






## 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.

**Bank for Investment  
and Development of Cambodia Plc**



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|--|--|
| Name of bank:                            | <b>BANK FOR INVESTMENT AND DEVELOPMENT OF CAMBODIA PLC.</b>  |
| Abbreviation:                            | <b>BIDC</b>  |
| Initial charter capital:                 | 70 million USD.  |
| Address:                                 | #23, Kramuon Sar Street, Sangkat Phsar Thmey 2, Daun Penh District, Phnom Penh, Cambodia.                          |
| Tel:                                     | (855-23)210 044  |
| Fax:                                     | (855-23) 220 511   |
| Website:                                 | www.bidc.com.kh  |
| Email:                                   | info@bidc.com.kh   |
| SWIFT code:                              | IDBCKHPP   |
| Major shareholder:                       | Cambodia Investment and Development Co.,Ltd (IDCC) – 100% capital  |
| Chairman:                                | <b>Mr. Tran Thanh Van</b>  |
| Chief Executive Officer:                 | <b>Mr. Nguyen Van Hien</b>   |
| Government issued identification number: | No 19  |
| Type or description of identification:   | License to carry out banking operations  |
| Audit firm:                              | Ernst & Young  |
| Logo:                                    | <br>Be your side, by your hand |



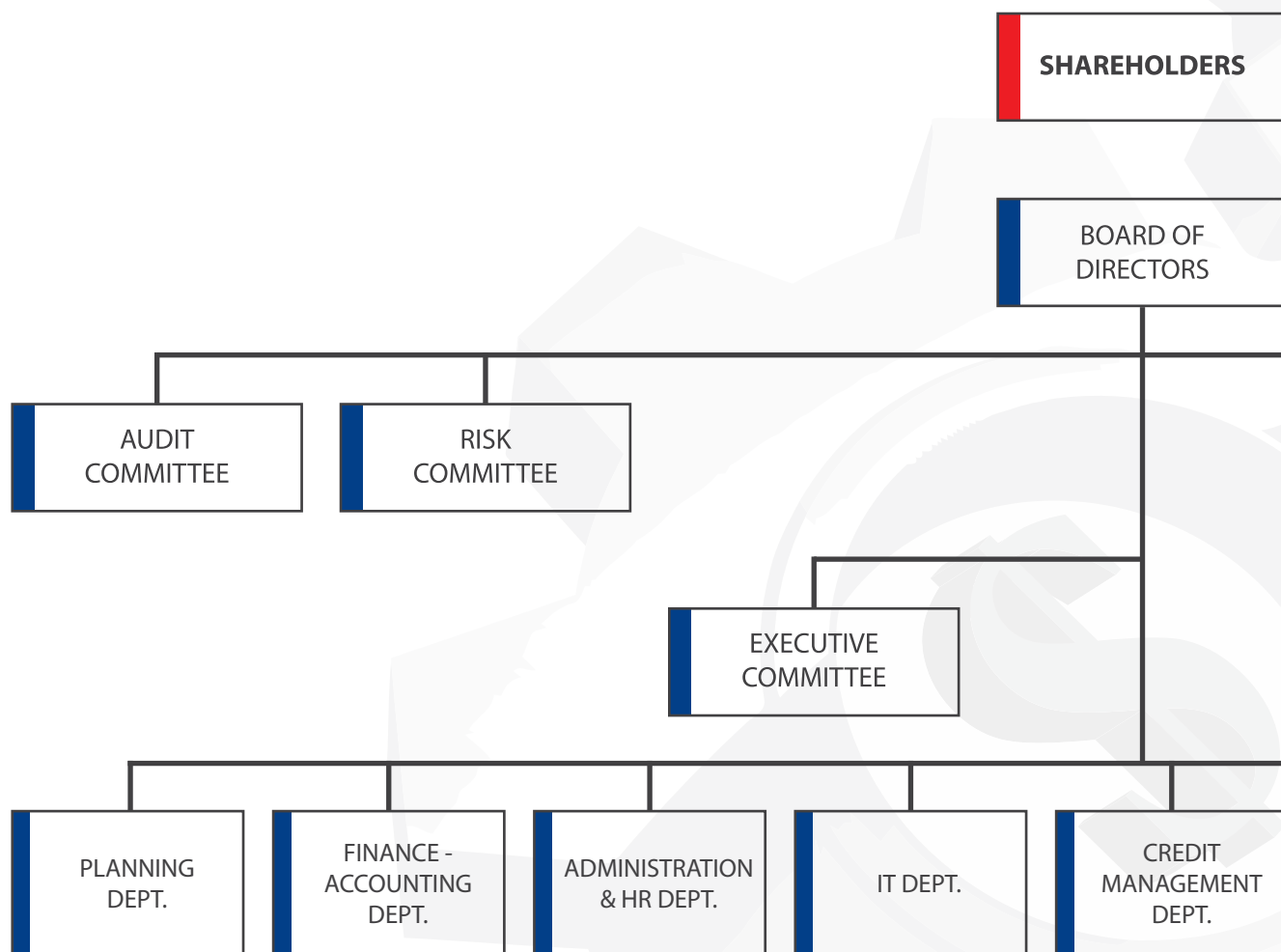
## OVERVIEW

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.

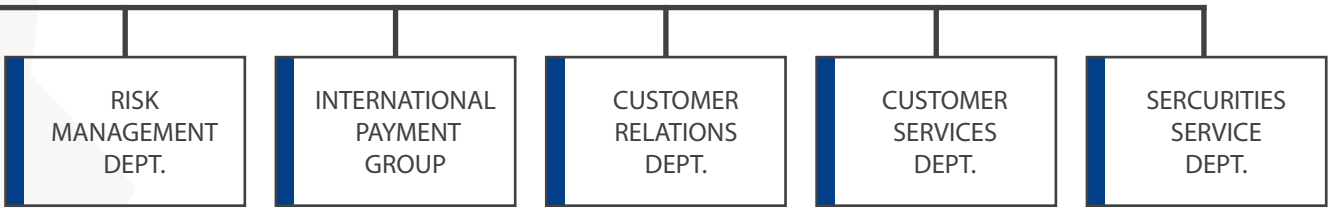
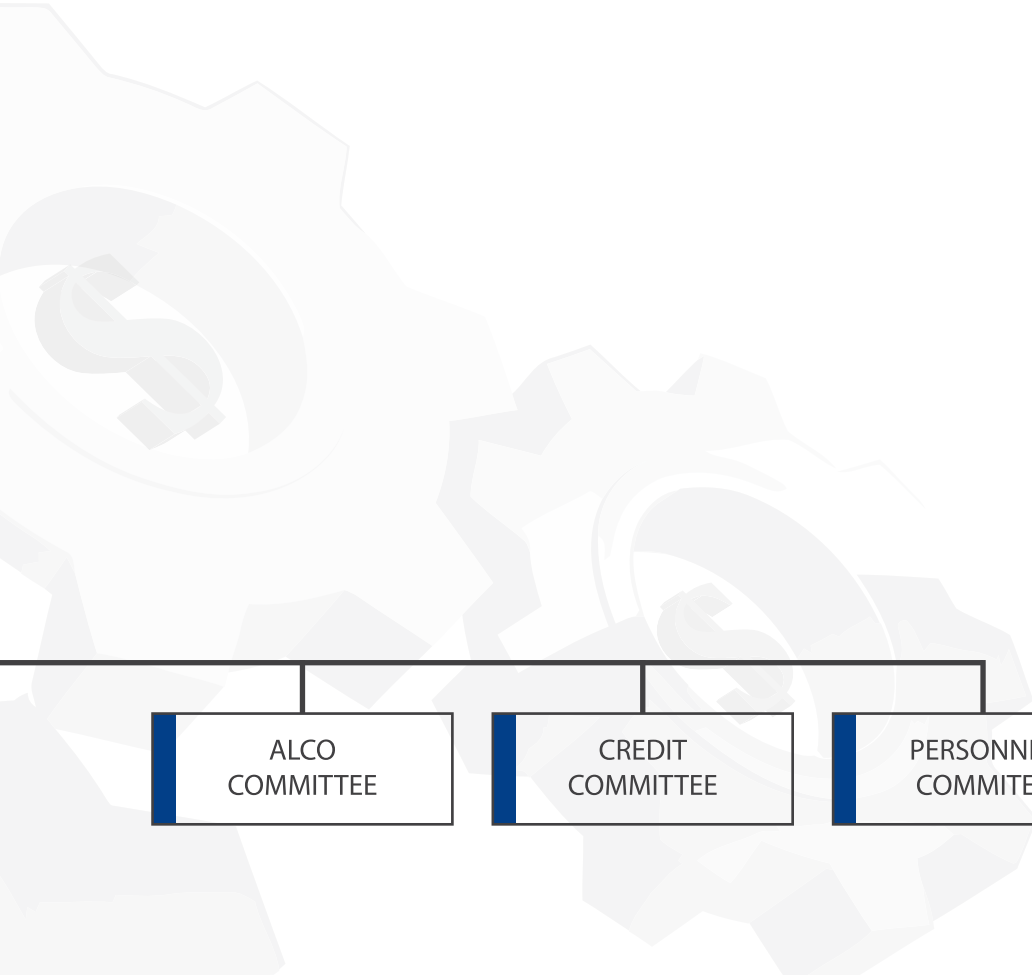
Bank for Investment and Development of Cambodia (BIDC) has officially executed its operations from September 01, 2009 after the agreement No B7.09.148 dated August 14, 2009 of Nation Bank of Cambodia (NBC) about rename, charter capital increase and key staff approve for the Bank. By founding from repurchase 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.

## BANK FOR INVESTMENT AND DEVELOPMENT OF CAMBODIA PLC. ORGANIZATION CHART









## BOARD OF SHARE HOLDER



**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

|                            |                    |
|----------------------------|--------------------|
| <b>Mr. Nguyen Tien Bac</b> | Deputy Chairman    |
| <b>Mr. Nguyen Van Hien</b> | Member             |
| <b>Mr. Pham Van Duong</b>  | Member             |
| <b>Ms. Le Thanh Van</b>    | Independent Member |
| <b>Mr. Tran Dinh Dinh</b>  | Independent 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 Polictics, 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: Excutive Vice President, Brach Manager,  
Lao-Viet bank's Ho Chi Minh, Vietnam.  
07/2009: Member of BOD cum Chief Executive Officer,  
Lao-Viet Bank, Laos

**Mrs. Mai Thi Ngoc Ha**  
**Mr. Pham The Nghiem**  
**Mr. Mey Phy**  
**Mr. Pham Van Duong**  
**Mr. Ngo Van Long**  
**Mr. Le Nam Trung**

1st Senior Executive Vice President  
Senior Executive Vice President  
Senior Executive Vice President  
Senior Executive Vice President  
Senior Executive Vice President  
Senior Executive Vice President



**Mrs. Mai Thi Ngoc Ha:** Chief Accountant



**Year of birth:** 1963

**Education:** Bachelor of Economic, HoChiMinh Banking University,  
Vietnam; IT Eneegering, 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

**1. INCOME STATEMENT 2010**

*Unit: Thousand USD, %*

| NO. | ITEM                                      | IN 2009 | IN 2010 | Increase compared to 2009 |       |
|-----|---|---------|---------|---------------------------|-------|
|     |   |         |         | Absolute value            | %     |
| 1   | Capital mobilization at the end of period | 10,829  | 96,600  | 85,771                    | 792   |
| 2   | Debits at the end of period               | 84,266  | 149,304 | 65,038                    | 77    |
| 3   | Profit before tax                         | 159     | 2,580   | 2,421                     | 1,491 |
| 4   | Group II debt                             | 0       | 0       | 0                         | 0     |
| 1   | Net interest income                       |         | 5,836   |                           |       |
| 2   | Net income excluding interest             |         | 1,898   |                           |       |
| 3   | Operating costs                           |         | 3,882   |                           |       |
| 4   | Income-expenditure difference             |         | 3,852   |                           |       |
| 5   | Risk provision                            |         | 1,272   |                           |       |
| 6   | Profit before tax                         |         | 2,580   |                           |       |
|     | Profit after tax                          |         | 1,987   |                           |       |
|     | Total assets                              | 174,695 | 257,954 | 83,259                    | 48    |
|     | Owner's Equity                            | 70,000  | 70,000  | 0                         | 0     |
| 7   | ROA                                       |         | 0.77    |                           |       |
| 8   | ROE                                       |         | 2.76    |                           |       |



**General assessment:**

In 2010, BIDC completed fully and synchronously targets on business plan assigned. Large-scale targets including total assets, capital mobilization and credit balance strongly grew in comparison with those of 2009. The performance targets are effectively fulfilled beyond the assigned plan.

BIDC's businesses became stable, affirming its position in the Cambodian market and creating a good reputation to major and potential customers in this market which is a solid and reliable support for most Vietnamese enterprises investing in and doing businesses in Cambodia.

## 1.1 Performance targets:

In 2010, BIDC fulfilled the performance targets beyond the plan.

Revenue and expenditure difference reached USD3,852 thousand.

Risk provision: Deducted USD1,272 thousand as specified.

Profit before tax reached USD2,580 thousand.

Profit after tax reached USD1,987 thousand.

ROA reached 0.77%.

ROE reached 2.76%.

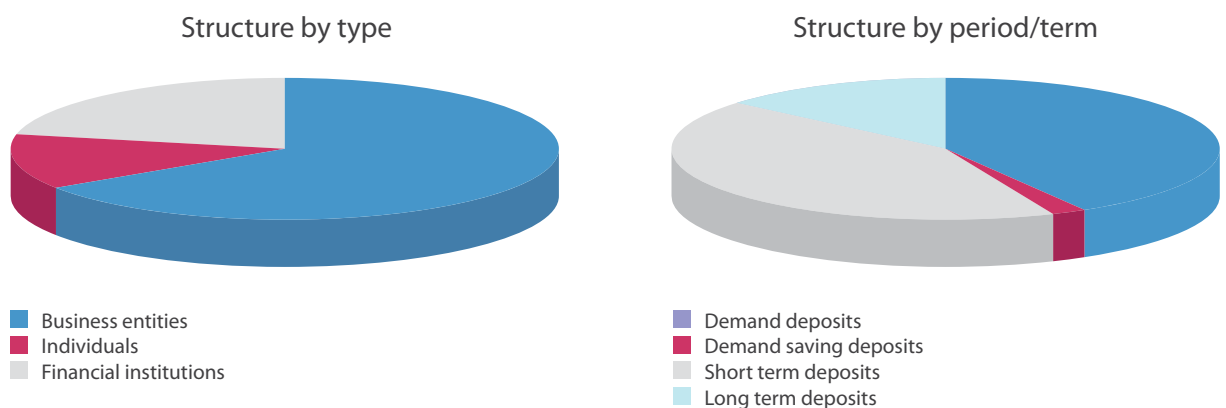
## 1.2 Capital mobilization:

Capital mobilization grew firmly in 2010, reaching USD96.6 million, up 792% (USD86 million) compared to that in 2009.

Most of deposits fell in large enterprises with regular credit relationship and trading with the Bank.



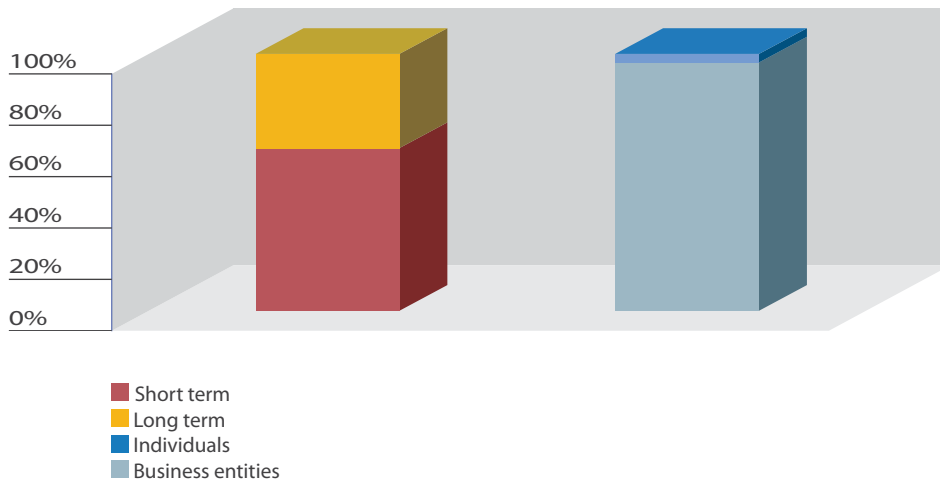
### Capital raising structure chart



**1.3 Credit operation:**

Credit balance also grew strongly in 2010, reaching USD149.3 million, up 77% (USD65 million) compared to that in 2009.

**Outstanding credit structure chart**  
(Structure by period/term)



As directed by the Executive Board, the Bank focused on developing credits with large customers and enterprises that have dominant market share in the Cambodian market. With appropriate customers policies and diversified credit products, BIDC developed a large number of highly potential customers.

In credit operation, the reputation and position of BIDC increasingly advanced in the market. Customers appreciated the financial support of BIDC which helped minimize input costs and provide sufficient capital for enterprises so that they could implement effectively large projects, and develop the country's economy.

**Credit quality:**

Credit quality was very good without overdue debts or bad debts.

**1.4 Services:**

Net revenue from services reached USD1,898 thousand.

The ratio between Net revenue from services and Gross income was 25%.

Net revenue from services was mainly from credit fees, L/C issuance, commercial financing, guarantee and international transfer.

## 1.5 Banking technology development

BIDC successfully deployed T24 core banking system of which operations have been stable since August 2010 in Cambodia and since October 2010 in Ho Chi Minh City's branch. Cambodia branches have also connected with online transactions.

Also, BIDC also deployed an internal payment system called BIDC Inpay, which provides online payment connection between units in Cambodia and Vietnam. This system will be officially adopted in late 2011, reducing service costs for customers and transaction processing time.

## 1.6 Networking:

In 2010, BIDC opened two Branches at Phnom Penh and Siem Reap. Along with Ho Chi Minh City's branch, these branches made positive contributions to the entire system and had good development potential.

In 2011, BIDC will continue to open Branches in Hanoi and 02 Branches at Battambang and Kampong Cham in Cambodia

## 1.7 Social security works:

Apart from business activities, BIDC in cooperation with BIDV units present in Cambodia had performed many meaningful social security activities, which were appreciated by the Governments of Vietnam and Cambodia such as:

Building a school for overseas Vietnamese in the Great Lake area;

Giving computers to the Cambodian Ministries, Departments and Red Cross, and medical equipment and devices for King of Monk;

Funding for health and education of Phnom Penh Capital.





## 2. KEY TASKS 2011

- ▲ Complying with, grasping thoroughly and strictly executing regulatory orientations and guidelines on monetary policy, regulations on safety and solvency assurance in operations issued by the State Banks of Cambodia and Vietnam.
- ▲ Taking its advantage as a bank with a big charter capital to increase its scale and raise capital and credit.
- ▲ Approach customers like large corporate, groups, parent companies and focusing on economic areas of agriculture, industry, real estate, production, commerce, services, tourism, import and export, etc. Build a competitive and flexible customer policy. Focus on development of remittance service, payment service and co-fund projects in Cambodia.
- ▲ Orienting to approach individual customers, contributing to build a stable capital base. Approach financial institutions for investment in deposits and loans with prestigious and highly potential partners...
- ▲ Expanding and develop the network in Cambodia and Vietnam, promoting BIDC's role as a bridge of Vietnam and Cambodia markets, developing remittance and payment services between the two countries to meet bilateral trade needs, contributing to increase non-interest income for banks.
- ▲ Studying category of products currently supplied in Cambodia market including capital mobilization, credit, services, grasping needs of the market and deploying new products, facilities and increasing the competitiveness.
- ▲ Continuing to apply the standard risk management model according to international practices, ensuring the separation between departments as sales, operational administration, and risk management. Build and improve documents and operational processes in line with Cambodian laws, ensuring the legal frame for BIDC's operations.



Be your side, by your hand





Be your side, by your hand

Bank for Investment and Development of  
Cambodia Plc.

Audited financial statements in accordance with Cambodian  
Accounting Standards and Regulations and Guidelines of the National  
Bank of Cambodia

as at 31 December 2010 and for the year then ended

The Board of Management has the pleasure in submitting its report together with the audited financial statements of Bank for Investment and Development of Cambodia Plc. (herein referred to as “the Bank” or “BIDC”), as at 31 December 2010 and for the year then ended.

**THE BANK**

On 15 July 2009, Prosperity Investment Bank (“PIB”) was acquired by Cambodian Investment and Development Co Ltd. (“IDCC”), a company incorporated in Cambodia, which are co-founded by Bank for Investment and Development of Viet Nam (“BIDV”) (owned 80%) and Phuong Nam Company (owned 20%) 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 National Bank of Cambodia (“NBC”). The transaction is effective from 1 August 2009.

**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 year.

**FINANCIAL RESULTS**

The financial results of the Bank for the year ended 31 December 2010 follows:

|  | 2010<br>US\$                  | 2009<br>US\$                   |
|--|-------------------------------|--------------------------------|
|  | <b>2,580,183</b><br>(592,686) | <b>(4,207,388)</b><br>(30,439) |
|  | <b>1,987,497</b>              | <b>(4,237,827)</b>             |
|  | <b>8,055,326</b>              | <b>(17,763,341)</b>            |





## SHARE CAPITAL

Share capital of the Bank is US\$70,000,000 as at 31 December 2010.

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL LOANS AND ADVANCES

Before the income statement and balance sheet of the Bank were prepared, the Board of Management took reasonable steps to ascertain that action 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 that 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 statement and balance sheet 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 realised in the ordinary course of business during their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected so to realise.

At the date of this report, the Board of Management is not aware of any circumstances, which would render the values attributed to 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 or 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 fall due.

## EVENTS SINCE THE BALANCE SHEET DATE

There is no significant event occurring after the balance sheet date, which requires disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

## THE BOARD OF DIRECTORS

The members of the Board of Directors from 1 January 2010 to the date of this report are:

| Name                | Position      |
|---------------------|---------------|
| Mr. Tran Thanh Van  | Chairman      |
| Mr. Hoang Van Vinh  | 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 BOARD OF MANAGEMENT

The members of the Board of Management during the year and at the date of this report are:

| Name                  | Position  |
|-----------------------|---|
| Mr. Nguyen Van Hien   | Chief Executive Officer                                     |
| 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. Nguyen Danh Thang | Senior Executive Vice President<br>Resigned in Januar 2010  |
| Mr. Pham Van Duong    | Senior Executive Vice President<br>Resigned in October 2010 |
| Mr. Ngo Van Long      | Senior Executive Vice President                             |
| Mr. Le Nam Trung      | Senior Executive Vice President                             |



### **AUDITORS**

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

### **THE BOARD OF MANAGEMENT'S INTEREST**

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

The details of indirect interest of the Board of Management of the Bank are disclosed in the financial statements.

### **THE BOARD OF MANAGEMENT'S 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 25 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 2010 and of its financial performance for the year ended 31 December 2010 and of its cash flows for the year ended 31 December 2010. 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 control;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue in operation for 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 keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank and enable them to ensure that the financial statements comply with the registered accounting system. They are 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.

On behalf of the Board of Management

Mr. Nguyen Van Hien  
Chief Executive Officer

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Phnom Penh, Kingdom of Cambodia  
15 February 2011  
Reference: 60829148/14442173

Reference: 60829148/14442173

## 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"), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *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 National Bank of Cambodia. These responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 management, 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 2010, and of its financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.



*Maria Cristina M. Calimbas*  
Maria Cristina M. Calimbas  
Partner

**Ernst & Young (Cambodia) Ltd.**  
Certified Public Accountants  
Registered Auditors

15 February 2011



**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"), which comprise the balance sheet as at 31 December 2010 and the income statement and statement of changes in equity of the Bank and the statement of cash flows for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory notes.

**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. These responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 management, 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 2010, and of its financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

Maria Cristina M. Calimbas  
Partner  
Ernst & Young Cambodia Limited  
Certified Public Accountants  
Registered Auditors  
15 February 2011



## BALANCE SHEET

as at 31 December 2010

|   | Notes | 2010<br>US\$       | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$       | 2009<br>KHR'000<br>(Note 2.1) |
|---|-------|--------------------|-------------------------------|--------------------|-------------------------------|
| <b>ASSETS</b>                                     |       |                    |                               |                    |                               |
| Cash on hand                                      | 3     | 1,106,750          | 4,485,659                     | 152,643            | 636,370                       |
| Balances with the National Bank of Cambodia       | 4     | 47,726,690         | 193,436,273                   | 52,251,018         | 217,834,495                   |
| Balances with other banks                         | 5     | 24,527,427         | 99,409,662                    | 21,073,054         | 87,853,562                    |
| Placements with and loans to other banks          | 6     | 18,423,093         | 74,668,797                    | 15,008,004         | 62,568,366                    |
| Loans and advances to customers                   | 7     | 148,391,014        | 601,428,780                   | 84,311,028         | 351,492,678                   |
| Investment securities                             | 8     | 10,564,124         | 42,816,396                    | -                  | -                             |
| Long-term investments                             | 9     | 1,655,000          | 6,707,715                     | -                  | -                             |
| Property and equipment                            | 10    | 4,406,640          | 17,860,112                    | 535,356            | 2,231,898                     |
| Intangible assets                                 | 11    | 249,756            | 1,012,263                     | 329,361            | 1,373,105                     |
| Other assets                                      | 12    | 903,627            | 3,662,399                     | 1,016,527          | 4,237,901                     |
| <b>TOTAL ASSETS</b>                               |       | <b>257,954,121</b> | <b>1,045,488,056</b>          | <b>174,676,991</b> | <b>728,228,375</b>            |
| <b>LIABILITIES</b>                                |       |                    |                               |                    |                               |
| Deposits of other banks                           | 13    | 87,635,960         | 355,188,547                   | 93,532,070         | 389,935,200                   |
| Deposits from customers                           | 14    | 96,745,130         | 392,108,013                   | 10,893,957         | 45,416,907                    |
| Income tax payable                                | 15    | 319,961            | 1,296,802                     | 25,967             | 108,257                       |
| Other liabilities                                 | 16    | 1,200,900          | 4,867,249                     | 106,618            | 444,491                       |
|   |       | <b>185,901,951</b> | <b>753,460,611</b>            | <b>104,558,612</b> | <b>435,904,855</b>            |
| <b>SHAREHOLDER'S EQUITY</b>                       |       |                    |                               |                    |                               |
| Paid-up capital                                   | 17    | 70,000,000         | 283,710,000                   | 70,000,000         | 291,830,000                   |
| Retained earnings                                 | 17    | 2,052,170          | 8,317,445                     | 118,379            | 493,520                       |
|   |       | <b>72,052,170</b>  | <b>292,027,445</b>            | <b>70,118,379</b>  | <b>292,323,520</b>            |
| <b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b> |       | <b>257,954,121</b> | <b>1,045,488,056</b>          | <b>174,676,991</b> | <b>728,228,375</b>            |

## INCOME STATEMENT

for the year ended 31 December 2010



|   | Notes | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$       | 2009<br>KHR'000<br>(Note 2.1) |
|---|-------|------------------|-------------------------------|--------------------|-------------------------------|
| Interest and similar income                 | 18    | 10,948,764       | 44,375,342                    | 544,714            | 2,272,724                     |
| Interest and similar expense                | 19    | (5,113,088)      | (20,723,347)                  | (90,702)           | (378,148)                     |
| <b>Net interest and similar income</b>      |       | <b>5,835,676</b> | <b>23,651,995</b>             | <b>454,012</b>     | <b>1,894,576</b>              |
| Fees and commission income                  | 20    | 1,593,023        | 6,456,523                     | 276,744            | 1,153,823                     |
| Fees and commission expense                 |       | (178,241)        | (722,412)                     | (25,122)           | (104,745)                     |
| <b>Net fees and commission income</b>       |       | <b>1,414,782</b> | <b>5,734,111</b>              | <b>251,622</b>     | <b>1,049,078</b>              |
| <b>Income from stock investment</b>         |       | <b>42,296</b>    | <b>171,424</b>                | <b>-</b>           | <b>-</b>                      |
| <b>Other operating income</b>               | 21    | <b>1,136,325</b> | <b>4,605,525</b>              | <b>259,237</b>     | <b>1,080,765</b>              |
| <b>TOTAL OPERATING INCOME</b>               |       | <b>8,429,079</b> | <b>34,163,055</b>             | <b>964,871</b>     | <b>4,024,419</b>              |
| General and administrative expenses         | 22    | (4,577,287)      | (18,551,742)                  | (1,193,259)        | (4,984,853)                   |
| Provision for losses on loans and advances  | 7     | (1,252,752)      | (5,077,402)                   | (3,979,000)        | (16,675,987)                  |
| Provision for off-balance-sheet commitments |       | (18,857)         | (76,427)                      | -                  | -                             |
| <b>PROFIT (LOSS) BEFORE TAX</b>             |       | <b>2,580,183</b> | <b>10,457,484</b>             | <b>(4,207,388)</b> | <b>(17,636,421)</b>           |
| Income tax expense                          | 15    | (592,686)        | (2,402,158)                   | (30,439)           | (126,920)                     |
| <b>NET PROFIT (LOSS) FOR THE YEAR</b>       |       | <b>1,987,497</b> | <b>8,055,326</b>              | <b>(4,237,827)</b> | <b>(17,763,341)</b>           |

The attached notes 1 to 27 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
as at 31 December 2010 and for the year then ended



|   | Paid-up capital<br>US\$<br>(Note 17) | Retained earnings<br>US\$<br>(Note 17) | Total<br>US\$      |
|---|--------------------------------------|--|--------------------|
| Balance as at 1 January 2009  | 13,500,000                           | (6,973,172)                            | 6,526,828          |
| Net profit (loss) for the year  | -                                    | (4,237,827)                            | (4,237,827)        |
| Capital contributed during the year   | 67,829,378                           | -                                      | 67,829,378         |
| Accumulated losses charged to capital   | (11,329,378)                         | 11,329,378                             | -                  |
| <b>Balance as at 31 December 2009 - US\$</b>  | <b>70,000,000</b>                    | <b>118,379</b>                         | <b>70,118,379</b>  |
| <b>Balance as at 31 December 2009 - KHR'000 equivalent (Note 2.1)</b>               | <b>291,830,000</b>                   | <b>493,520</b>                         | <b>292,323,520</b> |
| Net profit for the year   | -                                    | 1,987,497                              | 1,987,497          |
| Additional tax adjust of HCM branch   | -                                    | (23,857)                               | (23,857)           |
| Foreign currency translation differences on the beginning balance of retain earning | -                                    | (29,849)                               | (29,849)           |
| <b>Balance as at 31 December 2010 - US\$</b>  | <b>70,000,000</b>                    | <b>2,052,170</b>                       | <b>72,052,170</b>  |
| <b>Balance as at 31 December 2010 - KHR'000 equivalent (Note 2.1)</b>               | <b>283,710,000</b>                   | <b>8,317,445</b>                       | <b>292,027,445</b> |

The attached notes 1 to 27 form part of these financial statements.



## STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

|  | Notes | 2010<br>US\$        | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$       | 2009<br>KHR'000<br>(Note 2.1) |
|--|-------|---------------------|-------------------------------|--------------------|-------------------------------|
| <b>Net cash provided by (used in) operating activities</b> | 23    | <b>17,477,929</b>   | <b>70,838,052</b>             | <b>(3,076,108)</b> | <b>(12,824,296)</b>           |
| <b>Cash flows from investing activities</b>                |       |                     |                               |                    |                               |
| Acquisition of property and equipment                      |       | (4,226,868)         | (17,131,498)                  | (179,510)          | (748,377)                     |
| Acquisition of computersoftware                            |       | (106,502)           | (431,652)                     | 928,769            | 3,872,038                     |
| Acquisition of investment                                  |       | (12,219,124)        | (49,524,111)                  | (71,472)           | (297,966)                     |
| <b>Net cash used in investing activities</b>               |       | <b>(16,552,494)</b> | <b>(67,087,261)</b>           | <b>677,787</b>     | <b>2,825,695</b>              |
| <b>Cash flows from financing activity</b>                  |       |                     |                               |                    |                               |
| Capital contributed during the year                        |       | -                   | -                             | 67,829,378         | 282,780,677                   |
| <b>Net cash used in financing activity</b>                 |       | <b>-</b>            | <b>-</b>                      | <b>67,829,378</b>  | <b>282,780,677</b>            |
| <b>Net decrease in cash and cash equivalents</b>           |       | <b>925,435</b>      | <b>3,750,791</b>              | <b>65,431,057</b>  | <b>272,782,076</b>            |
| <b>Cash and cash equivalents at beginning of year</b>      | 3     | <b>65,744,317</b>   | <b>274,088,057</b>            | <b>313,260</b>     | <b>1,305,981</b>              |
| Foreign exchange difference                                |       | -                   | (7,626,340)                   | -                  | -                             |
| <b>Cash and cash equivalents at end of year</b>            | 3     | <b>66,669,752</b>   | <b>270,212,508</b>            | <b>65,744,317</b>  | <b>274,088,057</b>            |

The attached notes 1 to 27 form part of these financial statements.

## 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

On 15 July 2009, Prosperity Investment Bank (“PIB”) was acquired by Cambodian Investment and Development Co Ltd. (“IDCC”), a company incorporated in Cambodia, which are co-founded by Bank for Investment and Development of Viet Nam (“BIDV”) (owned 80%) and Phuong Nam Company (owned 20%) 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 2010 is US\$70,000,000.

### Board of directors

The members of the Board of Directors from 1 January 2010 to the date of this report are:

| Name                | Position      |
|---------------------|---------------|
| Mr. Tran Thanh Van  | Chairman      |
| Mr. Hoang Van Vinh  | 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 board of management

The members of the Board of Management during the year and at the date of this report are:

| Name                     | Position                            |
|--------------------------|-------------------------------------|
| Mr. Nguyen Van Hien      | Chief Executive Officer             |
| 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. Nguyen Danh Thang    | Senior Executive Vice President     |
| Resigned in Januar 2010  |                                     |
| Mr. Pham Van Duong       | Senior Executive Vice President     |
| Resigned in October 2010 |                                     |
| Mr. Ngo Van Long         | Senior Executive Vice President     |
| Mr. Le Nam Trung         | Senior Executive Vice President     |

**1. CORPORATE INFORMATION (continued)**

**Location**

The head office of the Bank is located at No. 23, Kramuon Sar (114 Corner 67), Phsar Thmey 2, Daun Penh District, PhnomPenh, Cambodia. The Bank has two branches in Cambodia (Phnompenh, Siem Reap) and one branch in Vietnam (Ho Chi Minh City).

**Employees**

As at 31 December 2010, the Bank has a total of 56 employees in the head office, 20 employees in the Phnompenh Branch, 15 employees in the Siem Reap Branch 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 KHR4,053: US\$1 ruling as at 31 December 2010 (31 December 2009: KHR4,169: US\$1), as announced by the NBC. Such translation should not be construed as a representation that the US\$ amounts actually represented have been, or could be, converted into Khmer Riel at this or any other rate.

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

**2.2 Fiscal year and reporting period presented**

The Bank's fiscal year starts on 1 January and ends on 31 December.

**2.3 Significant accounting judgments and estimates**

In applying the Bank's accounting policies, management has used its judgments and has made estimates to determine 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 segments only. The primary format, business segments, is 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 upon consolidation. All inter-segment transactions are conducted on an arm's length basis on normal commercial terms that are not more favourable than those generally available to the 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 statement of cash flow purposes, cash and cash equivalents consist of cash and highly liquid short-term investments with an original maturity of less than 30 days, which 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 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

##### *Option in Cambodia*

Allowance for losses on loans and advances is made with regard to specific risks and relates 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> |
|-----------------------|---|-----------------------|
| 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%                  |

The Bank is required to fully make and maintain a general provision at 1.00% gross loan for loan graded Normal (number of days past due less than 30 days).

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

##### *Option in Vietnam*

Loans and advances to customers should be classified and provided for in accordance with the Law on Credit Institutions effective from 1 October 1998, Law on Amendment and Supplementation to a number of articles of the Law on Credit Institutions effective from 1 October 2004, Decision 1627/2001/QD-NHNN dated 31 December 2001 by the Governor of the State Bank of Vietnam on lending statutory, Decision 127/2005/QD-NHNN dated 3 February 2005 amending and supplementing Decision 1627/2001/QD-NHNN, Decision 493/2005/QD-NHNN dated 22 April 2005, and Decision 18/2007/QD-NHNN dated 25 April 2007 by the State Bank of Vietnam on loan classification and provision. Accordingly, loans are classified into Current, Special Mention, Substandard, Doubtful and Loss on the basis of payment arrear status and other qualitative factors.

Net loan and advance exposure for each borrower is calculated by subtracting from the loan balance the discounted value of collateral. Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN stipulated specific discount rates for certain accepted collaterals.

Specific provision is made on the net loan and advance exposure of each borrower using a fixed provision rates as follows:

| <i>Group</i> | <i>Name</i>     | <i>Specific provision rate</i> |
|--------------|-----------------|--------------------------------|
| 1            | Current         | 0%                             |
| 2            | Special Mention | 5%                             |
| 3            | Substandard     | 20%                            |
| 4            | Doubtful        | 50%                            |
| 5            | Loss            | 100%                           |

In accordance with Decision 493/2005/QD-NHNN, a general provision is made for credit losses which are yet to be identified during the loan classification and provision process and for the Bank's potential financial difficulties due to the deterioration in loan quality. As such, the Bank is required to fully make and maintain a general provision at 0.75% of total loans and advances to customers, which are classified from groups 1 to 4.

#### **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. An allowance is 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 realisable 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 amortisation. Intangible assets and other intangible assets are amortised on a straight-line basis at the rate of 10% per annum.

**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 subject to depreciation. Buildings and leasehold improvements are depreciated on straight-line method at the rate of 5%. Depreciation of equipment is charged to the income statement by the reducing balance method at the following rates:

|                                      |     |
|--------------------------------------|-----|
| Buildings and leasehold improvements | 5%  |
| Furniture, fixtures and equipment    | 25% |
| IT equipment                         | 25% |
| Motor vehicles                       | 25% |
| Computer software                    | 50% |

(iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised 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 recognised as an expense in the period in which it is incurred.

(iv) Land and construction in progress are stated at cost. The costs of construction include 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 are 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 differences between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement at 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 recognised in prior years is recorded where there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised 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 also represents the fair value of the consideration expected to be paid in the future for goods and services received.

### **2.4.12 Provisions for liabilities**

Provisions for liabilities are recognised 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 are 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 amounts 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 at the time of which neither the accounting profit nor taxable profit or loss is affected.

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 at the time of which neither the accounting profit nor taxable profit or loss is affected.

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. ACCOUNTING POLICIES (continued)

### 2.4 Summary of significant accounting policies (continued)

#### 2.4.14 Provision for off-balance sheet commitments

##### *Option in Vietnam*

According to Decision 493/2005/QD-NHNN and Decision 18/2007/QD-NHNN by the SBV, credit institutions must classify and make provision for guarantees, payment acceptances, and irrevocable loan commitments with specific effective date (generally called off-balance sheet commitments) into groups as regulated in Article 6 of Decision 493/2005/QD-NHNN, namely Current, Special Mention, Substandard, Doubtful and Loss based on the overdue status and other qualitative factors.

#### 2.4.15 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 current 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.

#### 2.4.16 Recognition of income and expense

##### *a) Interest income:*

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

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

Income from 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 recognised on the occurrence of such transactions;
- 2) Commitment fees and guarantee fees on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended;
- 3) Service charges and processing fees are recognised 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.

#### **2.4.17 Operating leases**

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

#### **2.4.18 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 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 followings:

- (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 25.



**2. ACCOUNTING POLICIES (continued)**

**2.4 Summary of significant accounting policies (continued)**

**2.4.19 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.

**2.4.20 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.

**2.4.21 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.

**2.4.22 Corresponding figures**

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

### 3. CASH ON HAND

|                          | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$   | 2009<br>KHR'000<br>(Note 2.1) |
|--------------------------|------------------|-------------------------------|----------------|-------------------------------|
| US\$                     | 1,020,650        | 4,136,694                     | 121,267        | 505,562                       |
| KHR                      | 18,292           | 74,138                        | 14,490         | 60,409                        |
| Other foreign currencies | 67,808           | 274,827                       | 16,886         | 70,399                        |
|                          | <b>1,106,750</b> | <b>4,485,659</b>              | <b>152,643</b> | <b>636,370</b>                |

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

|   | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|---|-------------------|-------------------------------|-------------------|-------------------------------|
| Cash on hand  | 1,106,750         | 4,485,659                     | 152,643           | 636,370                       |
| Balances with the<br>NBC – current account  | 30,535,575        | 123,760,687                   | 44,518,620        | 185,598,125                   |
| Balances with other<br>banks – current and deposits<br>(less than 3 months' maturity) | 35,027,427        | 141,966,162                   | 21,073,054        | 87,853,562                    |
|   | <b>66,669,752</b> | <b>270,212,508</b>            | <b>65,744,317</b> | <b>274,088,057</b>            |

### 4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

|                                      | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|--------------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| <b>Current accounts with the NBC</b> |                   |                               |                   |                               |
| KHR                                  | 440,332           | 1,784,667                     | 23,002            | 95,894                        |
| US\$                                 | 30,095,243        | 121,976,020                   | 44,495,618        | 185,502,231                   |
| <b>Statutory deposits</b>            |                   |                               |                   |                               |
| Capital guarantee deposit - US\$     | 7,000,000         | 28,371,000                    | 7,000,000         | 29,183,000                    |
| Reserve deposits - KHR               | 14,955            | 60,610                        | 2,398             | 10,000                        |
| Reserve deposits - US\$              | 10,176,160        | 41,243,976                    | 730,000           | 3,043,370                     |
|                                      | <b>47,726,690</b> | <b>193,436,273</b>            | <b>52,251,018</b> | <b>217,834,495</b>            |



**4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA (continued)**

**(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 deposits from customers in KHR and in FC, respectively.

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

|                                  | 2010  | 2009  |
|----------------------------------|-------|-------|
| Capital guarantee deposit - US\$ | 0.11% | 0.28% |
| Reserve deposits - US\$ and KHR  | NA    | NA    |
| Current accounts                 | Nil   | Nil   |



## 5. BALANCES WITH OTHER BANKS

|                           | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|---------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| <b>Local banks</b>        |                   |                               |                   |                               |
| Aceda Bank Plc. - KHR     | 51                | 207                           | 212               | 885                           |
| Aceda Bank Plc. - US\$    | 6,803,671         | 27,575,277                    | 806,969           | 3,364,254                     |
| Canadia Bank Plc. - US\$  | 5,326,454         | 21,588,120                    | 208,393           | 868,789                       |
| <b>Overseas banks</b>     |                   |                               |                   |                               |
| Dong A Bank - US\$        | -                 | -                             | 5,119             | 21,342                        |
| Dong A Bank - VND         | -                 | -                             | 561               | 2,339                         |
| Wells Fargo Bank New York | 424,321           | 1,719,774                     | -                 | -                             |
| Standard Chartered Bank   | 508,680           | 2,061,679                     | -                 | -                             |
| BIDV (Head Office) VND    | 155               | 627                           | -                 | -                             |
| BIDV (Head Office) AUD    | 612               | 2,479                         | -                 | -                             |
| BIDV (Head Office) EUR    | 468               | 1,896                         | -                 | -                             |
| BIDV (Head Office) USD    | 4,520,529         | 18,321,705                    | 5,156,070         | 21,495,656                    |
| BIDV (SGD2 Branch)        | 19,174            | 77,713                        | -                 | -                             |
| Vietcombank               | 39,184            | 158,814                       | -                 | -                             |
| State Bank of Vietnam     | 181,685           | 736,370                       | -                 | -                             |
| BIDV (NKKK Branch)        | 1,681             | 6,815                         | -                 | -                             |
| Lao Viet                  | 264,348           | 1,071,402                     | -                 | -                             |
| BIDV (HCM Branch) - US\$  | 1,190,950         | 4,826,920                     | 989               | 4,121                         |
| BIDV (HCM Branch) - VND   | 5,245,464         | 21,259,864                    | 14,894,741        | 62,096,176                    |
|                           | <b>24,527,427</b> | <b>99,409,662</b>             | <b>21,073,054</b> | <b>87,853,562</b>             |

**5. BALANCES WITH OTHER BANKS (continued)**

**Interest rates**

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

|                             | 2010  | 2009  |
|-----------------------------|-------|-------|
| Acleda Bank Plc. - KHR      | Nil   | Nil   |
| Acleda Bank Plc. - US\$     | Nil   | Nil   |
| Canadia Bank Plc. - US\$    | Nil   | Nil   |
| Standard Chartered Bank     | Nil   | N/A   |
| Wells Fargo Bank New York   | Nil   | N/A   |
| Dong A Bank - US\$          | N/A   | 0.50% |
| Dong A Bank - VND           | N/A   | 3.60% |
| Lao Viet Bank - VND         | 2.40% | N/A   |
| Vietcombank - USD           | 0.10% | N/A   |
| State Bank of Vietnam - VND | 1.20% | N/A   |
| State Bank of Vietnam - USD | 0.10% | N/A   |
| BIDV - USD                  | 0.10% | 0.10% |
| BIDV - VND                  | 2.40% | 2.40% |

**6. PLACEMENTS WITH AND LOANS TO OTHER BANKS**

|                            | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|----------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| Lao Viet Bank (HCM Branch) | 13,423,093        | 54,403,797                    | 49,004            | 204,295                       |
| BIDV (SGD 2 Branch)        | 5,000,000         | 20,265,000                    | 10,009,000        | 41,727,521                    |
| BIDV (NKKK Branch)         | -                 | -                             | 4,950,000         | 20,636,550                    |
|                            | <b>18,423,093</b> | <b>74,668,797</b>             | <b>15,008,004</b> | <b>62,568,366</b>             |



## 7. LOANS AND ADVANCES TO CUSTOMERS

|  | 2010<br>US\$       | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|--|--------------------|-------------------------------|-------------------|-------------------------------|
| Loans  |                    |                               |                   |                               |
| Term loans   | 111,238,425        | 450,849,337                   | 84,203,678        | 351,045,133                   |
| Overdraft  | 996,892            | 4,040,404                     | -                 | -                             |
| Credit card facilities                               | 37,069,288         | 150,241,823                   | -                 | -                             |
| Total loans – gross                                  | 149,304,605        | 605,131,564                   | 84,203,678        | 351,045,133                   |
| Accrued interest receivable                          | 339,161            | 1,374,621                     | 107,350           | 447,545                       |
| <b>Total gross loans and net interest receivable</b> | <b>149,643,766</b> | <b>606,506,185</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |
| Allowance for losses on loans and advances           | (1,252,752)        | (5,077,405)                   | -                 | -                             |
| <b>Loans and advances to customers - net</b>         | <b>148,391,014</b> | <b>601,428,780</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |

Changes in the provision for credit losses during 2010 are summarised below:

|                                       | 2010<br>US\$     | 2010<br>KHR'000  | 2009<br>US\$ | 2009<br>KHR'000 |
|---------------------------------------|------------------|------------------|--------------|-----------------|
| Balance as at 1 January 2010          | -                | -                | -            | -               |
| Provision expense in the year         | 1,252,752        | 5,077,405        | 3,979,000    | 16,675,987      |
| Write-offs                            | -                | -                | (3,979,000)  | (16,675,987)    |
| <b>Balance as at 31 December 2010</b> | <b>1,252,752</b> | <b>5,077,405</b> | <b>-</b>     | <b>-</b>        |

**7. LOANS AND ADVANCES TO CUSTOMERS (Continued)**

Further analyses of loans and advances above are as follows:

(a) The loan portfolio is graded as follows:

|                     | 2010<br>US\$       | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|---------------------|--------------------|-------------------------------|-------------------|-------------------------------|
| <b>Normal loans</b> |                    |                               |                   |                               |
| Secured             | 149,067,791        | 604,171,758                   | 20,372,686        | 84,933,727                    |
| Unsecured           | 575,975            | 2,334,427                     | 63,938,342        | 266,558,951                   |
|                     | <b>149,643,766</b> | <b>606,506,185</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |

(b) For an analysis of loans and advances by maturity, refer to Note 27 on Liquidity analysis.

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

|                          | 2010<br>US\$       | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|--------------------------|--------------------|-------------------------------|-------------------|-------------------------------|
| Commercial loans         | 144,672,390        | 586,357,197                   | 84,024,571        | 350,298,441                   |
| Consumer loans           | 4,971,376          | 20,148,988                    | 286,457           | 1,194,237                     |
| <b>Total gross loans</b> | <b>149,643,766</b> | <b>606,506,185</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |

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

|  | 2010<br>US\$       | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|--|--------------------|-------------------------------|-------------------|-------------------------------|
| Wholesale and retail                         | 38,034,779         | 154,154,960                   | 2,687,577         | 11,204,510                    |
| Manufacturing                                | 20,515,788         | 83,150,490                    | 19,665,918        | 81,987,210                    |
| Agriculture                                  | 13,706,536         | 55,552,590                    | 900,000           | 3,752,100                     |
| Real estate                                  | 10,423,092         | 42,244,790                    | 22,868,344        | 95,338,125                    |
| Transportation, storage<br>and communication | 7,975,914          | 32,326,380                    | 21,895,023        | 91,280,353                    |
| Construction                                 | 5,112,413          | 20,720,610                    | 5,900,359         | 24,598,598                    |
| Consumer items                               | 4,950,432          | 20,064,100                    | 286,457           | 1,194,237                     |
| Others                                       | 48,924,812         | 198,292,265                   | 10,107,350        | 42,137,545                    |
| <b>Total gross loans</b>                     | <b>149,643,766</b> | <b>606,506,185</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |

(e) Further analyses of loans and advances by residency, relationship, exposure and interest rates are as follows:

|                         | 2010<br>US\$       | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|-------------------------|--------------------|-------------------------------|-------------------|-------------------------------|
| <b>Residence status</b> |                    |                               |                   |                               |
| Residents               | 76,707,870         | 310,896,998                   | 20,390,973        | 85,009,967                    |
| Non-residents           | 72,935,896         | 295,609,187                   | 63,920,055        | 266,482,711                   |
|                         | <b>149,643,766</b> | <b>606,506,185</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |
| <b>Relationship</b>     |                    |                               |                   |                               |
| Non-related parties     | 149,643,766        | 606,506,185                   | 84,311,028        | 351,492,678                   |
|                         | <b>149,643,766</b> | <b>606,506,185</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |
| <b>Exposure</b>         |                    |                               |                   |                               |
| Large                   | 92,760,617         | 375,958,780                   | 68,934,660        | 287,471,978                   |
| Non-large               | 56,883,149         | 230,547,405                   | 15,376,368        | 64,020,700                    |
|                         | <b>149,643,766</b> | <b>606,506,185</b>            | <b>84,311,028</b> | <b>351,492,678</b>            |

Annual interest rates range from:

|            | 2010        | 2009           |
|------------|-------------|----------------|
| Term loans | 4.25% - 11% | 6.30% - 10.50% |

## 8. INVESTMENT SECURITIES

|   | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$ | 2009<br>KHR'000<br>(Note 2.1) |
|---|-------------------|-------------------------------|--------------|-------------------------------|
| Bond issued by Tai Nguyen Construction - Manufacture - Trade Co., Ltd | 10,564,124        | 42,816,396                    | -            | -                             |
|   | <b>10,564,124</b> | <b>42,816,396</b>             | -            | -                             |

Bond issued by Tai Nguyen Construction - Manufacture - Trade Co., Ltd have term of three years and bear interest rate of 16.00% p.a with first year. Interest is payable annual year.

**9. LONG-TERM INVESTMENTS**

|                                   | 2010             |                       |                              | 2009 |                       |                              |
|-----------------------------------|------------------|-----------------------|------------------------------|------|-----------------------|------------------------------|
|                                   | US\$             | KHR'000<br>(Note 2.1) | %<br>owned<br>by the<br>Bank | US\$ | KHR'000<br>(Note 2.1) | %<br>owned<br>by the<br>Bank |
| Cambodia Vietnam Security Company | 1,500,000        | 6,079,500             | 15.00                        | -    | -                     | -                            |
| Allumina Joint Vature Company     | 150,000          | 607,950               | 5.00                         | -    | -                     | -                            |
| Credit Bureau of Cambodia Company | 5,000            | 20,265                | 1.00                         | -    | -                     | -                            |
|                                   | <b>1,655,000</b> | <b>6,707,715</b>      |                              | -    | -                     |                              |



**10. PROPERTY AND EQUIPMENT**

Movements of property and equipment from 1 January 2010 to 31 December 2010 are as follows:

|   | Buildings and<br>leasehold<br>improvements<br>US\$ | Furniture,<br>fixtures and<br>equipment<br>US\$ | IT<br>equipment<br>US\$ |
|---|--|---|-------------------------|
| <b>Cost</b>                               |  |   |                         |
| At 1 January 2010                         | 91,519   | 350,589   | 265,911                 |
| Additions during the period               | 888,868  | 484,942   | 691,457                 |
| Write-off/disposal                        | -  | -   | -                       |
| At 31 December 2010                       | 980,387  | 835,531   | 957,368                 |
| <b>Less: Accumulated<br/>depreciation</b> |  |   |                         |
| At 1 January 2010                         | (6,414)  | (186,830)                                       | (134,748)               |
| Charge for the period                     | (48,849)   | (93,037)  | (166,347)               |
| Write-off/disposal                        | -  | -   | -                       |
| At 31 December 2010                       | (55,263)   | (279,867)                                       | (301,095)               |
| <b>Foreign exchange difference</b>        | -  | 538   | (1)                     |
| <b>Net book value</b>                     |  |   |                         |
| At 1 January 2010                         | 85,105   | 163,759   | 131,163                 |
| At 31 December 2010                       | 925,124  | 556,202   | 656,272                 |
| <b>Equivalent in KHR'000 (Note 2.1)</b>   |  |   |                         |
| At 1 January 2010                         | 354,803  | 682,714   | 546,819                 |
| At 31 December 2010                       | 3,749,526  | 2,254,287                                       | 2,659,872               |

| Motor<br>vehicles<br>US\$ | Construction<br>in progress<br>US\$ | Total<br>US\$     |
|---------------------------|-------------------------------------|-------------------|
| 163,150                   | -                                   | 871,169           |
| 219,734                   | 1,941,868                           | 4,226,869         |
| -                         |                                     | -                 |
| <u>382,884</u>            | <u>1,941,868</u>                    | <u>5,098,038</u>  |
| (7,821)                   | -                                   | (335,813)         |
| (47,909)                  | -                                   | (356,142)         |
| -                         | -                                   | -                 |
| <u>(55,730)</u>           | <u>-</u>                            | <u>(691,955)</u>  |
| 20                        | -                                   | 557               |
| 155,329                   | -                                   | 535,356           |
| <u>327,174</u>            | <u>1,941,868</u>                    | <u>4,406,640</u>  |
| 647,562                   | -                                   | 2,231,898         |
| <u>1,326,036</u>          | <u>7,870,391</u>                    | <u>17,860,112</u> |



## 11. INTANGIBLE ASSETS

Movements of intangible assets from 1 January 2010 to 31 December 2010 are as follows:

|   | Computer<br>software<br>US\$ | Pre-opening<br>expenses<br>US\$ | Total<br>US\$ |
|---|------------------------------|---------------------------------|---------------|
| <b>Cost</b>                             |                              |                                 |               |
| At 1 January 2010                       | 456,489                      | 266,636                         | 723,125       |
| Additions                               | 106,502                      | -                               | 106,502       |
| Write-off/disposal                      | -                            | -                               | -             |
| At 31 December 2010                     | 562,991                      | 266,636                         | 829,627       |
| <b>Less: Accumulated amortization</b>   |                              |                                 |               |
| At 1 January 2010                       | (258,035)                    | (135,729)                       | (393,764)     |
| Additions                               | (55,330)                     | (130,907)                       | (186,237)     |
| Write-off/disposal                      | -                            | -                               | -             |
| At 31 December 2010                     | (313,365)                    | (266,636)                       | (580,001)     |
| <b>Foreign exchange difference</b>      | 130                          | -                               | 130           |
| <b>Net book value</b>                   |                              |                                 |               |
| At 1 January 2010                       | 198,454                      | 130,907                         | 329,361       |
| At 31 December 2010                     | 249,756                      | -                               | 249,756       |
| <b>Equivalent in KHR'000 (Note 2.1)</b> |                              |                                 |               |
| At 1 January 2010                       | 827,356                      | 545,749                         | 1,373,105     |
| At 31 December 2010                     | 1,012,263                    | -                               | 1,012,263     |

## 12. OTHER ASSETS

|                     | 2010<br>US\$   | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$     | 2009<br>KHR'000<br>(Note 2.1) |
|---------------------|----------------|-------------------------------|------------------|-------------------------------|
| Interest receivable | 260,430        | 1,055,521                     | 2,269            | 9,459                         |
| Deferred expenses   | 250,172        | 1,013,949                     | -                | -                             |
| T24 deposit         | 72,200         | 292,626                       | 405,000          | 1,688,445                     |
| Advances            | 55,138         | 223,474                       | -                | -                             |
| Input VAT           | 52,434         | 212,517                       | -                | -                             |
| Head office repairs | -              | -                             | 512,227          | 2,135,474                     |
| Others              | 213,253        | 864,312                       | 97,031           | 404,523                       |
|                     | <b>903,627</b> | <b>3,662,399</b>              | <b>1,016,527</b> | <b>4,237,901</b>              |



### 13. DEPOSITS OF OTHER BANKS

|                                       | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|---------------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| Term deposits with MHB                | 7,923,093         | 32,112,297                    | -                 | -                             |
| Term deposits with BIDV (Head Office) | 79,712,867        | 323,076,250                   | 93,532,070        | 389,935,200                   |
| <b>Total</b>                          | <b>87,635,960</b> | <b>355,188,547</b>            | <b>93,532,070</b> | <b>389,935,200</b>            |

### 14. DEPOSITS FROM CUSTOMERS

|                             | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|-----------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| Current accounts            | 37,970,783        | 153,895,583                   | 7,537,611         | 31,424,298                    |
| Fixed deposits              | 54,401,534        | 220,489,417                   | 3,187,308         | 13,287,888                    |
| Savings deposits            | 1,983,780         | 8,040,260                     | 169,038           | 704,721                       |
| Margin deposits             | 2,389,033         | 9,682,753                     | -                 | -                             |
| <b>Total</b>                | <b>96,745,130</b> | <b>392,108,013</b>            | <b>10,893,957</b> | <b>45,416,907</b>             |
| <b>Number of depositors</b> |                   |                               |                   |                               |
| Current accounts            | 434               |                               | 77                |                               |
| Fixed deposits              | 346               |                               | 17                |                               |
| Savings deposits            | 2,260             |                               | 1,636             |                               |
| <b>Total</b>                | <b>3,040</b>      |                               | <b>1,730</b>      |                               |

Further analyses of deposits from customers are as follows:

#### (a) Types of customers:

|                       | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$      | 2009<br>KHR'000<br>(Note 2.1) |
|-----------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| Domestic corporations | 60,149,015        | 243,783,959                   | 8,855,300         | 36,917,748                    |
| Individuals           | 36,596,115        | 148,324,054                   | 1,974,145         | 8,230,210                     |
| Non-residents         | -                 | -                             | 64,512            | 268,949                       |
| <b>Total</b>          | <b>96,745,130</b> | <b>392,108,013</b>            | <b>10,893,957</b> | <b>45,416,907</b>             |

**14. DEPOSITS FROM CUSTOMERS (Continued)**

(b) For maturity analysis, refer to Note 27 on Liquidity risk.

(c) For deposits from related parties, refer to Note 25 on Related party transactions and balances.

(d) Annual interest rates are as follows:

|                  | 2010           | 2009           |
|------------------|----------------|----------------|
| Current accounts | Nil - 3.60%    | Nil - 3.60%    |
| Saving accounts  | Nil - 1.00%    | Nil - 2.00%    |
| Fixed deposits   | 2.00% - 15.20% | 3.00% - 10.49% |

**15. TAXATION**

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

|                                       | 2010<br>US\$   | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$  | 2009<br>KHR'000<br>(Note 2.1) |
|---------------------------------------|----------------|-------------------------------|---------------|-------------------------------|
| <b>Corporate income tax</b>           |                |                               |               |                               |
| Current                               |                |                               |               |                               |
| Deferred                              | 592,686        | 2,402,158                     | 30,439        | 126,920                       |
|                                       | -              | -                             | -             | -                             |
| <b>Total tax expense for the year</b> | <b>592,686</b> | <b>2,402,158</b>              | <b>30,439</b> | <b>126,920</b>                |

**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.

Details of estimated CIT expense and payable are as follows:

|  | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$       | 2009<br>KHR'000<br>(Note 2.1) |
|--|------------------|-------------------------------|--------------------|-------------------------------|
| Accounting profit (loss)<br>before income tax                                      | 2,580,183        | 10,457,484                    | (4,207,388)        | (17,636,421)                  |
| Salary paid to Board of<br>management  | 15,719           | 63,709                        | -                  | -                             |
| <b>Taxable income</b>  | <b>2,595,902</b> | <b>10,521,193</b>             | <b>(4,207,388)</b> | <b>(17,636,421)</b>           |
| Current CIT, at the statutory<br>rate of 20% (in Cambodia)<br>and 25% (in Vietnam) | 592,686          | 2,402,158                     | 29,594             | 123,380                       |
| Current CIT, at the statutory<br>rate of 1% of turnover                            | -                | -                             | 845                | 3,540                         |
| <b>Total current CIT</b>   | <b>592,686</b>   | <b>2,402,158</b>              | <b>30,439</b>      | <b>126,920</b>                |

The movements of CIT payable for the year ended 31 December 2010 are as follows:

|   | 2010<br>US\$   | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$  | 2009<br>KHR'000<br>(Note 2.1) |
|---|----------------|-------------------------------|---------------|-------------------------------|
| Balance at the beginning<br>of the year | 25,967         | 108,257                       | -             | -                             |
| Current tax charge<br>for the year      | 592,686        | 2,402,158                     | 30,439        | 126,920                       |
| Payment of tax during the year          | (298,692)      | (1,210,600)                   | (4,472)       | (18,663)                      |
| Foreign exchange difference             | -              | (3,013)                       | -             | -                             |
| <b>Balance at the end of the year</b>   | <b>319,961</b> | <b>1,296,802</b>              | <b>25,967</b> | <b>108,257</b>                |

**16. OTHER LIABILITIES**

|                            | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$   | 2009<br>KHR'000<br>(Note 2.1) |
|----------------------------|------------------|-------------------------------|----------------|-------------------------------|
| Interest payable           | 909,328          | 3,685,505                     | 70,951         | 295,793                       |
| Wages and Salaries payable | 205,521          | 832,978                       | -              | -                             |
| Others                     | 86,051           | 270,466                       | 35,667         | 148,698                       |
|                            | <b>1,200,900</b> | <b>4,867,249</b>              | <b>106,618</b> | <b>444,491</b>                |

**17. PAID-UPCAPITAL**

|   | Paid-up<br>capital<br>US\$ | Retained<br>earnings<br>US\$ | Total<br>US\$      |
|---|----------------------------|------------------------------|--------------------|
| <b>Balance as at 1 January 2009</b>   | <b>13,500,000</b>          | <b>(6,973,172)</b>           | <b>6,526,828</b>   |
| Net profit (loss) for the year  | -                          | (4,237,827)                  | (4,237,827)        |
| Capital contributed during the year   | 67,829,378                 | -                            | 67,829,378         |
| Accumulated losses charged to capital   | (11,329,378)               | 11,329,378                   | -                  |
| <b>Balance as at 31 December 2009 - US\$</b>  | <b>70,000,000</b>          | <b>118,379</b>               | <b>70,118,379</b>  |
| <b>Balance as at 31 December 2009 - KHR'000 equivalent (Note 2.1)</b>               | <b>291,830,000</b>         | <b>493,520</b>               | <b>292,323,520</b> |
| Net profit for the year   | -                          | 1,987,497                    | 1,987,497          |
| Additional tax adjust of HCM branch   | -                          | (23,857)                     | (23,857)           |
| Foreign currency translation differences on the beginning balance of retain earning | -                          | (29,849)                     | (29,849)           |
| <b>Balance as at 31 December 2010 - US\$</b>  | <b>70,000,000</b>          | <b>2,052,170</b>             | <b>72,052,170</b>  |
| <b>Balance as at 31 December 2010 - KHR'000 equivalent (Note 2.1)</b>               | <b>283,710,000</b>         | <b>8,317,445</b>             | <b>292,027,445</b> |

## 18. INTEREST AND SIMILAR INCOME

|                                | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$   | 2009<br>KHR'000<br>(Note 2.1) |
|--------------------------------|-------------------|-------------------------------|----------------|-------------------------------|
| Interest income from lending   | 10,466,923        | 42,422,443                    | 528,014        | 2,202,999                     |
| Interest income from deposits: | -                 | -                             | -              | -                             |
| NBC                            | 5,694             | 23,076                        | 14,038         | 58,627                        |
| Local banks                    | 476,147           | 1,929,823                     | -              | -                             |
| Overseas banks                 | -                 | -                             | 2,662          | 11,098                        |
|                                | <b>10,948,764</b> | <b>44,375,342</b>             | <b>544,714</b> | <b>2,272,724</b>              |

## 19. INTEREST AND SIMILAR EXPENSE

|   | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$  | 2009<br>KHR'000<br>(Note 2.1) |
|---|------------------|-------------------------------|---------------|-------------------------------|
| <b>Interest expenses from banks</b>     | <b>163,825</b>   | <b>663,983</b>                | -             | -                             |
| <b>Interest expenses from customers</b> |                  |                               |               |                               |
| Saving deposits                         | 16,030           | 64,970                        | 1,283         | 5,357                         |
| Fixed deposits                          | 4,823,215        | 19,548,491                    | 71,452        | 297,888                       |
| Demand deposits                         | 105,302          | 426,790                       | -             | -                             |
| Borrowed funds                          | 52               | 210                           | 17,967        | 74,903                        |
| Margin or Restrictive Deposits          | 4,664            | 18,903                        | -             | -                             |
|   | <b>5,113,088</b> | <b>20,723,347</b>             | <b>90,702</b> | <b>378,148</b>                |

## 20. FEES AND COMMISSION INCOME

|                                    | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$   | 2009<br>KHR'000<br>(Note 2.1) |
|------------------------------------|------------------|-------------------------------|----------------|-------------------------------|
| Loan commitment fees               | 764,457          | 3,098,344                     | 242,100        | 1,009,315                     |
| Commission received on remittances | 163,763          | 663,729                       | 12,634         | 52,676                        |
| Trade finance                      | 525,995          | 2,131,859                     | 9,019          | 37,599                        |
| Loan processing fees               | 26,853           | 108,836                       | 2,210          | 9,213                         |
| Other commissions and fees         | 111,955          | 453,755                       | 10,781         | 45,020                        |
|                                    | <b>1,593,023</b> | <b>6,456,523</b>              | <b>276,744</b> | <b>1,153,823</b>              |

**21. OTHER OPERATING INCOME**

|                       | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$   | 2009<br>KHR'000<br>(Note 2.1) |
|-----------------------|------------------|-------------------------------|----------------|-------------------------------|
| Foreign exchange gain | 1,136,038        | 4,604,360                     | 232,421        | 968,964                       |
| Others                | 287              | 1,165                         | 26,816         | 111,801                       |
|                       | <b>1,136,325</b> | <b>4,605,525</b>              | <b>259,237</b> | <b>1,080,765</b>              |

**22. GENERAL AND ADMINISTRATIVE EXPENSES**

|   | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$     | 2009<br>KHR'000<br>(Note 2.1) |
|---|------------------|-------------------------------|------------------|-------------------------------|
| Personnel   | 1,564,499        | 6,340,913                     | 304,959          | 1,273,752                     |
| Depreciation  | 356,142          | 1,281,555                     | 160,313          | 670,290                       |
| Rental  | 287,676          | 1,165,951                     | 77,360           | 322,882                       |
| Amortisation  | 186,237          | 916,703                       | 164,594          | 688,422                       |
| Business Meal and Entertainment                       | 137,691          | 558,061                       | 32,125           | 133,977                       |
| Advertising expense                                   | 130,444          | 528,689                       | 42,871           | 178,781                       |
| Convention and Conference Expenses                    | 128,437          | 520,554                       | 20,485           | 85,402                        |
| Travelling and accommodation Expenses                 | 118,307          | 479,496                       | 20,636           | 86,048                        |
| Other tax expenses                                    | 115,359          | 467,550                       | 23,082           | 96,404                        |
| Utilities   | 93,439           | 378,710                       | 39,681           | 165,749                       |
| Telephone and telex                                   | 85,995           | 348,539                       | 75,295           | 314,552                       |
| Supplies  | 70,300           | 284,927                       | 28,118           | 117,289                       |
| Repairs and maintenance                               | 35,980           | 145,827                       | 2,821            | 11,781                        |
| Bank license fees                                     | 34,292           | 138,986                       | 38,019           | 158,869                       |
| Directors' remuneration                               | 17,100           | 69,306                        | 8,400            | 35,020                        |
| Dues and memberships, Stamp and registration expenses | 14,811           | 60,029                        | 7,691            | 32,113                        |
| Professional fees                                     | 14,280           | 57,877                        | 13,746           | 57,450                        |
| Insurance   | 9,591            | 38,871                        | -                | -                             |
| Patent tax  | 3,095            | 12,546                        | 25,504           | 106,334                       |
| Shareholders' meeting                                 | 2,600            | 10,538                        | -                | -                             |
| Bank security   | 2,023            | 8,198                         | 15,555           | 64,903                        |
| Others  | 1,168,989        | 4,737,916                     | 92,004           | 384,835                       |
|   | <b>4,577,287</b> | <b>18,551,742</b>             | <b>1,193,259</b> | <b>4,984,853</b>              |

## 23. NET CASH USED IN OPERATING ACTIVITIES

|   | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$       | 2009<br>KHR'000<br>(Note 2.1) |
|---|-------------------|-------------------------------|--------------------|-------------------------------|
| <b>Cash flows from operating activities</b>   |                   |                               |                    |                               |
| Profit before income tax  | 2,580,183         | 10,457,484                    | (4,207,388)        | (17,636,421)                  |
| <i>Adjustments for:</i>   |                   |                               |                    |                               |
| Depreciation and amortization expense   | 542,378           | 2,198,258                     | 324,908            | 1,354,542                     |
| Allowance for losses on loans and advances  | 1,271,609         | 5,153,829                     | 3,979,000          | 16,588,449                    |
| Accrued interest receivables  | (599,591)         | (2,430,142)                   | (62,351)           | (259,940)                     |
| Accrued interest payable  | 909,328           | 3,685,505                     | -                  | -                             |
| Income tax paid during year   | (298,692)         | (1,210,600)                   | (8,683)            | (36,201)                      |
| Gain from Investment  | (42,296)          | (171,424)                     | -                  | -                             |
| Exchange rate differences   | (30,954)          | (125,458)                     | -                  | 95,820                        |
| Previous year adjustment  | -                 | -                             | 565                | 2,356                         |
| <b>Operating profit before changes in working capital</b>                                       | <b>4,331,965</b>  | <b>17,557,452</b>             | <b>26,051</b>      | <b>108,605</b>                |
| <b>Cash provided by operation activities before changes in operation assets and liabilities</b> |                   |                               |                    |                               |
| Decrease(increase) in operating assets:   |                   |                               |                    |                               |
| Capital guarantee and reserve deposits with the NBC   | (9,458,716)       | (38,336,177)                  | (6,347,399)        | (26,462,305)                  |
| Placements with and loans other banks   | 7,084,911         | 28,715,144                    | (15,008,004)       | (62,568,366)                  |
| Loans and advances to customers   | (65,038,577)      | (263,601,354)                 | (83,622,391)       | (348,621,750)                 |
| Other assets  | 418,330           | 1,695,490                     | (1,035,830)        | (4,318,379)                   |
| Increase(decrease) in operating liabilities:  |                   |                               |                    |                               |
| Deposits of other banks   | (5,896,110)       | (23,896,933)                  | 93,532,070         | 389,935,200                   |
| Deposits from customers   | 85,851,173        | 347,954,806                   | 10,740,990         | 44,779,188                    |
| Other liabilities   | 184,953           | 749,624                       | (1,361,595)        | (5,676,489)                   |
| <b>Net cash provided by (used in) operating activities</b>                                      | <b>17,477,929</b> | <b>70,838,052</b>             | <b>(3,076,108)</b> | <b>(12,824,296)</b>           |

## 24. COMMITMENTS AND CONTINGENCIES

|  | 2010<br>US\$          | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$       | 2009<br>KHR'000<br>(Note 2.1) |
|--|-----------------------|-------------------------------|--------------------|-------------------------------|
| <b>(i) Lending commitments:</b>                |                       |                               |                    |                               |
| Letters of credit                              | 39,618,790            | 160,574,956                   | 2,825,240          | 11,778,426                    |
| Bank guarantees                                | 433,100               | 1,755,354                     | 390,000            | 1,625,910                     |
| Others   | 20,365,625,684        | 82,541,880,897                | 108,560,219        | 452,587,553                   |
|  | <b>20,405,677,574</b> | <b>82,704,211,207</b>         | <b>111,775,459</b> | <b>465,991,889</b>            |
| <b>(ii) Lease commitments:</b>                 |                       |                               |                    |                               |
| Not later than 1 year                          | -                     | -                             | -                  | -                             |
| Later than 1 year and<br>not later than 5years | 374,800               | 1,519,064                     | 542,760            | 2,262,766                     |
| Over 5 years                                   | 5,859,080             | 23,746,852                    | -                  | -                             |
|  | <b>6,233,880</b>      | <b>25,265,916</b>             | <b>542,760</b>     | <b>2,262,766</b>              |

## 25. 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 periods include:

|  | 2010<br>US\$     | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$  | 2009<br>KHR'000<br>(Note 2.1) |
|--|------------------|-------------------------------|---------------|-------------------------------|
| <b>Interest income</b>                                     |                  |                               |               |                               |
| BIDV (Head Office)   | 111,799          | 453,120                       | -             | -                             |
| BIDV (SGD 2 Branch)  | 69               | 281                           | 1,461         | 6,091                         |
| BIDV (NKKN Branch)   | -                | -                             | 743           | 3,096                         |
| IDCC   | 14,535           | 58,909                        | -             | -                             |
| Lao Viet Bank  | -                | -                             | 65            | 272                           |
|  | <b>126,403</b>   | <b>512,310</b>                | <b>2,269</b>  | <b>9,459</b>                  |
| <b>Interest expenses</b>                                   |                  |                               |               |                               |
| Cambodia Vietnam<br>Insurance Company                      | 150,961          | 611,846                       | 20,959        | 87,378                        |
| BIDV (Head Office)<br>Cambodia Vietnam<br>Security Company | 2,480,175        | 10,052,151                    | 65,316        | 272,301                       |
|  | 260              | 1,055                         | -             | -                             |
|  | <b>2,631,396</b> | <b>10,665,052</b>             | <b>86,275</b> | <b>359,679</b>                |



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

|   | 2010<br>US\$      | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$       | 2009<br>KHR'000<br>(Note 2.1) |
|---|-------------------|-------------------------------|--------------------|-------------------------------|
| <b>Deposits with the holding company</b>  |                   |                               |                    |                               |
| BIDV (HCMC Branch)                        | 6,436,414         | 26,086,784                    | 14,895,730         | 62,100,297                    |
| BIDV (SGD 2 Branch)                       | 5,019,171         | 20,342,701                    | 10,009,000         | 41,727,521                    |
| BIDV (NKKN Branch)                        | 1,681             | 6,815                         | 4,950,000          | 20,636,550                    |
| BIDV (Head Office)                        | 4,521,764         | 18,326,707                    | 5,156,070          | 21,495,656                    |
| Lao Viet Bank (HCM Branch)                | -                 | -                             | 49,004             | 204,295                       |
|   | <b>15,979,030</b> | <b>64,763,007</b>             | <b>35,059,804</b>  | <b>146,164,319</b>            |
| <b>Amounts due to the holding company</b> |                   |                               |                    |                               |
| BIDV (Head Office)                        | 79,712,867        | 323,076,250                   | 93,532,070         | 389,935,200                   |
| Cambodia Vietnam Insurance Company        | 996,301           | 4,038,006                     | 6,126,118          | 25,539,785                    |
| IDCC Cambodia Vietnam                     | 1,366,773         | 5,539,533                     | 680,892            | 2,838,640                     |
| Security Company                          | 2,737,278         | 11,094,188                    | -                  | -                             |
|   | <b>84,813,219</b> | <b>343,747,977</b>            | <b>100,339,080</b> | <b>418,313,625</b>            |

(c) Key management personnel compensation

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

|                           | 2010<br>US\$   | 2010<br>KHR'000<br>(Note 2.1) | 2009<br>US\$  | 2009<br>KHR'000<br>(Note 2.1) |
|---------------------------|----------------|-------------------------------|---------------|-------------------------------|
| Board of Directors        | 17,100         | 69,306                        | 8,400         | 35,020                        |
| Board of Management       | 176,117        | 713,802                       | 62,908        | 262,264                       |
| <b>Gross remuneration</b> | <b>193,217</b> | <b>783,108</b>                | <b>71,308</b> | <b>297,284</b>                |
| Board of Directors        | 16,740         | 67,847                        | 6,720         | 28,016                        |
| Board of Management       | 149,718        | 606,808                       | 55,113        | 229,767                       |
| <b>Net remuneration</b>   | <b>166,458</b> | <b>674,655</b>                | <b>61,833</b> | <b>257,783</b>                |

Related party transactions include all transactions undertaken with other parties to which the Bank are related as mentioned in Note 2.4.18 on Related parties.

## 26. GEOGRAPHICAL REGIONS

The Bank operates in two geographic markets: Cambodia (Domestic) and Vietnam.

|  | Domestic<br>US\$   | Vietnam<br>US\$    | Total<br>US\$      |
|--|--------------------|--------------------|--------------------|
| <b>ASSETS</b>                                  |                    |                    |                    |
| Cash on hand                                   | 997,113            | 109,637            | 1,106,750          |
| Balances with the National Bank<br>of Cambodia | 47,726,690         | -                  | 47,726,690         |
| Balances with other banks                      | 17,584,941         | 6,942,486          | 24,527,427         |
| Placements with and loans to other banks       | -                  | 18,423,093         | 18,423,093         |
| Loans and advances to customers                | 75,942,388         | 72,448,626         | 148,391,014        |
| Investment securities                          | -                  | 10,564,124         | 10,564,124         |
| Long-term investments                          | 1,655,000          | -                  | 1,655,000          |
| Property and equipment                         | 3,915,880          | 490,760            | 4,406,640          |
| Intangible assets                              | 152,030            | 97,726             | 249,756            |
| Other assets                                   | 150,281            | 753,346            | 903,627            |
| <b>TOTAL ASSETS</b>                            | <b>148,124,323</b> | <b>109,829,798</b> | <b>257,954,121</b> |
| <b>LIABILITIES</b>                             |                    |                    |                    |
| Deposits of other banks                        | 57,000,000         | 30,635,960         | 87,635,960         |
| Deposits from customers                        | 55,067,425         | 41,677,705         | 96,745,130         |
| Income tax payable                             | 181,036            | 138,925            | 319,961            |
| Other liabilities                              | 404,049            | 796,851            | 1,200,900          |
| <b>TOTAL LIABILITIES</b>                       | <b>112,652,510</b> | <b>73,249,441</b>  | <b>185,901,951</b> |

## 27. FINANCIAL RISK MANAGEMENT

The guidelines and policies adopted by the Bank to manage certain 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 behaviour.

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's operational risk management entails the establishment of clear organisational 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. These are continuously reviewed to address the operational risks of the business unit as well as to assess the level of compliance with the Bank's policies by a programme of periodic reviews undertaken by the 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 in order 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 24.

**27. FINANCIAL RISK MANAGEMENT (continued)**

|   | 2010                                 |                               |                    |                    |
|---|--------------------------------------|-------------------------------|--------------------|--------------------|
|   | Cash and cash<br>equivalents<br>US\$ | Loans and<br>advances<br>US\$ | Others<br>US\$     | Total<br>US\$      |
| Financial intermediaries                              | 66,669,752                           | -                             | 25,332,960         | 92,002,712         |
| Manufacturing   | -                                    | 20,515,788                    | -                  | 20,515,788         |
| Real estate   | -                                    | 10,423,092                    | -                  | 10,423,092         |
| Others community, social<br>and personal activities   | -                                    | 118,704,886                   | 41,678             | 118,746,564        |
|   | 66,669,752                           | 149,643,766                   | 25,374,638         | 241,688,156        |
| Less allowance for losses<br>on loans and receivables | -                                    | 1,252,752                     | -                  | 1,252,752          |
|   | <b>66,669,752</b>                    | <b>148,391,014</b>            | <b>25,374,638</b>  | <b>240,435,404</b> |
| <b>KHR'000 equivalent (Note 2.1)</b>                  | <b>270,212,508</b>                   | <b>601,428,780</b>            | <b>102,843,404</b> | <b>974,484,692</b> |

The table below shows credit quality per class of financial assets based on the Bank's rating system:

| Group   | 2010                          |                           |                              |                    |
|---|-------------------------------|---------------------------|------------------------------|--------------------|
|   | Neither past due nor impaired |                           |                              | Total<br>US\$      |
|   | High Grade<br>US\$            | Standard<br>Grade<br>US\$ | Substandard<br>Grade<br>US\$ |                    |
| Loans and receivables                                 |                               |                           |                              |                    |
| Cash and bank balances                                | -                             | 25,634,177                | -                            | 25,634,177         |
| Balances with the National<br>Bank of Cambodia        | 47,726,690                    | -                         | -                            | 47,726,690         |
| Deposits and placements<br>with banks                 | -                             | 24,527,427                | -                            | 24,527,427         |
| Loans and advances Loans                              | -                             | 149,304,605               | -                            | 149,304,605        |
| Accrued interest receivables - net                    | -                             | 339,161                   | -                            | 339,161            |
| Other assets:   |                               |                           |                              |                    |
| Accrued interest receivable                           | -                             | 218,752                   | -                            | 218,752            |
| Other investments                                     | -                             | 41,678                    | -                            | 41,678             |
|   | 47,726,690                    | 149,304,605               | -                            | 197,031,295        |
| Less allowance for losses on<br>loans and receivables | -                             | (913,591)                 | -                            | (913,591)          |
|   | 47,726,690                    | 148,391,014               | -                            | 196,117,704        |
| <b>KHR'000 equivalent (Note 2.1)</b>                  | <b>193,436,275</b>            | <b>601,428,780</b>        | <b>-</b>                     | <b>794,865,055</b> |

## 2009

| Cash and cash equivalents<br>US\$ | Loans and advances<br>US\$ | Others<br>US\$    | Total<br>US\$      |
|-----------------------------------|----------------------------|-------------------|--------------------|
| 65,744,317                        | -                          | 22,742,671        | 88,486,988         |
| -                                 | 19,665,918                 | -                 | 19,665,918         |
| -                                 | 22,868,344                 | -                 | 22,868,344         |
| -                                 | 41,776,766                 | -                 | 41,776,766         |
| 65,744,317                        | 84,311,028                 | 22,742,671        | 172,798,016        |
| -                                 | -                          | -                 | -                  |
| <b>65,744,317</b>                 | <b>84,311,028</b>          | <b>22,742,671</b> | <b>172,798,016</b> |
| <b>274,088,057</b>                | <b>351,492,678</b>         | <b>94,814,195</b> | <b>720,394,930</b> |

## 2010

| Group   | Neither past due nor impaired |                           |                              | Total<br>US\$      |
|---|-------------------------------|---------------------------|------------------------------|--------------------|
|   | High Grade<br>US\$            | Standard<br>Grade<br>US\$ | Substandard<br>Grade<br>US\$ |                    |
| Loans and receivables                                 |                               |                           |                              |                    |
| Cash and bank balances                                | -                             | 21,225,697                | -                            | 21,225,697         |
| Balances with the National<br>Bank of Cambodia        | 52,251,018                    | -                         | -                            | 52,251,018         |
| Deposits and placements<br>with banks                 | 15,008,004                    | -                         | -                            | 15,008,004         |
| Loans and advances Loans                              | -                             | 84,203,678                | -                            | 84,203,678         |
| Accrued interest receivables - net                    | -                             | 107,350                   | -                            | 107,350            |
| Other assets:   |                               |                           |                              |                    |
| Accrued interest receivable                           | -                             | 218,752                   | -                            | 218,752            |
| Other investments                                     | 14,963                        | 17,123                    | -                            | 32,086             |
|   | 67,273,985                    | 84,328,151                | -                            | 151,602,136        |
| Less allowance for losses on<br>loans and receivables |                               |                           |                              |                    |
| <b>KHR'000 equivalent (Note 2.1)</b>                  | <b>272,661,461</b>            | <b>341,781,996</b>        | <b>-</b>                     | <b>614,443,457</b> |

**27. FINANCIAL RISK MANAGEMENT (continued)**

(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.

(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 2010, 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.

|  | Up to 1<br>month<br>US\$ | > 1 to 3<br>months<br>US\$ | > 3 to 6<br>months<br>US\$ | > 6 to 12<br>months<br>US\$ |
|--|--------------------------|----------------------------|----------------------------|-----------------------------|
| 2010   |                          |                            |                            |                             |
| <b>Financial assets</b>                          |                          |                            |                            |                             |
| Cash and bank balances                           | 49,227,266               | -                          | -                          | -                           |
| Deposits and placements with banks               | 6,760,783                | 10,500,000                 | 7,923,093                  | -                           |
| Loans and advances                               | 10,425,511               | 49,952,365                 | 16,345,100                 | 49,160,641                  |
| Investment securities                            | -                        | -                          | -                          | 10,564,124                  |
| Statutory deposits                               | -                        | -                          | -                          | -                           |
| Other assets                                     | 332,627                  | -                          | 495,860                    | -                           |
| <b>Total financial assets</b>                    | <b>66,746,187</b>        | <b>60,452,365</b>          | <b>24,764,053</b>          | <b>59,724,765</b>           |
| <b>Financial liabilities</b>                     |                          |                            |                            |                             |
| Deposits from customers                          | 25,987,384               | 8,428,036                  | 12,248,914                 | 6,535,929                   |
| Deposits of other banks                          | 57,000,000               | -                          | 30,635,960                 | -                           |
| Other financial liabilities                      | 1,520,861                | -                          | -                          | -                           |
| <b>Total financial liabilities</b>               | <b>84,508,245</b>        | <b>8,428,036</b>           | <b>42,884,874</b>          | <b>6,535,929</b>            |
| <b>Net liquidity surplus<br/>(gap) – US\$</b>    | <b>(17,762,058)</b>      | <b>52,024,329</b>          | <b>(18,120,821)</b>        | <b>53,188,836</b>           |
| <b>Net liquidity surplus<br/>(gap) – KHR'000</b> | <b>(71,989,621)</b>      | <b>210,854,605</b>         | <b>(73,443,688)</b>        | <b>215,574,352</b>          |

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the level 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, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

The Bank has no financial assets and liabilities with floating interest rates. Cash and cash equivalents and loans and advances earn fixed rates for the period of the deposit and placement.

(c) 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.

| > 1 to 5<br>years<br>US\$ | Over 5<br>years<br>US\$ | No fixed<br>maturity date<br>US\$ | Total<br>US\$      |
|---------------------------|-------------------------|-----------------------------------|--------------------|
| -                         | -                       | -                                 | 49,227,266         |
| -                         | -                       | -                                 | 25,183,876         |
| 21,096,149                | 2,664,000               | -                                 | 149,643,766        |
| -                         | -                       | -                                 | 10,564,124         |
| -                         | -                       | 17,372,818                        | 17,372,818         |
| -                         | -                       | 75,140                            | 903,627            |
| <b>21,096,149</b>         | <b>2,664,000</b>        | <b>17,447,958</b>                 | <b>252,895,477</b> |
| 1,201,270                 | -                       | 42,343,597                        | 96,745,130         |
| -                         | -                       | -                                 | 87,635,960         |
| -                         | -                       | -                                 | 1,520,861          |
| <b>1,201,270</b>          | <b>-</b>                | <b>42,343,597</b>                 | <b>185,901,951</b> |
| <b>19,894,879</b>         | <b>2,664,000</b>        | <b>(24,895,639)</b>               | <b>66,993,526</b>  |
| <b>80,633,945</b>         | <b>10,797,192</b>       | <b>(100,902,024)</b>              | <b>271,524,761</b> |

**27. FINANCIAL RISK MANAGEMENT (continued)**

|  | Up to 1<br>month<br>US\$ | > 1 to 3<br>months<br>US\$ | > 3 to 6<br>months<br>US\$ | > 6 to 12<br>months<br>US\$ |
|--|--------------------------|----------------------------|----------------------------|-----------------------------|
| 2010   |                          |                            |                            |                             |
| <b>Financial assets</b>                          |                          |                            |                            |                             |
| Cash on hand                                     | 152,643                  | -                          | -                          | -                           |
| Balances with the National Bank<br>of Cambodia   | -                        | -                          | -                          | -                           |
| Balances with other banks                        | -                        | -                          | -                          | -                           |
| Placements and loans to other banks              | 14,999,004               | 9,000                      | -                          | -                           |
| Loans and advances to customers                  | 107,351                  | -                          | -                          | 19,186,229                  |
| Other financial assets                           | 2,268                    | -                          | 20,000                     | -                           |
| <b>Total financial assets</b>                    | <b>15,261,266</b>        | <b>9,000</b>               | <b>20,000</b>              | <b>19,186,229</b>           |
| <b>Financial liabilities</b>                     |                          |                            |                            |                             |
| Deposits of another bank                         | 73,532,070               | 20,000,000                 | -                          | -                           |
| Customer deposits                                | 7,762,455                | 538,089                    | -                          | 2,593,413                   |
| Other financial liabilities                      | 106,618                  | -                          | -                          | -                           |
| <b>Total financial liabilities</b>               | <b>81,401,143</b>        | <b>20,538,089</b>          | <b>-</b>                   | <b>2,593,413</b>            |
| <b>Net liquidity surplus<br/>(gap) – US\$</b>    | <b>(66,139,877)</b>      | <b>(20,529,089)</b>        | <b>20,000</b>              | <b>16,592,816</b>           |
| <b>Net liquidity surplus<br/>(gap) – KHR'000</b> | <b>(275,737,147)</b>     | <b>(85,585,772)</b>        | <b>83,380</b>              | <b>69,175,450</b>           |

**(d) Capital management**

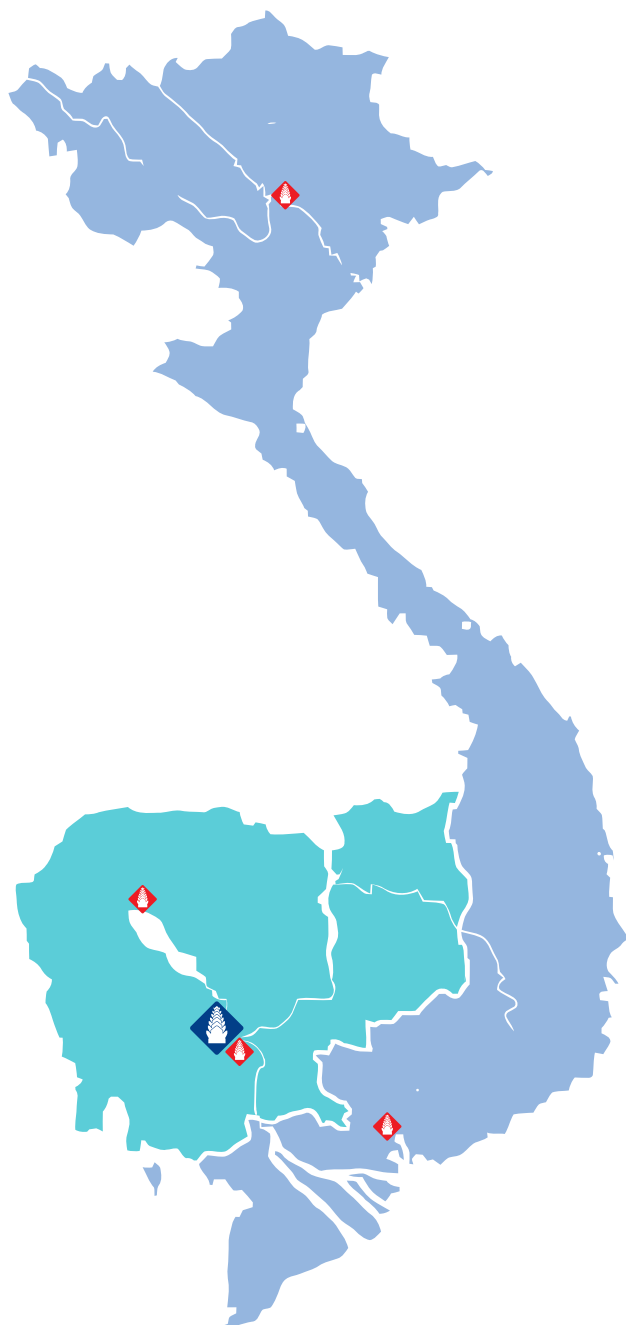
The main regulatory capital requirement of the Bank is the banking operations to which the Bank's lead regulator, NBC, sets and monitors capital requirements for the banks as a whole.

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 possible higher return with greater gearing, advantages and security afforded by a sound capital position.

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



| > 1 to 5<br>years<br>US\$ | Over 5<br>years<br>US\$ | No fixed<br>maturity date<br>US\$ | Total<br>US\$      |
|---------------------------|-------------------------|-----------------------------------|--------------------|
| -                         | -                       | -                                 | 152,643            |
| -                         | -                       | 52,251,018                        | 52,251,018         |
| -                         | -                       | 21,073,054                        | 21,073,054         |
| -                         | -                       | -                                 | 15,008,004         |
| 65,017,448                | -                       | -                                 | 84,311,028         |
| 779,612                   | 85,105                  | 129,542                           | 1,016,527          |
| <b>65,797,060</b>         | <b>85,105</b>           | <b>73,453,614</b>                 | <b>173,812,274</b> |
| -                         | -                       | -                                 | 93,532,070         |
| -                         | -                       | -                                 | 10,893,957         |
| -                         | -                       | -                                 | 106,618            |
| -                         | -                       | -                                 | <b>104,532,645</b> |
| <b>65,797,060</b>         | <b>85,105</b>           | <b>73,453,614</b>                 | <b>69,279,629</b>  |
| <b>274,307,943</b>        | <b>354,803</b>          | <b>306,228,116</b>                | <b>288,826,773</b> |



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