and equity to 92 microfinance entities across five continents. More information on the investments by ANMF and other funds managed by Triple Jump is available at www.triplejump.eu.

responsAbility  
responsAbility Social Investments AG is one of the world’s leading independent asset managers specializing in the development-related sectors of emerging economies such as finance, agriculture, health, education and energy. responsAbility provides debt and equity financing to non-listed companies with business models that target the lower-income segment of the population and can thus drive economic growth and social progress. Serving both institutional and private investors, responsAbility offers professionally-managed investment solutions ranging from mutual funds to individual mandates. Founded in 2003, responsAbility currently has assets under management of USD 1.4 billion, which are invested in over 400 companies in around 80 countries. responsAbility is headquartered in Zurich, Switzerland and has offices in Lima, Mumbai and Nairobi. Its shareholders include a broad range of reputable institutions in the Swiss financial market as well as its own employees. responsAbility is registered with the Swiss Financial Market Supervisory Authority FINMA. For further information visit www.responsAbility.com.
HK NGO 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. Initially, HK NGO’s share amount was USD 35,010, representing 45 % of the total shares of HKL. With an additional amount transferred from some of HK NGO’s subordinated loan, HKL increased its share investment to USD 128,550. As of 2011, the share capital of HK NGO to HKL accounts for USD 623,900, represents 15.46 % of the total shares.

Dr. Dy Davuth 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), and Business Development Specialist of SMEC International Pty. Ltd. Currently, he works as Vice President of Build Bright University, Phnom Penh, Cambodia.

Solidarité Internationale pour le Développement et l’investissement (SIDI)

International Solidarity for Development and Investment is a social investor that falls under the category of Solidarity Company. It was created in 1983 and is a subsidiary of a development NGO, CCFD-Terre Solidaire (www.ccfdt-terresolidaire.org). SIDI promotes a social and cooperative economy through the development of individual and collective economic activities, which are initiated locally, in the countries of the Southern Hemisphere. Its activity consists of providing financial and technical support to its partners, the Local Financing Services (LFS), which provide financial services tailored to groups excluded from traditional banking systems. SIDI also supports initiatives designed to increase the income of small rural producers. SIDI’s goal is to promote the development of these structures in order to guarantee the sustainability of services – such as savings, loans, training, market access and the sharing of risk – which SIDI provides to its beneficiaries and to contribute to development.

HATTHA KAKSEKAR STAFF ASSOCIATION (HK SA)

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. The size of the dividend given to the staff as shareholders depends on the net profit of HKL from the previous fiscal year. This dividend will usually be declared in March or April of the upcoming year. As of 2012, the shared capital of HKSA to HKL accounted for USD 308,600 and represented 7.64% of the total shares.

HATTHA KAKSEKAR NGO (HK NGO)

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Dr. DY DAVUTH

Dr. Dy Davuth 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), and Business Development Specialist of SMEC International Pty. Ltd. Currently, he works as Vice President of Build Bright University, Phnom Penh, Cambodia.
Erik Peter Geurts, Chairman of the Board of Directors
After working as a special credits officer for an international factoring company, Mr. Geurts started in 1997 as a microfinance investment officer with Triodos Bank in the Netherlands. He worked on both microfinance and fair trade projects, mainly in Latin America. There, he gained experience with equity deals of various grades of complexity. His experience includes several board memberships of regulated financial institutions in Latin America and Asia. In 2006 he started working for Triple Jump B.V. to assist with building up its equity portfolio. Erik is currently Manager Equity Investments of Triple Jump.

Albert Hofsink, member
Mr. Albert Hofsink, Director Finance and Administration of Oikocredit, has been working for Oikocredit since 1998. Mr. Hofsink has a degree in accounting from the University of South Africa. Prior to working for Oikocredit, he worked in the auditing practice of the audit firms Moret Ernst and Young in Utrecht, the Netherlands and KPMG and Taylor and Geerling in Pretoria South Africa. He is currently a board member of Maanaveeya Investments and Holdings Ltd. in Hyderabad India and a member of the advisory board of the 4 F Fund in Leusden in the Netherlands.

Christoffer Christensen-Røed, member
Christoffer Christensen-Røed (born 1942) completed his MBA in Economics and Business Administration in 1966 from Norges Handelshøyskole in Norway. He is currently Investment Director of the Financial Institution and Funds Department at Norfund, the Norwegian Investment Fund for Developing Countries, which he joined in 2001. Christoffer has extensive experience with investments in banks and financial institutions in emerging markets and has represented Norfund in several board appointments. Since 1966 he has held various management positions in commercial banking within credits and equity. In 1980 he was appointed General Manager of Den Norske Credit bank, the largest commercial bank in Norway. From 1977–80 Christoffer worked as Deputy Regional Director of Nordic Bank Ltd. in Singapore covering the Asia–Pacific market.

Dy Davuth, member
Dy Davuth 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, and Business Development Specialist of SMEC International Pty Ltd. Currently, he works as Vice President of Build Bright University, Phnom Penh, Cambodia.
Ms. Tal Nay IM, member
Ms. Tal Nay IM retired in 2010 after more than 30 years’ service with the National Bank of Cambodia (NBC) and commercial banks. Her last position at NBC was Director General of four main departments: Banking Supervision Department, Banking Operations Department, Statistics and Economic Research Department, and Foreign Exchanges Department. Ms. Tal Nay IM obtained a Bachelor’s Degree in Economics from the Faculty of Law and Economic Sciences, Cambodia in 1974. She also attended several specialized courses overseas.

Lonh Hay, member
Mr. Lonh Hay retired in October 2008 after more than 25 years’ service with the National Bank of Cambodia, the Central Bank. His last position at NBC was as Deputy Director General and Advisor to the Governor. During Mr. Lonh Hay’s career at the Central Bank he worked in various departments and was exposed to international and regional financial activities, giving him a wide range of operational and international experience. He also gave time to several central bank publications, namely the Bulletin of Monetary Statistics and Balance of Payments. Mr. Lonh Hay attended the Royal University of Phnom Penh before the war years and also took specialized courses in Italy, France, Austria and the United States.

Michael Fiebig, member
Michael Fiebig (born 1972) is Head Financial Institutions Equity at responsAbility Social Investment AG, Switzerland. He has accumulated 16 years of banking, microfinance and investment experience in more than 25 countries, specializing in private equity investments in banks and microfinance institutions, corporate governance, bank strategy and business development, credit risk management, as well as management coaching and training. Michael currently serves on the Supervisory Boards of three microfinance banks in Asia. He holds a Diplom Kaufmann degree (equivalent to a Master of Business Administration) from the Freie Universität Berlin.

Pierre Berthon, member
Pierre Berthon (born 1948) completed his Bachelor of Law in 1970 and graduated from the Institut D’Etudes Politiques de Paris in 1973. He is currently a consultant with Solidarité Internationale pour le Développement et l’investissement (SIDI), a French company incorporated in 1983, which he joined in July 2009. Prior to that, he held numerous management positions in commercial banking which included Credit Du Nord Banking Group, BNP Paribas Banking Group.
**Management Team**

**Hout Ieng Tong, President & CEO**

With his broad range of experience in microfinance, Mr. Hout Ieng Tong is an outstanding performer in both financial and non-financial management. Tong cofounded HKL in 1996 and has represented HK NGO since then. Besides completing a Bachelor’s Degree in Agriculture in 1991, Tong has attended a large number of local and international training programs in staff management, financial management, planning and leadership, HR management, and microfinance management. Moreover, as someone who seeks further knowledge, Tong completed an MBA at Build Bright University in addition to attending many other microfinance related workshops in the USA, the Philippines, Indonesia, France, Germany and many other countries.

**Im Vandith, Vice President & CAO**

Vandith began her career in the early 1992. After working for UNTAC during the 1992 national parliamentary elections in Cambodia, she joined the America Relief Committee. With a Bachelor’s Degree in Accounting (1995), Vandith joined HKL in 1995. Here, the hands-on work experience and microfinance-related training programs conducted both within and outside the country helped her be a key player on the team. Additionally, Vandith obtained an MBA degree from Build Bright University in August 2008.

**Rath Sarun, Vice President & CFO**

Sarun has more than 13 years’ technical experience in accounting and finance in financial institutions and the telecommunications industry. He is now in charge of MIS, Finance and Treasury Department. He joined HKL in June 2007 as Assistant to the General Manager. He had five years’ experience with ACLEDA Bank in the Finance and Treasury Section, and three years’ experience as Finance Manager in AZ Communications Co., Ltd. He received an MBA in Finance from Pannasastra University of Cambodia, and attended training / seminars locally and abroad in many areas including finance, accounting, risk management and IT.

**Toch Chaochek, Vice President & COO**

Chaochek is Vice President and Chief Operations Officer of HKL. He oversees HKL’s business operations including loans, savings, business development and branches management. He joined HKL in March 2006 as Operations Manager and was promoted to Vice President and COO in September 2011. Prior to joining HKL he started his career in 1999 in a domestic company as Assistant Marketing Manager, spending the majority of his time in the Credit Division of ACLEDA Bank. Chaochek received an MBA in Finance and Banking from the University of Cambodia in 2006 and in 1999 earned a BBA in Marketing from the National Institute of Management as well as a Bachelor of Law from the Faculty of Law and Economics.
Bong Benly, IT Director
Prior to joining HKL in December 2002, Benly spent more than 10 years with the Canadian Training Center Project as a key player in the IT field. Because of his vast experience in the charity field coupled with ongoing IT-related courses, Benly has always been a key player in the IT department at HKL. In addition to his technical background and experience, he has also benefited from various training programs in business administration, marketing, accounting and management. He continues to pursue further IT courses to update his expertise, and during 2011 attended numerous conferences and seminars on ICT, hardware and software technology, and on banking solutions in Cambodia and in other countries. His continuing education ensures that he has a wide perspective of the field, which is necessary for him to incorporate his knowledge of IT with the services provided by an MFI such as HKL.

Chen Boranchanborath, Legal & Company Secretary Director
Mr. Chen Boranchanborath joined HKL in December 2011 as Director of Legal Department and Company Secretary. Prior to joining HKL, Boranchanborath had more than 10 years’ experience in ACLEDA Bank Plc., including its subsidiary, ACLEDA Bank Lao Ltd. For the last four years he has held the position of Legal Department Manager and Company Secretary (ACLEDA Bank Lao Ltd.). In terms of education, he earned a Bachelor of Private Law from the Faculty of Law and Economics in 2000 and is pursuing a Master of Law at the Royal University of Law and Economics.

In Socheata, Treasury Director
Socheata joined HKL in 2001 and has held several positions in HKL, both at branch level and at head office level. In 2007, Socheata was appointed as Financial Controller and was then promoted to Finance and Accounting Unit Manager in 2008. After that, on the basis of her knowledge, skills and work experience, Socheata was promoted to Deputy Head of Finance Department in 2009. In 2012, she was promoted to Treasury Director. Socheata obtained a BBA majoring in accounting in 2007 and a Master’s Degree in Finance and Banking from Build Bright University in 2011. She also attended various training courses including in budgeting, financial analysis, accounting and finance policy in MFI, credit appraisal, internal audit, trade finance and others.

Khou Buntry, Finance Director
Prior to joining HKL in July 2008 as Finance Manager, Buntry spent more than six years in the private sector: two years as an Accountant at Canadia Bank Plc and more than four years as a Finance Manager at Marie Stopes Cambodia. He also has many years’ experience with international non-governmental organizations (e.g. as an Accountant with Medecins Sans Frontieres and more recently as a Finance Manager with Room to Read Cambodia).
Ly Siven, Credit Director
Prior to join HKL in May 2000, Siven spent approximately eight years with the National Bank of Cambodia and a period of time in the Ministry of Public Works and Transport in Siem Reap province. At HKL, he has held several positions from field officer such as Teller and Credit Officer, and was then successively promoted to Chief Credit Officer, Branch Manager and Regional Manager. With his commitment, talent and honesty, Siven was promoted to Credit Director in early 2012. Returning to his educational background, Siven holds an MBA and BBA in the field of management and has participated in numerous training sessions and workshops, both domestic and abroad, mostly in management and leadership skills.

Mech Sokmetrey, Marketing Director
Prior to joining HKL in September 2005, Metrey spent more than three years in both product and service companies in the field of sales and marketing after graduating with a Bachelor of Business Administration majoring in Marketing from the National University of Management in 2003. At HKL, in addition to his extensive direct involvement in the field of marketing, Metrey has been exposed to many diverse practical training programs on management, leadership, productivity management, customer relationship management, balance scorecard, micro-insurance and marketing, conducted both locally and abroad including in Mongolia, Taiwan, Korea and India.

Nhean Virak, Savings & Deposit Director
Mr. Nhean Virak joined HKL in 2002 and worked for almost four years as internal auditor in the Internal Audit Department, Head Office. As a result of his good performance as internal auditor, he was promoted to Branch Manager of Kampong Cham province in early June 2006. On the basis of his wide-ranging knowledge and skills in branch management, he was promoted to Regional Manager. He became Director of Savings and Deposit Department on January 01, 2012. In terms of education, Virak earned his MBA in the field of management in 2010.

Phat Thomas, Administration Director
Thomas restarted his career at HKL in 2009 after joining the company for a period of time as Human Resources Manager. Thomas had worked at HKL for four years and has more than five years’ experience with a microfinance institution in the field of human resources and administration. He has also attended practical training programs on staff management, leadership, communication, administration, and human resource management. Thomas also attended training programs abroad: in the Philippines on practical human resource exposure and in Japan on the development of SMEs. Thomas has an MBA in the field of management.
Touch Lina, Risk & Compliance Director

Prior to joining HKL in March 2005, Lina spent more than one year in a non-governmental organization in the field of insurance service provided to poor people across rural areas in Cambodia after graduating with his Bachelor of Business Administration majoring in management from the National Institution of Management in 2003. At HKL, Lina played a significant role as Head of the Credit Management Unit and Head of the Risk Management Unit. He has considerable experience in portfolio management and credit risk analysis and he also run a variety of training courses related to financial analysis and credit management. Lina also spent more than three years in the field and attended many practical training programs on management, leadership and risk management standards conducted both locally and abroad including in the Philippines, Vietnam and Luxembourg.

Ros Vol, Internal Audit Director

Mr. Vol joined HKL in January 2008 as Internal Audit Manager. Vol started work with CRS and TPC in 1999, and spent more than three years as internal auditor and five years as branch manager. Besides his practical work experience as an internal auditor and as a branch manager in Svay Rieng, he has been exposed to numerous training programs such as auditing for internal fraud, bank and MFI reviews and audits of customers/borrowers’ project management, IT internal audit training, risk management, performance analysis of MFIs, effective branch management, small and medium enterprise lending, customer service, legal guidance, VBNK management training, internal auditing, and motivation and leadership. He also holds a Master’s degree from Preston University. In 1998, he earned a Bachelor’s Degree of Management from the Maharishi Vedic University.

Sem Souphoan, Human Resource Director

Mr. Sem Souphoan joined HKL on December 1, 2010 as Head of the Human Resources Department. He has 23 years’ experience working in different sectors, including a ten-year track record in human resource management, organizational development, human resource planning and leadership. His last three positions were: 1) World Vision Cambodia from March 1994 to December 2006, working as Administrative Assistant, Health Program Assistant, Child Sponsorship Department Manager, Personnel Manager, before being promoted to HR Director; 2) from 01 January 2007 to 23 August 2009 worked for World Vision Timor-Leste as Human Resources Manager; and 3) from 24 August 2009 to 23 August 2010 worked with SAMES (Central Pharmacy), Ministry of Health, Government of Timor-Leste as HR and Administration Advisor under a World Bank financed HSSP-SP project (a Health Sector Strategic Planning Support Project). Souphoan holds a Masters of Business Administration in Leadership Development, from Eastern University, Philadelphia, USA and a Bachelor’s Degree of Public Law from Norton University, Phnom Penh, Kingdom of Cambodia.
The official HKL’s ATM launch on 27 December 2012

Intercontinental Hotel, on 27 December, 2012, at the official HKL ATM launch ceremony which is presided over by H.E. OUK MALY, Deputy Governor of the National Bank of Cambodia, representative of H.E. CHEA CHANTO, Governor of the National Bank of Cambodia, Board of Directors, President and CEO, Vice Presidents, staff of HKL, local authorities, as well as distinguished guests to witness and offer their congratulations on this achievement.

A leading banking and technology service provider, PBC Banking and Technology has been selected as HKL’s partner to bring the latest version of ATM software called “Smart Vista” to Cambodian people. With this software, HKL will provide clients with a service they have never before experienced. The client can access many types of financial and non-financial transactions 24/7 such as cash deposit, cash withdrawal, balance inquiry, mini-statement, fund transfer, remittance, money exchange, mobile top up, etc. Interestingly, even if the customer does not have an HKL ATM card, he/she can also use our ATM, using cardless functions to conduct various transactions such as cash deposit, remittance pay, remittance receive and currency exchange.

As result, by the end of 2012, HKL installed 15 ATM machines in Phnom Penh Capital City and there is potential to do the same in provinces such as Kandal, Seam Reap, Kampong Cham, Battambang, Preah Sihanouk, Banteay Meanchey, Kampong Thom, Takeo, and Svay Rieng. As planned, HKL will install ATM machines across the country.

Hattha Kaksekar Limited donated study materials to outstanding students

In October 2012, Hattha Kaksekar Limited donated study materials to the outstanding students of Pursat High School and Boeng Trabek Khang Keurt Primary School, in the academic year 2011–2012, ranked from number 1 to 3 of each class, a total of 297 students. The study materials that had been given to them include bags, notebooks, pens, pencils, HKL’s t-shirt and 5,000 Khmer riel in cash. The outstanding student has also received materials according to who received the best study result. Further, on that occasion, HKL also donated materials to both schools, such as whiteboards, tables and clocks; and gave teachers some gifts.
The donation program aims to thank local authorities and customers who have supported HKL since the beginning. It is also to encourage students to study harder so they become one of the foundations of the country. Moreover, it shows that HKL is deeply involved in human resource development, especially in the education sector of Cambodia to improve the quality of education.

Grand opening of the new Kampong Cham branch office on 10 December 2012

As part of its commitment to be an excellent financial service provider with a large distribution network, on 10 December, 2012, Hattha Kaksekar Limited officially marked the grand opening of a new standardized branch of the Kampong Cham office under the presidency of H.E. Neav Chanthana, Deputy Governor of the National Bank of Cambodia, representative of H.E. Chea Chanto, Governor of the National Bank of Cambodia and H.E. Lun Limthai, Deputy Provincial Governor of Kampong Cham Province, representative of H.E. Hun Neng, Provincial Governor of Kampong Cham. The ceremony commemorated HKL’s constant striving to offer the highest quality services to clients and a positive working environment for staff. It also illustrated the gradual growth of HKL to the public.
Customers are valued highly at HKL, whether they are from rural or urban areas. HKL is committed to ensuring customer satisfaction by providing them with the services and products they need. Hattha Kaksekar Limited is therefore striving to develop a full range of financial services by adding new innovative products and services. Conditions for access to these services is always kept simple – for instance, the required conditions for applying for a loan consist of being adult, having a clear purpose for utilization of the fund and having a good reputation, not being involved in any offence, and possessing permanent residency inside the operating area, a certificate of identity as well as a property owner’s certificate.

By December 2012, HKL has given loans valued at USD 102 million to 74,559 active borrowers. Meanwhile, HKL has USD 44.25 million in deposit balance with 108,037 depositors. The graph below shows the number and classification of borrowing customers.
MARKET SHARE

Loan Outstanding Market Share

Saving Outstanding Market Share

Borrower Market Share

Depositor Market Share
The improvement of existing products and services and development of new financial services are key action areas for HKL to enlarge its market share and retain satisfied customers. In responding to these concerns, many activities have been taken to update existing products and initiate new products.

As result, the financial products currently provided by HKL have increased into seven main categories: Individual Loans, Savings Accounts, VIP Savings Accounts, Planned Savings Accounts, Term Deposit Accounts, Local Money Transfer and MyATM services. Interest rates for loans and for deposits have been revised taking into consideration response to the market situation and customer needs.

With attractive interest rate, the client can choose from three currencies – Khmer Riel, Thai Baht, USD – to enhance business growth. Loan sizes are adapted to business needs. To access a full range of financial services, the client only needs to attend any office of Hattha Kaksekar Limited.

Opening a savings account permits customers to deposit and withdrawal any amount, at any branches, and at any time around the clock through HKL’s ATM network. The savings account is one of the best paths to help customers maximize the return on their savings as well as assure the safety of their cash deposit. The minimum balance required for this account is only USD 5, allowing customers to get interest rates of up to 4% per annum depending on the currency. When opening this account, customers will receive savings passbooks free of charge.
HKL’s VIP service provides high interest rates. This product is specifically designed to meet the needs of advanced customers, both individuals and entities. The customers or entities opening VIP Savings Accounts will receive the highest levels of service. The minimum balance for this kind of account is USD 1,000 or its equivalent in another currency. HKL currently offers a special high interest rate of up to 4.5% per annum according to the currency.

This account requires customers to make cash deposits in instalments based on their cash flow, which might be on a daily, weekly, or monthly basis at the specified maturity date. To open this account, the customer must have a minimum deposit of USD 10. Customer can get higher interest rates of up to 7.5% per annum based on the deposit term and currency.

A Time/Fixed deposit account is the best choice for customers who have a large amount of money available as it provides them with a high return. The minimum balance for this account is USD 50 or its equivalent in other currencies, and the annual interest rate set at 8.7% depending on the deposit term and currency.
Hattha Kaksekar Limited provides customers with the right solution for local money transfer service. Customers can easily transfer money to relatives, business partners and other recipients regardless of distance. This service is provided to customers with reliability, safety and speed. With the money transfer service of HKL, customers no longer face problems when transferring money to their loved family members, relatives and business partners across the countrywide through its 122 branch offices and with the cheapest transfer fee. More than that, there are money transfer methods that customers can select, such as cash to cash, cash to account, account to cash, and account to account transfer.

The ultramodern nationwide ATM network is unique in Cambodia. With this modern ATM service, the customer can perform both cash and non-cash transactions such as cash deposit, cash withdrawal, fund transfer, remittance, currency exchange, mobile top up, balance inquiry, mini-statement, account maintenance, etc. With these transactions, the customer has the choice to select their preferred currency: Khmer riel, USD or Thai baht.
Our People Our Heart

Our management staff strongly believe that our dedicated staff are the heart of Hattha Kaksekar Limited. That is why HKL management has decided on its comprehensive and competitive human resource policies and procedures. These include recruitment, health assistance, compensation, capacity building, and an improved working environment. These policies and procedures are developed with the aim of ensuring better pay and benefits, a friendlier working environment, greater staff well-being, and job security.

To support the countrywide operational areas with 122 offices, 1,278 staff have been employed by Hattha Kaksekar Limited, including 296 staff who were recruited in 2012.

Numbers of Employees Vs Numbers of Recruited 2012

*Recruitment included newly recruited and replacement for staff have been dismissed.
Our People Our Pride
We are proud of our people, who have built up an excellent culture in HKL. With such a strong culture, we have formalized our employee code of conduct to ensure HKL staff members are well informed and acknowledged for their uniqueness. So we promote the following culture and behaviours:

- Self development is a key to make long term move of institution.
- A diverse and involved team leads to better decision making
- Employees are able to provide quality services to customers
- Each person has his/her individual specialty to be respected
- Employees live and work with dignity
- Relationships and communication are nurtured among stakeholders
- Neatness, order, and personal grooming are evidence of respect for self and for HKL
- All employees shall display loyalty and integrity in the performance of their duties
- To maintain the confidentiality of information is to respect ownership of the information
- Gifts or bribes are not tolerated
- Money laundering is to be prevented
- Compliance is a must
- High commitment leads to great results
- Conflicts of interest must be disclosed
- Assets and resources are to be used properly

This year, 2012, we also have great pride in successfully managing staff turnover at a ratio of less than 7%.

Our People Our Development
As we believe the more people develop, more the company grows, HKL has invested in staff capacity development through various programs for both internal and external courses. A total of 7,183 participants have been trained through a total of 432 courses. From the chart presentation, we are very delighted that HKL are resourceful in sharing, training and coaching our staff members. HKL’s management has conducted training of their 6,312 staff members, which is 87.87% of the total training participants. Each staff member has attended an average of at least five courses.

Numbers of Courses and Participants in Training Program 2012

Our People Our Commitment
With our people, we build a strong commitment towards achieving a higher level of employee satisfaction through the retention strategy, capacity development strategy and compensation strategy.
HKL’s Social and Environmental Management is aligned with the company’s mission and vision. With the support of local and international technical assistance, HKL has successfully created and implemented social and environmental performance management strategies.

HKL tries to assist customers to accumulate assets and develop a sustainable business in order to generate a reasonable income to support their family and send their children to school as well as to improve the condition of their homes, particularly for rural people who generate only a small income. To achieve this goal, HKL has continued to expand its areas of operation across the country to improve access, and develop and update products and services to match their characteristics and needs. Women customers are considered as a priority and an important target for HKL. As a result, 76% of customers are now women. HKL also makes efforts to reduce unemployment through creating a specific financial services for small and medium entrepreneurs which make more jobs available to our Cambodian people.

In addition, to ensure its long-term sustainability within a competitive market environment, HKL is committed to accessing more sources of funds from alternative savings and lenders/investors to support institutional growth, while at the same time maintaining the efficiency and effectiveness of its operational costs to ensure profitability.

Importantly, to build the institution’s image among the public, HKL tries the best afford to provide customers with fast and convenient services by creating alternative solutions, products and services. Besides, the client protection principle has been developed and applied to all stakeholders to ensure that customers have been taken care of and institution is able to manage performance quality. Also, HKL has actively participated in rural economic development and the enhancement of the quality of social performance in order to attract new investors and donors.

HKL has developed and applied a social and environmental policy which is in compliance with the regulations of the royal government of Cambodia, especially the National Bank of Cambodia. Moreover, the MIS system has been customized to store data, produce regular reports and provide customer data analysis related to social and environmental performance as needed.
Geographical Coverage
# BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>Riel '000</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>2,036,319</td>
<td>8,135,094</td>
</tr>
<tr>
<td>Balances with the Central Bank</td>
<td>6,100,521</td>
<td>24,371,581</td>
</tr>
<tr>
<td>Balances with banks</td>
<td>6,143,087</td>
<td>24,541,633</td>
</tr>
<tr>
<td>Loans to customers</td>
<td>101,783,159</td>
<td>406,623,720</td>
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<tr>
<td>Other assets</td>
<td>2,443,692</td>
<td>9,762,549</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>2,532,463</td>
<td>10,117,190</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,933,624</td>
<td>7,724,828</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>122,972,865</strong></td>
<td><strong>491,276,595</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>44,254,970</td>
<td>176,798,605</td>
</tr>
<tr>
<td>Borrowings</td>
<td>40,065,011</td>
<td>160,059,719</td>
</tr>
<tr>
<td>Amounts due to shareholders</td>
<td>10,472,666</td>
<td>41,838,301</td>
</tr>
<tr>
<td>Subordinated debts</td>
<td>2,000,000</td>
<td>7,990,000</td>
</tr>
<tr>
<td>Provident benefits</td>
<td>629,295</td>
<td>2,514,034</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,957,936</td>
<td>11,816,954</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>144,248</td>
<td>576,271</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>561,681</td>
<td>2,243,916</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>101,085,807</strong></td>
<td><strong>403,837,800</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SHAREHOLDERS’ EQUITY</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>4,036,800</td>
<td>16,127,016</td>
</tr>
<tr>
<td>Share premium</td>
<td>5,515,704</td>
<td>22,035,237</td>
</tr>
<tr>
<td>Legal reserves</td>
<td>403,680</td>
<td>1,612,702</td>
</tr>
<tr>
<td>Other reserves</td>
<td>295,162</td>
<td>1,179,171</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>10,906,393</td>
<td>43,571,040</td>
</tr>
<tr>
<td>Net equity</td>
<td>21,157,739</td>
<td>84,525,166</td>
</tr>
<tr>
<td>Subordinated debts</td>
<td>729,319</td>
<td>2,913,629</td>
</tr>
<tr>
<td><strong>TOTAL SHAREHOLDERS’ EQUITY</strong></td>
<td><strong>21,887,058</strong></td>
<td><strong>87,438,795</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>122,972,865</strong></td>
<td><strong>491,276,595</strong></td>
<td><strong>86,785,732</strong></td>
</tr>
</tbody>
</table>
## INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>Riel '000</td>
</tr>
<tr>
<td>Interest income</td>
<td>23,200,630</td>
<td>92,686,517</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,574,601)</td>
<td>(26,265,531)</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td><strong>16,626,029</strong></td>
<td><strong>66,420,986</strong></td>
</tr>
<tr>
<td>Other operating income</td>
<td>740,184</td>
<td>2,957,035</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>17,366,213</strong></td>
<td><strong>69,378,021</strong></td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(11,684,913)</td>
<td>(46,681,228)</td>
</tr>
<tr>
<td>Provision for bad and doubtful loans</td>
<td>(315,068)</td>
<td>(1,258,697)</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td><strong>5,366,232</strong></td>
<td><strong>21,438,096</strong></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(947,859)</td>
<td>(3,786,697)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td><strong>4,418,373</strong></td>
<td><strong>17,651,399</strong></td>
</tr>
</tbody>
</table>
### STATEMENT OF CHANGES IN SHAREHOLDERS’S EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2012**

<table>
<thead>
<tr>
<th>Shares Capital</th>
<th>Share Premium</th>
<th>Legal Reserves</th>
<th>Other Reserves</th>
<th>Retained earnings</th>
<th>Subordinated Debts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
<td>USD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance as at 1 January 2011</th>
<th>Capital injection</th>
<th>2011 Profit</th>
<th>Transfer to Legal Reserves</th>
<th>Dividends</th>
<th>Balance as at 31 December 2011</th>
<th>Equivalent in Riel’000</th>
<th>Balance as at 1 January 2012</th>
<th>Profit for the Year</th>
<th>Transfer to Legal Reserves</th>
<th>Transfer to Other Reserves</th>
<th>Dividends</th>
<th>Balance as at 31 December 2012</th>
<th>Equivalent in Riel’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>2,716,800</td>
<td>1,320,000</td>
<td>1,445,955</td>
<td>234,429</td>
<td>-</td>
<td>4,036,800</td>
<td>4,867,462</td>
<td>1,320,000</td>
<td>4,036,800</td>
<td>1,445,955</td>
<td>234,429</td>
<td>-</td>
<td>4,036,800</td>
<td>4,867,462</td>
</tr>
<tr>
<td>USD</td>
<td>1,445,955</td>
<td>4,069,749</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,036,800</td>
<td>3,023,285</td>
<td>1,320,000</td>
<td>4,036,800</td>
<td>1,445,955</td>
<td>234,429</td>
<td>-</td>
<td>4,036,800</td>
<td>3,023,285</td>
</tr>
<tr>
<td>USD</td>
<td>234,429</td>
<td>-</td>
<td>3,023,285</td>
<td>-</td>
<td>-</td>
<td>4,036,800</td>
<td>(148,041)</td>
<td>1,320,000</td>
<td>4,036,800</td>
<td>1,445,955</td>
<td>234,429</td>
<td>-</td>
<td>4,036,800</td>
<td>(148,041)</td>
</tr>
<tr>
<td>USD</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(781,055)</td>
<td>-</td>
<td>4,036,800</td>
<td>-</td>
<td>1,320,000</td>
<td>4,036,800</td>
<td>1,445,955</td>
<td>234,429</td>
<td>-</td>
<td>4,036,800</td>
<td>(781,055)</td>
</tr>
<tr>
<td>USD</td>
<td>4,036,800</td>
<td>5,515,704</td>
<td>382,470</td>
<td>-</td>
<td>-</td>
<td>6,961,651</td>
<td>28,118,108</td>
<td>1,320,000</td>
<td>4,036,800</td>
<td>1,445,955</td>
<td>234,429</td>
<td>-</td>
<td>4,036,800</td>
<td>28,118,108</td>
</tr>
<tr>
<td>USD</td>
<td>5,515,704</td>
<td>1,544,796</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,961,651</td>
<td>2,945,719</td>
<td>1,320,000</td>
<td>4,036,800</td>
<td>1,445,955</td>
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<td>4,036,800</td>
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<td>234,429</td>
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<td>(157,259)</td>
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<td>4,036,800</td>
<td>1,445,955</td>
<td>234,429</td>
<td>-</td>
<td>4,036,800</td>
<td>(157,259)</td>
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<tr>
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<td>21,887,058</td>
<td>1,320,000</td>
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**FOR THE YEAR ENDED 31 DECEMBER 2012**
### STATEMENT OF CASH FLOWS
#### FOR THE YEAR ENDED 31 DECEMBER 2012

<table>
<thead>
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<th>Year</th>
<th>USD</th>
<th>Riel ’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2011</td>
<td></td>
</tr>
</tbody>
</table>

#### Cash flows from operating activities
- Cash generated from/(used in) operating activities: 6,763,516 / 27,020,246
- Cash flows from investing activities:
  - Reserve deposits with the Central Bank: (2,544,999) / (10,167,271)
  - Purchases of property and equipment: (2,190,998) / (8,753,037)
  - Purchases of intangible assets: (1,007,404) / (4,024,579)
  - Proceeds from disposals of property and equipment: 30,435 / 121,588
  - Net cash used in investing activities: (5,712,966) / (22,823,299)

#### Cash flows from financing activities
- Proceeds from borrowings: 16,808,588 / 67,150,309
- Repayments of borrowings: (13,921,990) / (55,618,350)
- Proceeds from amounts due to shareholders: 4,026,284 / 16,085,005
- Repayments of amounts due to shareholders: (4,001,374) / (15,985,489)
- Proceeds from subordinated debts: - / -
- Proceeds from issuance of share capital: - / -
- Proceeds from share premium on issuance of share capital: - / -
- Dividends paid: (687,367) / (2,746,031)
- Net cash generated from financing activities: 2,224,141 / 8,885,444

#### Net increase in cash and cash equivalents
- 3,274,691 / 13,082,391

#### Cash and cash equivalents at the beginning of the year
- 6,708,085 / 27,093,955
- Currency translation differences: - / (295,156)

#### Cash and cash equivalents at the end of the year
- 9,982,776 / 39,881,190
Lending and Network Partners

symbiotics
alterfin
INVESTMENT MANAGEMENT
incofin
DEVELOPING WORLD MARKETS
Investing for Impact
KIVA
loans that change lives
Norfund
Norfund
GRAMEEN CREDIT AGRICOLE
Microfinance Foundation
Oikos
responsAbility
leading social investments
Proparco
GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT
Cyrano
MANAGEMENT
NATIXIS
ASSET MANAGEMENT

Member Of

List On

microfinance Information eXchange
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