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MESSAGE FROM

Chief Executive Officer

Implementing the direction of the Prime Minister of Vietnam, Bank for Investment and Development of Vietnam (BIDV) has launched its official presence of businesses and investments in Cambodia since late July 2009, in which it celebrated Grand Opening and launched operations of Bank for Investment and Development of Cambodia Plc (BIDC)

BIDC has officially operated in early September 2009, being established by restructuring entirely Prosperity Investment Bank Plc (PIBank), a private bank in Cambodia, then renamed and increased capital to 70 million US dollars, which is the second largest commercial bank in chartered capital in Cambodia today.

The main operational goals of BIDC is to connect two financial markets of Vietnam - Cambodia, to provide full and perfect financial service packages for Vietnamese enterprises that invest in Cambodia and other economic sectors in Cambodian market, contributing to the development of Cambodian economy.

With the existing reputation and brand of BIDV, BIDC is known quickly by the financial markets and Banks of Cambodia. With its experiences, procedures and standards complying with international standards, BIDC has quickly expanded and normalized its operations following the model of modern banks, and professional activities.

Business activities of BIDC have provided profits since the end of 2009. After 8 months of operations, total assets of BIDC has reached to over 150 million US dollars, doubled compared to the established time, and these will be grown rapidly in the coming future.

To connect effectively financial markets between Vietnam and Cambodia, especially direct payment channels between Vietnam and Cambodia, BIDC has opened new branch in Ho Chi Minh in late 12/2009, creating good conditions for Vietnamese enterprises which have investment and trade in Cambodian market, contributing to promote two-way import/export businesses as expected by two governments.

In the context of global economic crisis, Cambodia remains relatively stable and strong development, foreign capital flows are being continued to invest in Cambodia; the economy has changed significantly. Besides, presence of BIDC has positively impacted the financial and monetary markets of Cambodia, contributing to stimulation of the financial operations - banks serving the cause of economic development of Cambodia. With suitable and flexible business policies, many businesses in Cambodia have chosen BIDC as the Bank that meet their capital and other financial services, so only within a short time, there are more and more customers come to have their transaction dealt with BIDC.

With the economic potential of Cambodia, and with the initial success of BIDC, the leadership of BIDV often supplies BIDC to continue researching and developing networks, implementing strategy to expand businesses in this potential market.

The establishment of Phnom Penh Branch of BIDC, the first branch of BIDC in Cambodian market, once again confirmed the qualification for operations of BIDC that it is expanding networks, serving actively for the development of Cambodian economy, directing to all customers of all economic sectors, in particular, Vietnamese enterprises which have investments to Cambodia, step-by-step making up BIDC's position in the Cambodian market, and preparing the necessary conditions to catch the prosperity of Cambodia's economy in the future, especially when the stock market in Cambodia is officially put into operation.

BIDC would commit to the Government and National Bank of Cambodia that BIDC will quickly integrate and develop its potentials in Cambodia market, contributing to the development of financial markets in particular and the economy of Cambodia in general.



VISION AND OPERATIONAL TARGETS

- Assisting for the execution of the economic development programmes of the Kingdom of Cambodia, connecting between Vietnamese and Cambodian financial markets.
- Providing high quality banking products and services including credit, deposit, international settlement, trade finance, card and other products and services for securities market such as Settlement Bank, @Securities, ...
- Connecting for the commercial and investment operations of enterprises in two countries, contributing practically to the development of economic cooperation, commercial and investment exchange between two countries.
- Satisfying financial services and monetary settlement demands of enterprise community and inhabitants of Vietnam and Cambodia; financial supporting, especially middle and long term source of capital for the investment demands of state owned groups and corporations, Vietnamese enterprises in Cambodia and Cambodian enterprises.
- Acting as connection line between Cambodian investors and Vietnamese enterprises. Providing multiple services for legal entities of all type of ownership, including foreign entities and individual entities.



BANKING PROFILE

Name of bank:	Bank for investment and development of Cambodia.
Abbreviation:	BIDC
Initial charter capital:	70 million USD.
Address:	#23, street 114 Corner St.67, Sangkat Phsar Thmey 2, Khan Daun Penh, Phnom Penh, Cambodia.
Tel:	(855-23)210 044
Fax:	(855-23) 220 511
Website:	www.bidc.com.kh
Email:	info@bidc.kh
SWIFT code:	IDBCKHPP
Major shareholder:	Cambodia Investment and Development Co., Ltd (IDCC) – 100% capital
Chairman:	Mr. Tran Thanh Van
Chief Executive Officer:	Mr. Nguyen Van Hien
Government issued identification number:	No 19
Type or description of identification:	License to carry out banking operations
Audit firm:	Ernst & Young

Logo:



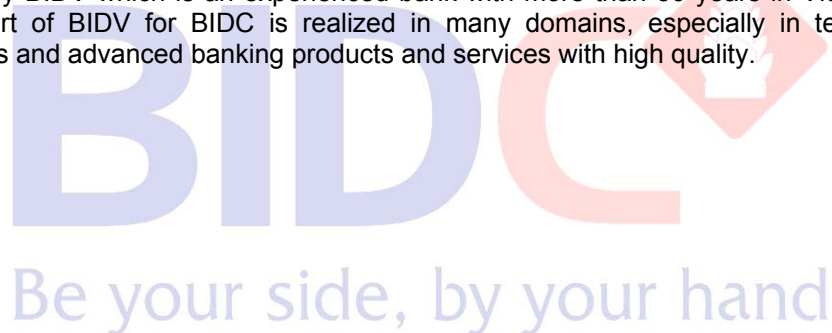
INTRODUCTION

OVERVIEW

Based on the guidance and the support of Vietnamese and Cambodian governments, Bank for Investment and Development of Vietnam (BIDV) and Phuong Nam company (both are Vietnamese) has co-founded the Cambodian Investment and Development Co Ltd (IDCC) for the execution of financial, banking and insurance operations ... in Cambodia, and the first project is to repurchase the Prosperity Investment Bank (PIB), then restructure and rename it to Bank for Investment and Development of Cambodia, which is approved by the Governor of National Bank of Cambodia (NDC) in the Decision No B1.09.554 dated July 15, 2009.

Bank for Investment and Development of Cambodia (BIDC) has officially executed its operations from September 01, 2009 after the agreement No B7.09.148 dated August 14, 2009 of Nation Bank of Cambodia (NBC) about rename, charter capital increase and key staff approve for the Bank. By founding from repurchase and restructure PIB, BIDC is a banking institution with 100% capital owned by Vietnamese government which is founded and allowed to execute operations in Cambodia market to carry out assigned tasks from the governments of two countries. The Bank is expected to become a connection line between the financial - banking markets of two countries.

According to its memorandum and articles, BIDC is a financial institution which is founded and executed operations pursuant to Cambodian law and regulations of NBC. The professional operations of BIDC are directly supported by BIDV which is an experienced bank with more than 50 years in Vietnamese financial market. The support of BIDV for BIDC is realized in many domains, especially in technology system, professional process and advanced banking products and services with high quality.



PRODUCTS AND SERVICES

INDIVIDUAL CUSTOMER

Capital mobilization.

- **Current account in USD, Riel and other currencies:** Current account in USD, Riel and other currencies is the account of users which is opened at BIDC for deposit, holding money or making payment transaction by means of payment.

- **Fixed deposit.** Fixed deposit is the method which customers can chose the suitable term and interest calculation way. With this product, customers can only withdraw money after finishing the fixed term following the agreement with the bank.

Remittance

- **International Inward Transfer:** International Inward Transfer is the service which credit to beneficiary account at BIDC; take a payment by cash or transfer fund to other indicated bank in the case customers don't have account at BIDC.

- **International Outward Transfer:** International Outward Transfer is the service for every one-way payment purpose, transactional accounts, capital transactions following Foreign Exchange Law.

- **Domestic Outward Transfer:** Domestic Outward Transfer is the service which customers can order BIDC to transfer money to domestic beneficiary. BIDC give the payment order to branches inside or outside BIDC system in Cambodia.

- **Domestic Inward Transfer:** Domestic Inward Transfer is the service which credit to beneficiary account at BIDC; take a payment by cash or transfer fund to other indicated bank in the case customers don't have account at BIDC.

- **Blank cheque and payment by cheque services:** Blank cheque and payment by cheque is the service which BIDC supply for customer demands following National Bank of Cambodia regulations

Credit services

- **Housing Loan:** Housing Loan is the product which BIDC sponsors money to purchase house, land or build new house.

- **Car Loan:** Car Loan is the product which meets individuals demand for owing car, customers are only required to have the minimum capital following bank regulations (mortgage the car buying or other guaranty assets).

- **Commercial Loan:** Commercial loan is the product which supplements capitals in order to invest and produce in business.

- **Loan with mortgage of deposit certification:** loan with mortgage of deposit Certification is used for individuals who have deposit certification of BIDC in order to quickly meet his/her capital demand when the certification doesn't come mature.

Other services

- **ATM Card:** ATM Card is a mean of payment which is advanced and convenient and also it expresses the development of payment activity and especially applies technology banking. Customers are also able to use ATM in cash withdrawal, payment made at every BIDC's POS and in order to receive other services BIDC provides.



- **BIDC - Directbanking:** BIDC-Directbanking is the modern service channel which customers can check immediately their account in BIDC via online.

CORPORATE CUSTOMER

Corporate customers include business, political, social organizations, legal entities which are established under Cambodia laws and other foreign entities.

Account services

BIDC takes the deposit, manage and follow the balance and provide account services for customers quickly, safety and correctly. When depositing in BIDC, customers are opened accounts as below:

Current account (C/A)

Saving account (S/A)

Automatically salary payment services

BIDC provides services such as: automatically salary payment, dividend, commodity payment for beneficiaries regardless they have account at BIDC or not.

For these services, BIDC will carry out money payment for individuals (or corporation) in the transaction following the payment order (BIDC customers) as below:

Companies pay salary and bonus for labors.

Companies have to pay commodity money for service supplied such as supermarkets, general business companies and etc.

Companies have large agency system and they have to pay bonus for agencies...

Domestic payment services

BIDC receives the domestic payment which are required to credit on customers current account (or by cash) at BIDC branches. The payment orders are performed as follows:

Pay money to customer account.

Or inform customers through telephone number and address of customers.

Import and export payment services

BIDC provides import and export payment services for customers include:

- Import payment services:

Issuance of L/C -Amendment of L/C

L/C endorsement

Import documentary collection.

- Export payment services:

Advising L/C and Amendment

Consulting L/C content

Export Documents handling for payment.

Documents discount



Corporation credit

All of company can access this credit capital with a wide range of products to choose. Customers will be consulted professionally to prepare required documents quickly without any consultant fee.

Customer is easy to borrow capital in order to buy and build new fixed assets; repair and enhance old fixed assets; take a domestic payment and overseas payment relate to the above activities. .

Customer is also easy to buy commodities, raw materials, fuel and components, to pay the tax bill, electronic bill and salary and carry out inward and outward payment regarding to the above activities.

Guarantee

BIDC provides customers guarantee services including:

- Capital Borrowing Guarantee
- Domestic Capital Borrowing Guarantee
- Overseas Capital Borrowing Guarantee
- Payment Guarantee
- BID Guarantee
- Implementing contract Guarantee
- Products quality Guarantee
- Advance payment Guarantee.
- Other kinds of Guarantee

Other services

Besides, BIDC also provides Guarantee services, support services for companies which invest in Vietnam and Laos.

Be your side, by your hand



BOARD OF DIRECTORS

Mr. Tran Thanh Van: Chairman



- **Year of birth:** 1961
- **Education:** Bachelor of Danang University of Technology, Vietnam
- **Experience:**
 - 10/1991: Executive Vice President, BIDV Quangnam – Danang Branch, Vietnam
 - 04/1991: Executive President, BIDV Danang Branch, Vietnam
 - 09/2009: Deputy Chairman of BIDV, Vietnam

Mr. Nguyen Tien Bac

Deputy Chairman

Mr. Nguyen Van Hien

Member

Mr. Pham Van Duong

Member

Ms. Le Thanh Van

Member

Mr. Tran Dinh Dinh

Member

Mrs. Tran Thi Oanh

Member



BOARD OF MANAGEMENT

Mr. Nguyen Van Hien: Chief Executive Officer



- **Year of birth:** 1961
- **Education:** Bachelor of HoChiMinh Banking University, Vietnam; Postgraduate degree of HoChiMinh Economics University, Vietnam; Bachelor of HoChiMinh National Institute of Politics, Vietnam; Master of Banking and Finance, HELP University, Malaysia.
- **Experience:**
 - 08/1999: Vice President, Head, BIDV Transaction Center No.II, Vietnam.
 - 08/2002: Executive Vice President, Deputy Branch Manager, BIDV Saigon Branch, Vietnam.
 - 03/2003: Executive Vice President, Branch Manager, Lao-Viet bank's Ho Chi Minh, Vietnam.
 - 07/2008: Member of BOD cum Chief Executive Officer, Lao-Viet Bank, Laos

Mrs. Mai Thi Ngoc Ha

1st Senior Executive Vice President

Mr. Pham The Nghiem

Senior Executive Vice President

Mr. Mey Phy

Senior Executive Vice President

Mr. Pham Van Duong

Senior Executive Vice President

Mrs. Mai Thi Ngoc Ha: Chief Accountant



- **Year of birth:** 1963
- **Education:** Bachelor of Economic, HoChiMinh Banking University, Vietnam; IT Engineering, HoChiMinh University of Technology, Vietnam
- **Experience:**
 - 2005: Vice President and Head of Cashiers Department, BIDV HoChiMinh Branch, Vietnam
 - 2006: Vice President and Head of Finance & Accounting Department, BIDV North Saigon Branch, Vietnam



REPORT OF The Board of Management

The Board of Management has the pleasure in submitting their report together with the audited financial statements of Bank for Investment and Development of Cambodia Plc (herein referred to as “the Bank” or “BIDC”), previously known as Prosperity Investment Bank, as at 31 December 2009 and 31 July 2009 and for the periods from 1 August 2009 to 31 December 2009 and from 1 January 2009 to 31 July 2009 (“the periods”).

THE BANK

Prosperity Investment Bank (“PIB”) is a bank incorporated in Cambodia in accordance with Business Registration Certificate No.0765 MOC.LAD issued by Ministry of Commerce of Cambodia dated 13 February 2008. PIB is a commercial bank operating under the Cambodian Law on Commercial Enterprises and the supervision of the National Bank of Cambodia (“NBC”), pursuant to the Law on Banking and Finance Institutions of Cambodia and in accordance with License No. 19 issued by the NBC on 01 February 2008 to carry out banking operations.

On 15 July 2009, PIB was acquired by Cambodian Investment and Development Co Ltd. (“IDCC”), a company co-founded by Bank for Investment and Development of Viet Nam (“BIDV”) and Phuong Nam Company (both are Vietnamese) and then restructured and renamed to Bank for Investment and Development of Cambodia in accordance with the Decision No. B1-09-554 dated 15 July 2009 by the Governor of NBC. The transaction is effective from 1 August 2009.

FINANCIAL STATEMENT PRESENTATION

After the acquisition mentioned above, BIDC with a new Board of Directors and Board of Management is granted with a new business license by the Ministry of Commerce and a new banking license by NBC. Thus, the Bank chose to present the financial statements in two periods in accordance with Decision No.B7-10-69 dated 12 April 2010 by the Governor of NBC: from 1 August 2009 to 31 December 2009 and from 1 January 2009 to 31 July 2009 instead of presenting the figures for the whole year 2009 and the comparative information of 2008 fiscal year.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

There were no significant changes to these principal activities during the financial periods reported.

FINANCIAL RESULTS

The net profit of the Bank for the year 2009, after taxation, was US\$ 118,379.

DIVIDEND

No dividend was declared or paid and the Board of Management does not recommend any dividend to be paid for the year under review.

SHARE CAPITAL

The paid-up capital of the Bank as at 1 August 2009 was US\$13,500,000. According to the Notification Letter No.B7-09-654 S.C.N. dated 31 August 2009 (approbation for the proposal letter No.079/2009 B.V.A.K. submitted by BIDC on 28 August 2009), the NBC approved the write-off of the Bank’s accumulated losses of US\$11,329,378 incurred prior to its restructuring (comprising of net loss of



US\$4,356,206 incurred for the period from 1 January 2009 to 31 July 2009 and the accumulated losses of US\$6,973,172 prior to this period) against its share capital.

On 31 August 2009, IDCC contributed US\$67,829,378 to increase the share capital of the Bank to US\$70,000,000 as at 31 December 2009.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial period other than those disclosed in the financial statements.

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the income statements and balance sheets of the Bank were prepared, the Board of Management took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and advances and the making of allowance for losses on loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for bad and doubtful loans and advances.

At the date of this report, the Board of Management is not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for losses on loans and advances in the financial statements of the Bank, inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Bank were prepared, the Board of Management took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realize.

At the date of this report, the Board of Management is not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, the Board of Management is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- ▶ no charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; and
- ▶ no contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

EVENTS SINCE THE BALANCE SHEET DATE

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



REPORT OF THE BOARD OF MANAGEMENT

The members of the Board of Management as from 1 August 2009 to the date of this report are:

Name	Position
Mr. Nguyen Van Hien	Chief Executive Officer
Mrs. Mai Thi Ngoc Ha	1 st Senior Executive Vice President
Mr. Pham The Nghiem	Senior Executive Vice President
Mr. Mey Phy	Senior Executive Vice President
Mr. Nguyen Danh Thang	Senior Executive Vice President
Mr. Pham Van Duong	Senior Executive Vice President

AUDITORS

The auditors, Ernst & Young Indochina Limited, expressed their willingness to accept reappointment as auditors.

THE BOARD OF MANAGEMENT'S INTERESTS

None of the Board of Management of the Bank held office at the end of the financial year has a direct interest in the shares of the Bank.

The indirect interests of the Board of Management of the Bank are disclosed in the financial statements

THE BOARD OF MANAGEMENT' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiary was a party, whereby the Board of Management might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no manager has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Board of Management, or the fixed salary of a full time employee of the Bank as disclosed in Note 24 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Board of Management or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009 and 31 July 2009 and their financial performance and their cash flows for the periods from 1 August 2009 to 31 December 2009 and from 1 January 2009 to 31 July 2009. In preparing these financial statements, the Board of Management is required to:

- ▶ adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ▶ comply with regulations and guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there has been any departure in the interests of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- ▶ maintain adequate accounting records and an effective system of internal controls;



- ▶ prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- ▶ set overall policies for the Bank, ratify all decisions and actions by the Board of Management that have a material effect on the operations and performance of the Bank, and ensure they have been properly reflected in the financial statements.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirms that the Bank has complied with these requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2009 and 31 July 2009, and of its financial performance and its cash flows for the respective periods then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

On behalf of the Board of Management



Mr. Nguyen Van Hien
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
12 April 2010



Reference: 60829148/14216923

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of Bank for Investment and Development of Cambodia Plc

We have audited the accompanying financial statements of Bank for Investment and Development of Cambodia Plc ("the Bank"), previously known as Prosperity Investment Bank, which comprise the balance sheets as at 31 December 2009 and 31 July 2009, and the income statements and statements of changes in equity of the Bank for the periods from 1 August 2009 to 31 December 2009 and from 1 January 2009 to 31 July 2009 ("the periods") and the statement of cash flows for the year ended 31 December 2009, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Bank as at 31 December 2008 and for the year then ended were audited by other auditors whose report dated 27 March 2009, expressed a qualified opinion due to their disagreement on the classification of loan and advances to customers and the Bank's non-compliance on certain prudential requirements of the National Bank of Cambodia ("NBC").

manager

Management's responsibility for the financial statements

The management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements. We conducted our audit in accordance with International Standards on Auditing and Cambodian Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009 and July 2009, and of its financial performance and its cash flows for the respective periods or year then ended, in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC.

Without qualifying our opinion, we draw attention to Notes 1 and 2.2 to the financial statements. With the Bank's restructuring during the year, management believes that the reporting periods for presentation of financial statements during the year 2009 covering the pre-restructuring and post-restructuring periods provide a more meaningful presentation of the Bank's financial statements. The reporting periods were approved by the NBC.



Maria Cristina M. Calimbas
Partner

Ernst & Young Indochina Limited
Certified Public Accountants
Registered Auditors

12 April 2010

THE FINANCIAL REPORTS

BALANCE SHEETS

as at 31 December 2009 and 31 July 2009

	Notes	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
ASSETS					
Cash on hand	3	152,643	636,370	120,756	506,090
Balances with the National Bank of Cambodia	4	52,251,018	217,834,495	1,381,458	5,789,690
Balances with other banks	5	21,073,054	87,853,562	4,036	16,914
Placements with and loans to other banks	6	15,008,004	62,568,366	-	-
Loans and advances to customers	7	84,266,028	351,305,073	-	-
Property and equipment	8	535,356	2,231,898	428,233	1,794,724
Intangible assets	9	329,361	1,373,105	346,630	1,452,727
Other assets	10	1,061,527	4,425,506	20,001	83,820
TOTAL ASSETS		174,676,991	728,228,375	2,301,114	9,643,966
LIABILITIES					
Deposits of another bank	11	93,532,070	389,935,200	-	-
Customer deposits	12	10,893,957	45,416,907	130,492	546,893
Taxation	13	25,967	108,257	-	-
Other liabilities	14	106,618	444,491	-	-
		104,558,612	435,904,855	130,492	546,893
SHAREHOLDER'S EQUITY					
Paid up capital	15	70,000,000	291,830,000	13,500,000	56,578,500
Net profit (loss) for the period	15	118,379	493,520	(4,356,206)	(18,256,862)
Accumulated losses [*]	15	-	-	(6,973,172)	(29,224,565)
		70,118,379	292,323,520	2,170,622	9,097,073
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		174,676,991	728,228,375	2,301,114	9,643,966

[*] With the approval from NBC (Notification Letter No.B7-09-654 S.C.N on 31 August 2009), BIDC wrote off all accumulated losses incurred from the inception to 31 July 2009 before the date IDCC fully acquired PIB

The attached notes 1 to 24 form part of these financial statements.



INCOME STATEMENTS

for the periods from 1 August 2009 to 31 December 2009
and from 1 January 2009 to 31 July 2009

	Notes	From 1 Aug 2009 to 31 Dec 2009 US\$	From 1 Aug 2009 to 31 Dec 2009 KHR'000 (Note 2.1)	From 1 Jan 2009 to 31 Jul 2009 US\$	From 1 Jan 2009 to 31 Jul 2009 KHR'000 (Note 2.1)
Interest and similar income	16	462,407	1,927,774	82,307	344,950
Interest and similar expense	17	(90,169)	(375,914)	(533)	(2,234)
Net interest and similar income		372,238	1,551,860	81,774	342,716
Fees and commission income	18	273,110	1,138,595	3,634	15,228
Fees and commission expense		(24,608)	(102,590)	(514)	(2,155)
Net fees and commission income		248,502	1,036,006	3,119	13,073
Other operating income	19	258,806	1,078,962	431	1,803
TOTAL OPERATING INCOME		879,546	3,666,827	85,324	357,592
General and administrative expenses	20	(731,573)	(3,049,927)	(461,686)	(1,934,926)
Allowances for losses on loan and advances	7	-	-	(3,979,000)	(16,675,987)
PROFIT (LOSS) BEFORE TAX		147,973	616,900	(4,355,361)	(18,253,321)
Income tax expense	13	(29,594)	(123,380)	(845)	(3,540)
NET PROFIT (LOSS) FOR THE PERIOD		118,379	493,520	(4,356,206)	(18,256,861)

Be your side, by your hand

The attached notes 1 to 24 form part of these financial statements.



STATEMENTS OF CHANGES IN EQUITY

for the periods from 1 August 2009 to 31 December 2009
and from 1 January 2009 to 31 July 2009

	<i>Paid-up capital US\$ (Note 15)</i>	<i>Accumulated losses US\$ (Note 15)</i>	<i>Total US\$</i>
Balance as at 1 January 2009	13,500,000	(6,973,172)	6,526,828
Net profit (loss) for the period	-	(4,356,206)	(4,356,206)
Balance as at 31 July 2009	<u>13,500,000</u>	<u>(11,329,378)</u>	<u>2,170,622</u>
Balance as at 31 July 2009 - KHR'000 equivalent (Note 2.1)	<u>56,578,500</u>	<u>(47,481,427)</u>	<u>9,097,073</u>
Balance as at 31 July 2009	13,500,000	(11,329,378)	2,170,622
Capital contributed during the period	67,829,378	-	67,829,378
Accumulated losses written off	(11,329,378)	11,329,378	-
Net profit for the period	-	118,379	118,379
Balance as at 31 December 2009 - US\$	<u>70,000,000</u>	<u>118,379</u>	<u>70,118,379</u>
Balance as at 31 December 2009 - KHR'000 equivalent (Note 2.1)	<u>291,830,000</u>	<u>493,520</u>	<u>292,323,520</u>

[*] On 31 August 2009, IDCC injected US\$ 67,829,378 to increase BIDC's chartered capital

[**] With the approval from NBC (Notification Letter No.B7-09-654 S.C.N on 31 August 2009), BIDC wrote off all accumulated losses incurred from the inception to 31 July 2009 before the date IDCC fully acquired PIB

The attached notes 1 to 24 form part of these financial statements.



STATEMENT OF CASH FLOWS

for the period from 1 August 2009 to 31 December 2009

	Note	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)
NET CASH USED IN OPERATING ACTIVITIES	21	(1,988,293)	(8,289,194)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(179,510)	(748,377)
Acquisition of computer software		(46,110)	(192,233)
Net cash outflow from investing activities		(225,620)	(940,610)
CASH FLOWS FROM FINANCING ACTIVITY			
Capital contributed during the period		67,829,378	282,780,677
Net change in cash and cash equivalents		65,615,465	273,550,873
Cash and cash equivalents at beginning of period	3	128,852	540,017
Currency translation difference		-	(2,833)
CASH AND CASH EQUIVALENTS AT END OF YEAR		65,744,317	274,088,057



Be your side, by your hand

The attached notes 1 to 24 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2009 and 31 July 2009

and for the periods from 1 August 2009 to 31 December 2009

and from 1 January 2009 to 31 July 2009

1. CORPORATE INFORMATION

Bank for Investment and Development of Cambodia Plc (herein referred to as “the Bank” or “BIDC”) was incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

Prosperity Investment Bank (“PIB”) is a bank incorporated in Cambodia in accordance with Business Registration Certificate No.0765 MOC.LAD issued by Ministry of Commerce of Cambodia dated 13 February 2008. PIB is a commercial bank operating under the Cambodian Law on Commercial Enterprises and the supervision of the National Bank of Cambodia (“NBC”), pursuant to the Law on Banking and Finance Institutions of Cambodia and in accordance with License No. 19 issued by the NBC on 01 February 2008 to carry out banking operations.

On 15 July 2009, PIB was acquired by Cambodian Investment and Development Co Ltd. (“IDCC”), a company co-founded by Bank for Investment and Development of Viet Nam (“BIDV”) and Phuong Nam Company (both are Vietnamese) and then restructured and renamed to Bank for Investment and Development of Cambodia in accordance with the Decision No. B1-09-554 dated 15 July 2009 by the Governor of NBC. The transaction is effective from 1 August 2009.

BIDC is a financial institution operating pursuant to the laws and regulations of the NBC. The Bank’s operations are directly supported by BIDV which is one of the biggest banks in Vietnam serving this market for more than 50 years. The support of BIDV to BIDC extends to development and improvement of technology system, systems and processes and provision of advanced banking products and high quality services.

The principal activity of the Bank is the provision of comprehensive banking and related financial services in Cambodia and Vietnam.

Paid-up capital

The actual paid-up capital of the Bank as at 31 December 2009 is US\$70,000,000.

Board of Directors

The members of the Board of Directors from 1 August 2009 up to the date of this report are:

Name	Position
Mr. Tran Thanh Van	Chairman
Mr. Nguyen Tien Bac	Vice Chairman
Mr. Nguyen Van Hien	Member of BOD
Mr. Pham Van Duong	Member of BOD
Mrs. Le Thanh Van	Member of BOD
Mr. Tran Dinh Dinh	Member of BOD
Mrs. Tran Thi Oanh	Member of BOD

The members of the Board of Directors from 1 Jan 2009 to 31 July 2009 are:

Name	Position
Mr. Nguyen Thien Nhan	Chairman
Mr. Mey Phy	Vice Chairman
Mrs. Nguyen Thanh Thuy	Member of BOD



1. CORPORATE INFORMATION (continued)

Board of Management

The members of the Board of Management as from 1 August 2009 to the date of this report are:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Van Hien	Chief Executive Officer
Mrs. Mai Thi Ngoc Ha	1 st Senior Executive Vice President
Mr. Pham The Nghiem	Senior Executive Vice President
Mr. Mey Phy	Senior Executive Vice President
Mr. Nguyen Danh Thang	Senior Executive Vice President
Mr. Pham Van Duong	Senior Executive Vice President

Location

The head office of the Bank is located at No. 23, Kramuon Sar, Phsar Thmey 2, Daun Penh District, Phnom Penh, Cambodia. The Bank has one branch located in Ho Chi Minh City, Vietnam.

Employees

As at 31 December 2009, the Bank has a total of 45 employees in the head office and 42 employees in Ho Chi Minh Branch.

2. ACCOUNTING POLICIES

2.1 Basis of presentation

The Bank prepares its financial statements on the historical cost convention. The Bank maintains its records in United States dollar (“US\$”) and prepares its financial statements in US\$ in accordance with the NBC Prakas No. B7-07-164 dated 13 December 2007.

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The translation of the US\$ amounts into Khmer Riel (“KHR’000”) is presented in the financial statements to comply with the Law on Corporate Accounts, their Audit and the Accounting Profession dated 8 July 2002 and relevant Prakas of the NBC, using the average exchange rate of KHR4,169: US\$1 ruling as at 31 December 2009 (31 July 2009: KHR4,191: US\$1 and 1 January 2009: KHR4,081: US\$1), as announced by the NBC. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

The statement of cash flows for the period from 1 January 2009 to 31 July 2009 was not prepared due to unavailability of information and constraints on the management information system of the Bank before acquisition by IDCC.

The accounting policies set out below have been consistently applied by the Bank during the period.



2. ACCOUNTING POLICIES (continued)

2.2 Fiscal year

The Bank's last fiscal year starts on 1 January and ends on 31 December 2008. For this fiscal year, the Bank prepared financial statements for the periods from 1 January 2009 to 31 July 2009 and from 1 August 2009 to 31 December 2009 in accordance with Decision No.B7-10-69 dated 12 April 2010 by the Governor of NBC.

2.3 Significant accounting judgments and estimates

In applying the Bank's accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements, as follows:

2.3.1 Impairment losses on loans and advances to customers

When preparing the financial statements, the quality of loans and advances is reviewed and assessed to determine their classification and level of provision for impairment losses, as more fully disclosed in Note 2.4.4.

2.4 Summary of significant accounting policies

2.4.1 Segment information

The Bank operates within two geographical segments, the Kingdom of Cambodia and the Socialist Republic of Vietnam.

Segment information is presented in respect of the Bank's business only. The primary format, business segment information, is prepared based on internal management reports, which are used by senior management for decision-making and performance management.

Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favorable than those generally available to public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.4.2 Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents consist of cash and highly liquid short-term investments with an original maturity of less than 30 days that are readily convertible to known amounts of cash and accounts due from banks with original maturity of less than 90 days.

2.4.3 Loans and advances

All loans and advances to customers are stated in the balance sheet at principal amount plus accrued interest receivable, less any amounts written off, and allowance for losses on loans and advances. Short-term loans are those with a repayment date within one year from the date the loan was advanced. Long-term loans are those with a final repayment date of more than one year from the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans and advances previously written off, or provided for, decrease the amount of the allowance for losses on loans and advances in the income statement.

Loans and advances classified as substandard, doubtful or loss are considered as non-performing loans.



2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.4 Allowance for losses on loans and advances

Allowance for losses on loans and advances are made with regard to specific risks and relate to those loans and advances that have been individually reviewed and specifically identified as normal, special mention, sub-standard, doubtful or loss. The allowance is based on a percentage of total outstanding loans and advances (including accrued interest), net of interest-in-suspense.

The Bank follows the mandatory credit classification and provisioning as required by NBC Prakas No. B7-09-074 dated 25 February 2009. The Prakas requires commercial banks to classify their loan portfolio into five classes. The mandatory level of specific provisioning is provided depending on the loan classification as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
Normal	Nil to less than 30 days	1%
Special mention	30 days or more but less than 90 days	3%
Substandard	90 days or more but less than 180 days	20%
Doubtful	180 days or more but less than 360 days	50%
Loss	360 days or more	100%

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realizable value of the collateral, if any, when in the judgment of the management, there is no prospect of recovery.

2.4.5 Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provision methodology are similar to originated loans as noted above. Allowances are raised against other credit related commitments when losses are considered probable.

2.4.6 Deposits and placements with banks

Deposits and placements with banks are carried at cost.

2.4.7 Other assets

Other receivables are carried at anticipated realizable values. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

2.4.8 Statutory deposits

Statutory deposits of banking activities are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by the NBC.

2.4.9 Intangible assets

Intangible assets are stated at cost less accumulated amortization. Intangible assets are amortized on a straight-line method at the rate of 25% per annum. The Bank's intangible assets include pre-opening expenses which were recognized as intangible assets in accordance with Decision No.B7-10-68 by the Governor of NBC. These pre-opening will be deducted as monthly amortization completely by the end of December 2010.



2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.10 Property and equipment

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.
- (ii) Land and construction in progress are not depreciated. Depreciation of property and equipment, except for buildings, is charged to the income statement on a straight-line basis over the estimated useful life of the individual asset at the following rates:

Buildings and leasehold improvements	3%
Furniture, fittings and equipment	25%
Information technology ("IT") equipment	25%
Motor vehicles	25%
Computer software	25%
Other intangible assets	25%

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.
- (iv) Land and construction in progress are stated at cost. The cost of construction includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time as the construction is completed and the relevant assets put into operational use.
- (v) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognized in the income statement on the date of retirement or disposal.
- (vi) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.
- (vii) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognized in prior years is recorded where there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recognized to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in the income statement immediately.

2.4.11 Liabilities

Deposits from customers, deposits and placements of banks and financial institutions are stated at their placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.



2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.12 Provisions for liabilities

Provisions for liabilities are recognized when the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.4.13 Corporate income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

2.4.14 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.



2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.15 Recognition of income and expense

a) *Interest income:*

Interest income is recognized on an accrual basis. Interest income on overdraft, term loans and other loans is recognized by reference to rest periods, which are either monthly or daily. Where a loan becomes non-performing, the recording of interest is suspended until it is realized on a cash basis. Loans are deemed to be non-performing where repayments are in arrears for more than ninety days.

b) *Income from the various activities of the Bank:*

Income from the various activities of the Bank is accrued using the following bases:

- 1) Loan arrangement fees and commissions on services and facilities extended to customers are recognized on the occurrence of such transactions;
- 2) Commitment fees and guarantee fees on services and facilities extended to customers are recognized as income over the period in which the services and facilities are extended;
- 3) Service charges and processing fees are recognized when the service is provided.
- 4) Dividend income is recognized when the Bank's right to receive the payment is established.

c) *Interest expense:*

Interest expense on deposits of customers, settlement accounts of other banks and borrowings are recognized on an accrual basis.

2.4.16 Operating leases

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

2.4.17 Related parties

Parties are considered to be related if the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) any company of which the Bank directly or indirectly holds at least 10% of the capital or voting rights;
- (c) any individual who participates in the administration, direction, management or internal control; and
- (d) the external auditors.

Transactions with related parties and related account balances are disclosed in Note 23.



2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.18 Foreign currency transactions and translation

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies (“FC”) at year-end are re-translated to US\$ at the exchange rates ruling at the reporting date (for prevailing exchange rates of applicable FCs against US\$ as at 31 December, see Note 2.1). Income and expenses arising in FC are converted into US\$ at month-end using the applicable average exchange rates rather than the exchange rates ruling at the transaction dates.

2.4.19 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not reported in the financial statements since they are not the assets of the Bank.

2.4.20 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR for US\$ and KHR amounts, respectively.

2.4.21 Corresponding figures

Certain corresponding figures have been reclassified to conform to current year’s presentation.

3. CASH ON HAND

	<i>31 Dec 2009</i> <i>US\$</i>	<i>31 Dec 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>	<i>31 Jul 2009</i> <i>US\$</i>	<i>31 Jul 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>
US\$	121,267	505,562	108,209	453,504
KHR	14,490	60,409	11,847	49,652
Other foreign currencies	16,886	70,399	700	2,934
	152,643	636,370	120,756	506,090

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	<i>31 Dec 2009</i> <i>US\$</i>	<i>31 Dec 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>	<i>31 Jul 2009</i> <i>US\$</i>	<i>31 Jul 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>
Cash on hand	152,643	636,370	120,756	506,090
Balances with the NBC - current account	44,518,620	185,598,125	4,060	17,013
Balances with other banks - current and deposits (less than 3 months’ maturity)	21,073,054	87,853,562	4,036	16,914
	65,744,317	274,088,057	128,852	540,017



4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	<u>31 Dec 2009</u> US\$	<u>31 Dec 2009</u> KHR'000 (Note 2.1)	<u>31 Jul 2009</u> US\$	<u>31 Jul 2009</u> KHR'000 (Note 2.1)
Current accounts with the NBC				
KHR	23,002	95,894	418	1,752
US\$	44,495,618	185,502,231	3,642	15,261
Statutory deposits				
Capital guarantee deposit - US\$	7,000,000	29,183,000	1,350,000	5,657,850
Reserve deposits - KHR	2,398	10,000	2,398	10,052
Reserve deposits - US\$	730,000	3,043,370	25,000	104,775
	<u>52,251,018</u>	<u>217,834,495</u>	<u>1,381,458</u>	<u>5,789,690</u>

(i) *Capital guarantee deposit*

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a statutory deposit of 10% of registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations but it is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

(ii) *Reserve requirement*

Under NBC Prakas No. B7-09-075 dated 25 February 2009, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8% and 12% of customer deposits in KHR and in FC, respectively.

Further analysis of deposits and placements with banks above is follows:

a) Analysis of deposits and placements with banks by maturity.

Refer to Note 24.2 on Liquidity risk.

b) Annual interest rates of deposits and placements with the NBC are summarized as follows:

	<u>31 Dec 2009</u>	<u>31 Jul 2009</u>
Capital guarantee deposit - US\$	0.28%	0.28%
Reserve deposits - US\$ and KHR	NA	NA
Current accounts	Nil	Nil



5. BALANCES WITH OTHER BANKS

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Local banks				
Aceda Bank Plc. - KHR	212	885	212	888
Aceda Bank Plc. - US\$	806,969	3,364,254	1,120	4,695
Canadia Bank Plc. - US\$	208,393	868,789	-	-
Overseas banks				
Dong A Bank - US\$	5,119	21,342	2,149	9,004
Dong A Bank - VND	561	2,339	555	2,327
BIDV (Head Office) - US\$	5,156,070	21,495,656	-	-
BIDV (HCM Branch) - US\$	989	4,121	-	-
BIDV (HCM Branch) - VND	14,894,741	62,096,176	-	-
	21,073,054	87,853,562	4,036	16,914

Interest rates

Annual interest rates on balances with other banks are summarized as follows:

	31 Dec 2009	31 Jul 2009
Aceda Bank Plc. - KHR	Nil	Nil - 1.00%
Aceda Bank Plc. - US\$	Nil	Nil
Canadia Bank Plc. - US\$	Nil	Nil
Dong A Bank - US\$	0.50%	0.50%
Dong A Bank - VND	3.60%	3.00%
BIDV (Head Office) - US\$	0.10%	Nil
BIDV (HCM Branch) - US\$	0.10%	Nil
BIDV (HCM Branch) - VND	2.40%	Nil

6. PLACEMENTS WITH AND LOANS TO OTHER BANKS

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Lao Viet Bank (HCM Branch)	49,004	204,295	-	-
BIDV (SGD 2 Branch)	10,009,000	41,727,521	-	-
BIDV (NKKK Branch)	4,950,000	20,636,550	-	-
	15,008,004	62,568,366	-	-



7. LOANS AND ADVANCES TO CUSTOMERS

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Gross loans				
Term loans	84,203,678	351,045,133	-	-
Other receivables				
Accrued interest receivable	62,350	259,940	-	-
Interest in suspense	-	-	-	-
Allowance for losses on loans and advances (*)	-	-	-	-
Loans and advances to customers	84,266,028	351,305,073	-	-

- (*) Prakas No.B7-09-074 dated 25 February 2009 requires all banks in Cambodia to make general provision equal to 1% of gross loans classified as "Normal". However, NBC has permitted BIDC not to recognize a general provision for the period from 1 August 2009 to 31 December 2009 based on NBC's Decision No. B7-10-15 on 05 February 2010.

Further analysis of loans and advances above is as follows:

- (a) follows: The loan portfolio is graded as follows:

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Normal loans				
Secured	20,372,686	84,933,727	-	-
Unsecured	63,830,992	266,111,406	-	-
	84,203,678	351,045,133	-	-

- (b) For an analysis of loans and advances by maturity, refer to Note 24.2 on Liquidity analysis.

- (c) For an analysis of loans and advances by currency, refer to Note 24 on foreign currency exchange risk.

- (d) Analysis of loans and advances by economic sector is as follows:

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Commercial loans	83,917,221	349,850,896	-	-
Consumer loans	286,457	1,194,237	-	-
Total gross loans	84,203,678	351,045,133	-	-



7. LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) Analysis of loan portfolio by industrial sector is as follows:

	<i>31 Dec 2009</i> US\$	<i>31 Dec 2009</i> KHR'000 (Note 2.1)	<i>31 Jul 2009</i> US\$	<i>31 Jul 2009</i> KHR'000 (Note 2.1)
Agriculture	900,000	3,752,100	-	-
Manufacturing	19,665,918	81,987,210	-	-
Construction	5,900,359	24,598,598	-	-
Wholesale and retail	2,687,577	11,204,510	-	-
Transportation, storage and communication	21,895,023	91,280,353	-	-
Consumer items	286,457	1,194,237	-	-
Real estate	22,868,344	95,338,125	-	-
Others	10,000,000	41,690,000	-	-
Total gross loans	84,203,678	351,045,133	-	-

(f) Analyses of loans and advances by residency, relationship, exposure and interest rates are as follows:

	<i>31 Dec 2009</i> US\$	<i>31 Dec 2009</i> KHR'000 (Note 2.1)	<i>31 Jul 2009</i> US\$	<i>31 Jul 2009</i> KHR'000 (Note 2.1)
Residence status				
Residents	20,372,686	84,933,726	-	-
Non-residents	63,830,992	266,111,407	-	-
	84,203,678	351,045,133	-	-
Relationship				
Related parties	-	-	-	-
Non-related parties	84,203,678	351,045,133	-	-
	84,203,678	351,045,133	-	-
Exposure				
Large	68,847,000	287,023,144	-	-
Non-large	15,356,678	64,021,989	-	-
	84,203,678	351,045,133	-	-

Annual interest rates range from:

	<i>31 Dec 2009</i>	<i>31 Jul 2009</i>
Term loans	6.30% - 10.50%	6.30% - 10.50%





8. PROPERTY AND EQUIPMENT

Movements of property and equipment from 1 August 2009 to 31 December 2009 are as follows:

	<i>Freehold land</i>	<i>Buildings and leasehold improvements</i>	<i>Furniture, fixtures and equipment</i>	<i>IT equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cost							
At 1 August 2009	-	91,519	340,969	259,736	-	-	692,224
Additions during the period	-	-	10,185	6,175	163,150	-	179,510
Write-off/disposal	-	-	(565)	-	-	-	(565)
At 31 December 2009	-	91,519	350,589	265,911	163,150	-	871,169
Less: Accumulated depreciation							
At 1 August 2009	-	5,270	151,215	107,506	-	-	263,991
Charge for the period	-	1,144	35,614	27,242	7,822	-	71,822
Write-off/disposal	-	-	-	-	-	-	-
At 31 December 2009	-	6,414	186,829	134,748	7,822	-	335,813
Net book value							
At 31 December 2009	-	85,105	163,760	131,163	155,328	-	535,356
At 1 August 2009	-	86,249	189,754	152,230	-	-	428,233
Equivalent in KHR'000 (Note 2.1)							
At 31 December 2009	-	354,803	682,714	546,819	647,562	-	2,231,898
At 1 August 2009	-	361,469	795,259	637,996	-	-	1,794,724

9. INTANGIBLE ASSETS

<i>From 1 Aug 2009 to 31 Dec 2009</i>	<i>Computer software US\$</i>	<i>Pre-Opening Expenses US\$</i>	<i>Total US\$</i>
Cost			
At 1 Aug 2009	453,639	223,376	677,015
Additions	2,850	43,260	46,110
Write-off/disposal	-	-	-
At 31 Dec 2009	<u>456,489</u>	<u>266,636</u>	<u>723,125</u>
Less: Accumulated amortization			
At 1 Aug 2009	218,697	111,688	330,385
Additions	39,338	24,041	63,379
Write-off/disposal	-	-	-
At 31 Dec 2009	<u>258,035</u>	<u>135,729</u>	<u>393,764</u>
Net book value			
At 31 Dec 2009	<u>198,454</u>	<u>130,907</u>	<u>329,361</u>
At 1 Aug 2009	<u>234,942</u>	<u>111,688</u>	<u>346,630</u>
Equivalent in KHR'000 (Note 2.1)			
At 31 Dec 2009	<u>827,356</u>	<u>545,749</u>	<u>1,373,105</u>
At 1 Aug 2009	<u>984,646</u>	<u>468,081</u>	<u>1,452,727</u>

Pre-opening expenses were recognized as intangible assets in accordance with Decision No.B7-10-68 by the Governor of NBC. These pre-opening expenses will be deducted as monthly amortization completely by the end of December 2010.

10. OTHER ASSETS

	<i>31 Dec 2009 US\$</i>	<i>31 Dec 2009 KHR'000 (Note 2.1)</i>	<i>31 Jul 2009 US\$</i>	<i>31 Jul 2009 KHR'000 (Note 2.1)</i>
Head Office repairmen	512,227	2,135,474	-	-
T24 deposit	405,000	1,688,445	-	-
Deferred loan fees	45,000	187,605	-	-
Interest receivable	2,269	9,459	-	-
Others	97,031	404,523	20,001	83,820
	<u>1,061,527</u>	<u>4,425,506</u>	<u>20,001</u>	<u>83,820</u>



11. DEPOSITS OF ANOTHER BANK

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Term deposits				
BIDV (Head Office)	93,532,070	389,935,200	-	-
Total	93,532,070	389,935,200	-	-

12. CUSTOMER DEPOSITS

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Current accounts	7,537,611	31,424,298	66,967	280,660
Saving deposits	169,038	704,721	57,525	241,087
Fixed deposits	3,187,308	13,287,888	6,000	25,146
Total	10,893,957	45,416,907	130,492	546,893

Number of depositors

Current accounts	77	-	23	-
Saving deposits	1,636	-	1,341	-
Fixed deposits	17	-	2	-
Total	1,730	-	1,366	-

Further analyses of customer deposits are as follows:

(a) Types of customers:

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Domestic corporations	8,855,300	36,917,748	48,890	204,896
Individuals	1,974,145	8,230,210	81,602	341,997
Non-residents	64,512	268,949	-	-
Total	10,893,957	45,416,907	130,492	546,893



12. CUSTOMER DEPOSITS (continued)

- (b) For maturity analysis, refer to Note 24.2 on Liquidity risk.
- (c) For currency analysis, refer to Note 24 on Foreign exchange risk.
- (d) For deposits from related parties, refer to Note 23 on related party transactions and balances.
- (e) Annual interest rates are as follows:

	<u>31 Dec 2009</u>	<u>31 Jul 2009</u>
Current accounts	Nil - 3.60%	Nil - 1.00%
Saving accounts	Nil - 2.00%	1.50% - 3.00%
Fixed deposits	3.00% - 10.49%	3.00% - 7.25%

13. TAXATION

Major components of tax expense for the year were as follows:

	<u>31 Dec 2009</u> <i>US\$</i>	<u>31 Dec 2009</u> <i>KHR'000</i> <i>(Note 2.1)</i>	<u>31 Jul 2009</u> <i>US\$</i>	<u>31 Jul 2009</u> <i>KHR'000</i> <i>(Note 2.1)</i>
Corporate income tax				
Current	29,594	123,380	845	3,540
Deferred	-	-	-	-
Total tax expense for the year	<u>29,594</u>	<u>123,380</u>	<u>845</u>	<u>3,540</u>

Current corporate income tax (“CIT”)

The Bank’s tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

In accordance with Cambodian tax regulations, current CIT is calculated at the higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.



13 TAXATION (continued)

Details of estimated CIT expense and payable are as follows:

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Accounting profit (loss) before income tax	147,973	616,900	(4,355,362)	(18,253,321)
Non-deductible expenses	-	-	-	-
Taxable income	147,973	616,900	(4,355,362)	(18,253,321)
Current CIT, at the statutory rate of 20%	29,594	123,380	-	-
Current CIT, at the statutory rate of 1% of turnover	-	-	845	3,540
Total current CIT	29,594	123,380	845	3,540

The movements of CIT payable for the period from 1 August 2009 to 31 December 2009 are as follows:

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)
Balance at the beginning of the period	-	-
Current tax charge for the period	29,594	123,380
Payment of tax during the period	(3,627)	(15,123)
Balance at the end of the period	25,967	108,257

14. OTHER LIABILITIES

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
Interest payables	70,951	295,793	-	-
Others	35,667	148,698	-	-
	106,618	444,491	-	-



15. SHARE CAPITAL

	<i>Paid-up capital US\$</i>	<i>Accumulated losses US\$</i>	<i>Total US\$</i>
Balance as at 1 January 2009	13,500,000	(6,973,172)	6,526,828
Net loss for the period	-	(4,356,206)	(4,356,206)
Balance as at 31 July 2009	13,500,000	(11,329,378)	2,170,622
Balance as at 31 July 2009 - KHR'000 equivalent (Note 2.1)	56,578,500	(47,481,427)	9,097,073
Balance as at 31 July 2009	13,500,000	(11,329,378)	2,170,622
Capital contributed during the period	67,829,378	-	67,829,378
Accumulated losses written off	(11,329,378)	11,329,378	-
Net profit for the period	-	118,379	118,379
Balance as at 31 December 2009 - US\$	70,000,000	118,379	70,118,379
Balance as at 31 December 2009 - KHR'000 equivalent (Note 2.1)	291,830,000	493,520	292,323,520

The paid-up capital of the Bank as at 1 August 2009 was US\$13,500,000. According to the Notification Letter No. B7-09-654 S.C.N dated 31 August 2009 (approbation for the proposal letter No.079/2009 B.V.A.K submitted by BIDC on 28 August 2009), the NBC approved the write-off of the Bank's accumulated losses of US\$11,329,378 incurred prior to its restructuring (comprising of net loss of US\$4,356,206 incurred for the period from 1 January 2009 to 31 July 2009 and the accumulated losses of US\$6,973,172 prior to this period) against its share capital.

On 31 August 2009, IDCC contributed US\$67,829,378 to increase the share capital of the Bank to US\$70,000,000 as at 31 December 2009.

16. INTEREST AND SIMILAR INCOME

	<i>31 Dec 2009 US\$</i>	<i>31 Dec 2009 KHR'000 (Note 2.1)</i>	<i>31 Jul 2009 US\$</i>	<i>31 Jul 2009 KHR'000 (Note 2.1)</i>
Interest income from lending	450,280	1,877,216	77,734	325,783
Interest income from deposits:				
NBC	12,127	50,558	4,573	19,167
Overseas banks	9,472	39,489	4,566	19,138
	2,655	11,069	7	29
	462,407	1,927,774	82,307	344,950



17. INTEREST AND SIMILAR EXPENSE

	<i>31 Dec 2009</i> US\$	<i>31 Dec 2009</i> KHR'000 (Note 2.1)	<i>31 Jul 2009</i> US\$	<i>31 Jul 2009</i> KHR'000 (Note 2.1)
Saving deposits	936	3,901	347	1,456
Fixed deposits	71,266	297,110	186	778
Current accounts	-	-	-	-
Borrowed funds	17,967	74,903	-	-
	90,169	375,914	533	2,234

18. FEES AND COMMISSION INCOME

	<i>31 Dec 2009</i> US\$	<i>31 Dec 2009</i> KHR'000 (Note 2.1)	<i>31 Jul 2009</i> US\$	<i>31 Jul 2009</i> KHR'000 (Note 2.1)
Trade finance	9,019	37,599	-	-
Loan processing fees	2,210	9,213	-	-
Loan commitment fees	242,100	1,009,315	-	-
Commission received on remittances	12,434	51,838	200	838
Other commissions and fees	7,347	30,630	3,434	14,390
	273,110	1,138,595	3,634	15,228

19. OTHER OPERATING INCOME

	<i>31 Dec 2009</i> US\$	<i>31 Dec 2009</i> KHR'000 (Note 2.1)	<i>31 Jul 2009</i> US\$	<i>31 Jul 2009</i> KHR'000 (Note 2.1)
Foreign exchange gain	232,414	968,936	7	28
Others	26,392	110,026	424	1,775
	258,806	1,078,962	431	1,803



20. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 Dec 2009</i> US\$	<i>31 Dec 2009</i> KHR'000 (Note 2.1)	<i>31 Jul 2009</i> US\$	<i>31 Jul 2009</i> KHR'000 (Note 2.1)
Personnel	196,722	820,132	108,237	453,620
Depreciation	71,822	299,426	88,491	370,864
Amortization	63,379	264,228	101,215	424,194
Rental	60,640	252,808	16,720	70,074
Telephone and telex	45,931	191,486	29,364	123,066
Advertising	40,525	168,948	2,346	9,833
Business meal and entertainment	30,115	125,551	2,010	8,426
Patent tax	25,231	105,188	273	1,146
Supplies	25,211	105,107	2,907	12,182
Utilities	25,202	105,066	14,479	60,683
Bank license fees	21,228	88,500	16,791	70,369
Convention and conference	20,485	85,402	-	-
Traveling and accommodation	19,956	83,198	680	2,850
Other tax expenses	15,090	62,910	7,992	33,494
Bank security	13,135	54,761	2,420	10,142
Directors' remuneration	8,400	35,020	-	-
Professional fee	7,082	29,521	6,664	27,929
Dues and memberships, stamp and registration expenses	5,600	23,348	2,091	8,765
Repairs and maintenance	1,810	7,546	1,011	4,235
Others	34,009	141,781	57,995	243,054
	731,573	3,049,927	461,686	1,934,926



21. NET CASH GENERATED FROM OPERATING ACTIVITIES

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)
Cash flows from operating activities		
Profit before income tax	147,973	616,900
Adjustments for:		
Depreciation and amortization charges	135,201	563,654
Income tax paid during year	(3,627)	(15,123)
Previous year adjustment on fixed assets	565	2,354
Operating profit before changes in working capital	280,112	1,167,785
Cash provided by operation activities before changes in operation assets and liabilities		
Decrease /(increase) in operating assets:		
Capital guarantee and reserve deposits with the NBC	(6,355,000)	(26,493,995)
Placements with and loans other banks	(15,008,004)	(62,568,366)
Loans and advances to customers	(84,266,028)	(351,305,073)
Other assets	(1,041,526)	(4,342,122)
Increase /(decrease) in operating liabilities:		
Deposits of another bank	93,532,070	389,935,200
Customer deposits	10,763,466	44,872,892
Other liabilities	106,617	444,485
Net cash generated from operating activities	(1,988,293)	(8,289,194)

22. COMMITMENTS AND CONTINGENCIES

	31 Dec 2009 US\$	31 Dec 2009 KHR'000 (Note 2.1)	31 Jul 2009 US\$	31 Jul 2009 KHR'000 (Note 2.1)
(i) Lending commitments:				
Letters of credit	2,825,240	11,778,426	-	-
Bank guarantees	390,000	1,625,910	-	-
Others	108,560,219	452,587,553	-	-
	111,775,459	465,991,889	-	-
(ii) Lease commitments:				
Not later than one year	-	-	-	-
Later than one year and not later than five years	542,760	2,262,766	-	-
Over five years	-	-	-	-
	542,760	2,262,766	-	-



23. RELATED PARTY BALANCES AND TRANSACTIONS

- a) In addition to those already disclosed elsewhere in the notes to the financial statements, transactions with related parties during the reporting period include:

	<i>31 Dec 2009</i> <i>US\$</i>	<i>31 Dec 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>	<i>31 Jul 2009</i> <i>US\$</i>	<i>31 Jul 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>
Interest income				
BIDV (TO2)	1,461	6,091	-	-
BIDV (NKKN Branch)	743	3,096	-	-
Lao Viet Bank	65	272	-	-
	2,269	9,459	-	-
Interest expense				
Cambodia Vietnam Insurance Company	20,959	87,378	-	-
BIDV (Head Office)	65,316	272,301	-	-
	86,275	359,679	-	-

- b) Outstanding amounts due from/to related parties include the following:

	<i>31 Dec 2009</i> <i>US\$</i>	<i>31 Dec 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>	<i>31 Jul 2009</i> <i>US\$</i>	<i>31 Jul 2009</i> <i>KHR'000</i> <i>(Note 2.1)</i>
Deposits with the holding company				
BIDV (HCMC Branch)	14,895,730	62,100,297	-	-
BIDV (SGD 2 Branch)	10,009,000	41,727,521	-	-
BIDV (NKKN Branch)	4,950,000	20,636,550	-	-
BIDV (Head Office)	5,156,070	21,495,656	-	-
Lao Viet Bank (HCM Branch)	49,004	204,295	-	-
	35,059,804	146,164,319	-	-
Amounts due to the holding company				
BIDV (Head Office) - time deposits	93,532,070	389,935,200	-	-
Cambodia Vietnam Insurance Company	6,126,118	25,539,785	-	-
IDCC	680,892	2,838,640	-	-
	100,339,080	418,313,625	-	-



23. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

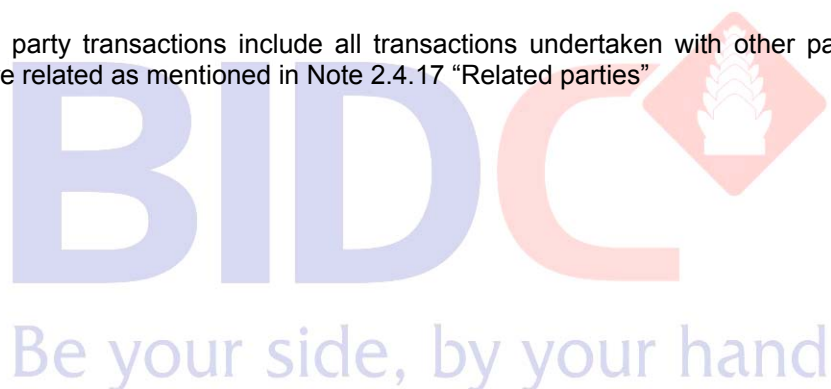
(c) Key management personnel compensation

The details of remuneration of directors and other members of key management of the Bank are as follows:

	<i>31 Dec 2009</i> US\$	<i>31 Dec 2009</i> KHR'000 <i>(Note 2.1)</i>	<i>31 Jul 2009</i> US\$	<i>31 Jul 2009</i> KHR'000 <i>(Note 2.1)</i>
Gross remuneration				
Board of Directors	8,400	35,020	NA	NA
Board of Management	62,908	262,264	NA	NA
Net remuneration	71,308	297,284	NA	NA
Board of Directors	6,720	28,016	NA	NA
Board of Management	55,113	229,767	NA	NA
	61,833	257,783	NA	NA

NA: Information is not available

Related party transactions include all transactions undertaken with other parties to which the Bank are related as mentioned in Note 2.4.17 "Related parties"



24. FINANCIAL RISK MANAGEMENT

The guidelines and policies adopted by the Bank to manage the following risks that arise in the conduct of business activities are as follows:

(a) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements. There are continually reviewed to address the operational risks of the business unit as well as to assess the level of compliance with the Bank policies by a programme of periodic reviews undertaken by Internal Audit Function. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

(b) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending, hedging and investing activities.

The primary exposure to credit risk arises through its loans and advances. There is no available quoted market price in an active market which would enable the fair value of the loans and advances to be reliably measured. Therefore the maximum exposure to credit risk in this regard is represented by the carrying amount of each financial asset in the balance sheet. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with the NBC's guidelines.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies, is discussed in Note 22.

(c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(d) Market risk

(i) Foreign currency exchange risk



Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

As at 31 December 2009, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) *Interest rate risk*

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, and cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavorable interest rate movement is monitored against the risk tolerance limits set.

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The Bank does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

(e) *Liquidity risk*

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

(f) *Capital management*

(i) *Regulatory capital*

The main regulatory capital requirement of the Bank is the banking operations to which the Bank's lead regulator, NBC, sets and monitors capital requirements for the banks as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognized the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirement throughout the year.





24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Interest rate risk

The table below summarizes the Bank's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprised or mature, whichever is earlier.

As at 31 Dec 2009	Up to 1 month US\$	> 1 to 3 months US\$	> 3 to 6 months US\$	> 6 to 12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Effective interest rate %
Financial assets									
Cash on hand	-	-	-	-	-	-	152,643	152,643	0.03%
Balances with the National Bank of Cambodia	-	-	-	-	-	7,730,000	44,521,018	52,251,018	0.03%
Balances with other banks	20,057,480	-	-	-	-	-	1,015,574	21,073,054	0.03%
Placements and loans to other banks	14,999,004	9,000	-	-	-	-	-	15,008,004	1.37%
Loans and advances to customers	62,351	-	-	19,186,229	65,017,448	-	-	84,266,028	11.38%
Other financial assets	-	-	-	-	-	-	1,061,527	1,061,527	0.00%
Total financial assets	35,118,835	9,000		19,186,229	65,017,448	7,730,000	46,750,762	173,812,274	
Financial liabilities									
Deposits of another bank	73,532,070	20,000,000	-	-	-	-	-	93,532,070	3.01%
Customer deposits	224,844	538,089	-	2,593,413	-	-	7,537,611	10,893,957	2.90%
Other financial liabilities	-	-	-	-	-	-	106,618	106,618	0.00%
Total financial liabilities	73,756,914	20,538,089		2,593,413			7,644,229	104,532,645	
Interest sensitivity gap - US\$	(38,638,079)	(20,529,089)		16,592,816	65,017,448	7,730,000	39,106,533	69,279,629	
Interest sensitivity gap - KHR'000	(161,082,151)	(85,585,772)		69,175,450	271,057,741	32,226,370	163,035,136	288,826,773	

Be your side, by your hand



24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Interest rate risk (continued)

As at 31 Jul 2009	Up to 1 month US\$	> 1 to 3 months US\$	> 3 to 6 months US\$	> 6 to 12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Effective interest rate %
Financial assets									
Cash on hand	-	-	-	-	-	-	120,756	120,756	0.26%
Balances with the National Bank of Cambodia	-	-	-	-	-	1,350,000	31,458	1,381,458	0.12%
Balances with other banks	2,704	-	-	-	-	-	1,332	4,036	2.58%
Other financial assets	-	-	-	-	-	-	20,001	20,001	0.00%
Total financial assets	2,704	-	-	-	-	1,350,000	173,547	1,526,251	
Financial liabilities									
Customer deposits	63,525	-	-	-	-	-	66,967	130,492	2.10%
Total financial liabilities	63,525	-	-	-	-	-	66,967	130,492	
Interest sensitivity gap - US\$	(60,821)	-	-	-	-	1,350,000	106,580	1,395,759	
Interest sensitivity gap - KHR'000	(254,901)	-	-	-	-	5,657,850	446,677	5,849,626	

Be your side, by your hand



24. FINANCIAL RISK MANAGEMENT (continued)

24.2 Liquidity risk

As at 31 Dec 2009

	<i>Up to 1 month US\$</i>	<i>> 1 to 3 months US\$</i>	<i>> 3 to 6 months US\$</i>	<i>> 6 to 12 months US\$</i>	<i>> 1 to 5 years US\$</i>	<i>Over 5 years US\$</i>	<i>No fixed maturity date US\$</i>	<i>Total US\$</i>
Financial assets								
Cash on hand	152,643	-	-	-	-	-	-	152,643
Balances with the National Bank of Cambodia	-	-	-	-	-	-	52,251,018	52,251,018
Balances with other banks	-	-	-	-	-	-	21,073,054	21,073,054
Placements and loans to other banks	14,999,003	9,000	-	-	-	-	-	15,008,004
Loans & advances to customers	62,351	-	-	19,186,229	65,017,448	-	-	84,266,028
Other financial assets	2,269	-	20,000	45,000	779,612	85,105	129,542	1,061,527
Total financial assets	15,216,266	9,000	20,000	19,231,229	65,797,060	85,105	73,453,614	173,812,274
Financial liabilities								
Deposits of another bank	7,762,455	538,089	-	2,593,413	-	-	-	10,893,957
Customer deposits	73,532,070	20,000,000	-	-	-	-	-	93,532,070
Other financial liabilities	106,618	-	-	-	-	-	-	106,618
Total financial liabilities	81,401,143	20,538,089	-	2,593,413	-	-	-	104,532,645
Net liquidity surplus / (gap) – US\$	(66,184,877)	(20,529,089)	20,000	16,637,816	65,797,060	85,105	73,453,614	69,279,629
Net liquidity surplus / (gap) – KHR'000	(275,924,752)	(85,585,772)	83,380	69,363,055	274,307,943	354,803	306,228,117	288,826,773



24. FINANCIAL RISK MANAGEMENT (continued)

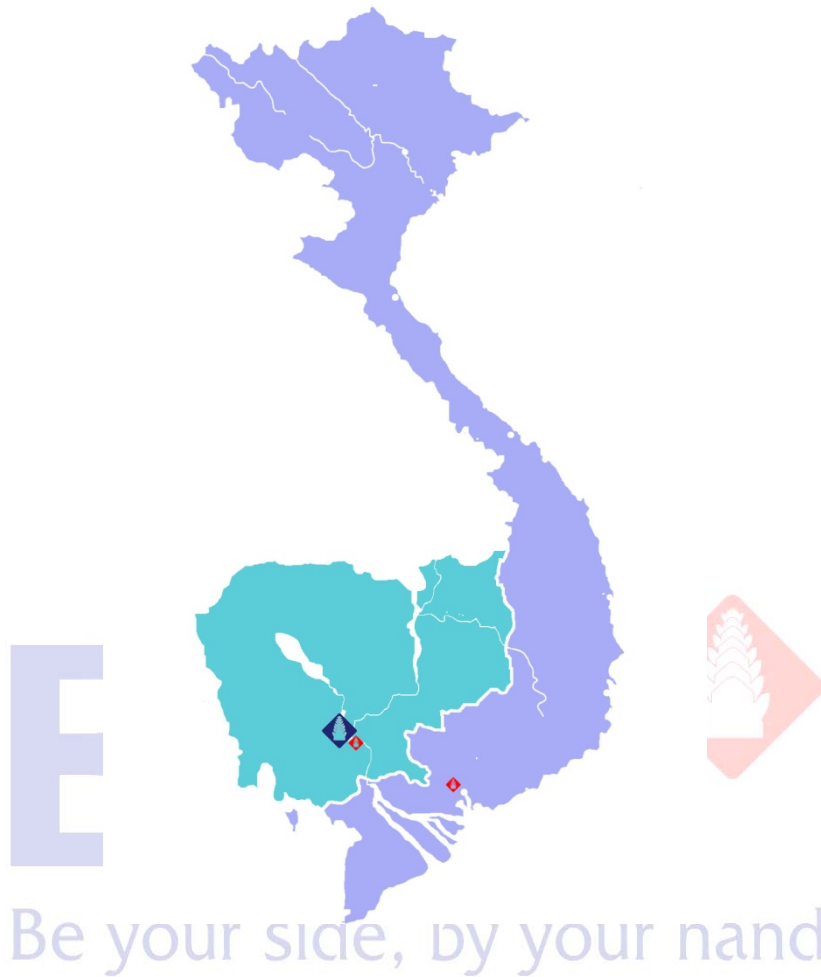
24.2 Liquidity risk (continued)

As at 31 Jul 2009

	<i>Up to 1 month US\$</i>	<i>> 1 to 3 Months US\$</i>	<i>> 3 to 6 months US\$</i>	<i>> 6 to 12 months US\$</i>	<i>> 1 to 5 years US\$</i>	<i>Over 5 years US\$</i>	<i>No fixed maturity date US\$</i>	<i>Total US\$</i>
Financial assets								
Cash on hand	120,756	-	-	-	-	-	-	120,756
Balances with the National Bank of Cambodia	-	-	-	-	-	-	1,381,458	1,381,458
Balances with other banks	-	-	-	-	-	-	4,036	4,036
Other financial assets	20,001	-	-	-	-	-	-	20,001
Total financial assets	140,757	-	-	-	-	-	1,385,494	1,526,251
Financial liabilities								
Deposits of another bank	-	-	-	-	-	-	-	-
Customer deposits	130,492	-	-	-	-	-	-	130,492
Other financial liabilities	-	-	-	-	-	-	-	-
Total financial liabilities	130,492	-	-	-	-	-	-	130,492
Net liquidity surplus / (gap) – US\$	10,265	-	-	-	-	-	1,385,494	1,395,759
Net liquidity surplus / (gap) – KHR'000	43,021	-	-	-	-	-	5,806,605	5,849,626

Be your side, by your hand

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