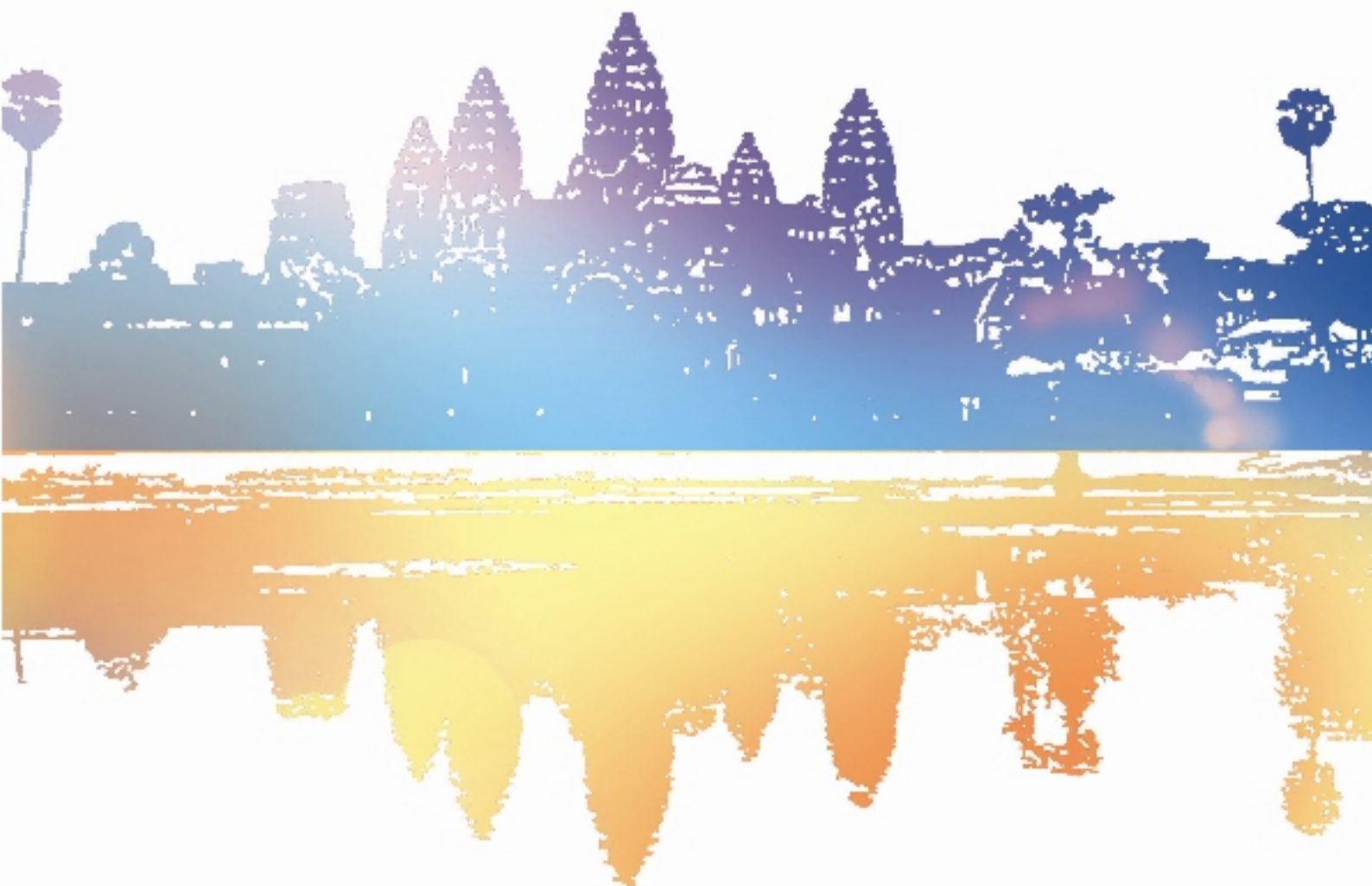




ធនាគារវិនិយោគ និងអភិវឌ្ឍន៍កម្ពុជា ភីអិលស៊ី

Bank for Investment and Development of Cambodia Plc.



ANNUAL REPORT
2011





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.

Contents

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- 003 Contents
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Business performance 2011

Audited financial statements

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- 028 Income statement
- 029 Statement of changes in equity
- 030 Statement of cash flows
- 031 Notes to the financial statements

Corporate Contact Information

Corporate Information

BOARD OF DIRECTORS

Mr. Le Dao Nguyen
Chairman

Mr. Pham Van Duong
Member of BOD

Mrs. Tran Thi Oanh
Member of BOD

Mr. Hoang Van Vinh
Vice Chairman

Mrs. Le Thanh Van
Member of BOD

Mr. Ngo Duy Chinh
Member of BOD

Mr. Nguyen Van Hien
Member of BOD
Chief Executive Officer

Mr. Tran Dinh Dinh
Member of BOD

Mr. Van Dinh Hai
Member of BOD

REGISTERED OFFICE

#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

Logo:



Be your side, by your hand

MAJOR SHARE HOLDER

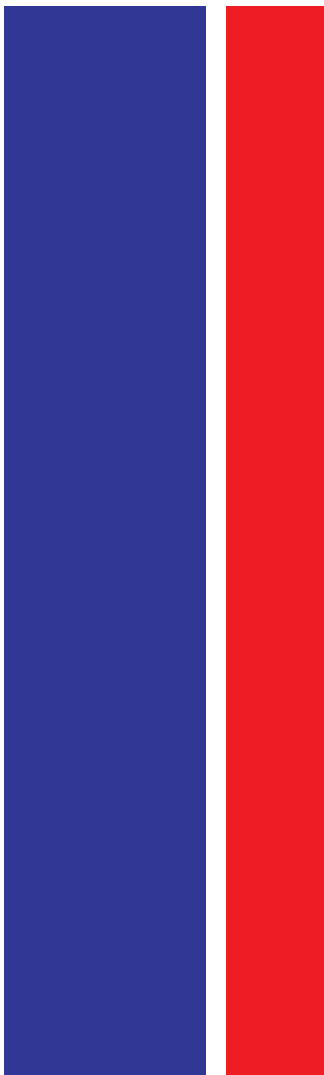
Cambodia Investment and Development Co.,Ltd (IDCC) – 100% capital

GOVERNMENT ISSUED IDENTIFICATION NUMBER

No : 19
Type of description of identification: License to carry out Banking operation

AUDITORS

Ernst & Young (Cambodia) Ltd



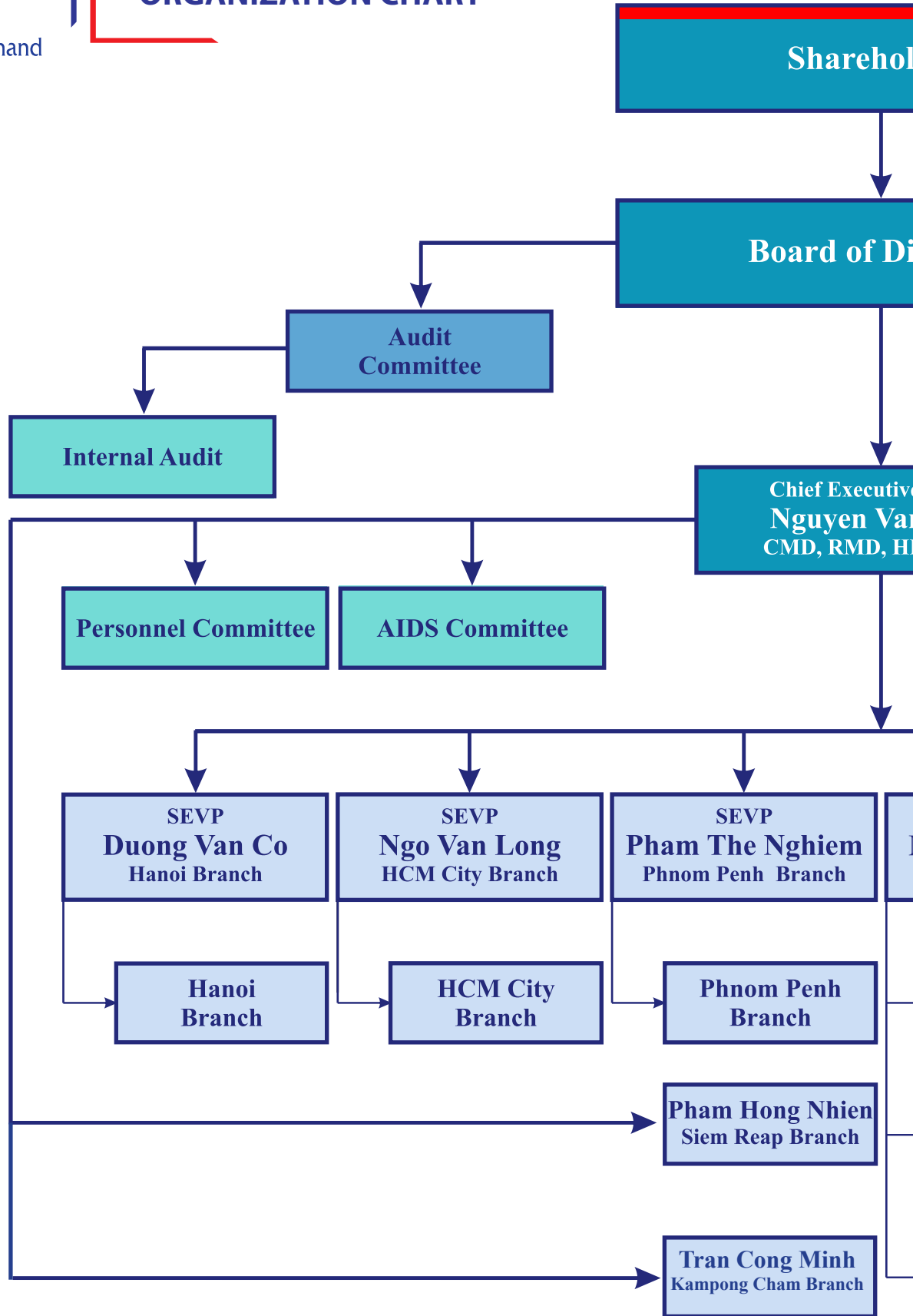


Based on the guidance and the support of Vietnamese and Cambodian governments, Bank for Investment and Development of Vietnam (BIDV) and Phuong Nam company (both are Vietnamese) has co-founded the Cambodian Investment and Development Co Ltd (IDCC) for the execution of financial, banking and insurance 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.

ORGANIZATION CHART

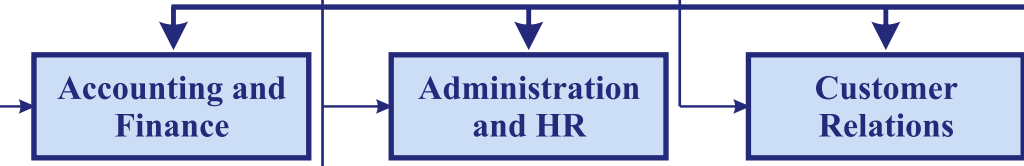
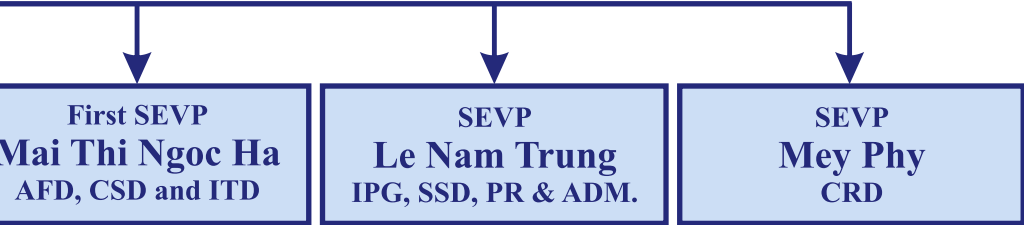


Members

Directors



**Chief Executive Officer
Phan Hien
R & PLD**



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
- 2009: Chief Executive Officer BIDC

Mrs. Mai Thi Ngoc Ha

Mr. Pham The Nghiem

Mr. Mey Phy

Mr. Le Nam Chung

Mr. Ngo Van Long

Mrs. Mai Thi Ngoc Ha: Chief Accountant

Year of birth: 1963

Education: Bachelor of Economic, HoChiMinh Banking University, Vietnam; IT Engineering, HoChiMinh University of Technology, Vietnam.

Experience:

- 2005: Vice President and Head of Cashiers Department, BIDV HoChiMinh Branch, Vietnam
- 2006: Vice President and Head of Finance & Accounting Department, BIDV North Saigon Branch, Vietnam
- 2009: 1st Senior Executive Vice President of BIDC



1st Senior Executive Vice President

Senior Executive Vice President

Senior Executive Vice President

Senior Executive Vice President

Senior Executive Vice President

1. INCOME STATEMENT IN 2011

Units: 1000 usd,

| Index | Target | 2010 | 2011 | Increase when compared with 2010 |
|-------|-------------------------------------|---------|---------|----------------------------------|
| 1 | Customer deposit | 75,468 | 121,034 | 45,566 |
| 2 | Credit balance at the end of period | 149,304 | 283,798 | 134,494 |
| 3 | Profit before tax | 2,559 | 6,118 | 3,559 |
| 4 | Net service revenue | 1,898 | 2,674 | 776 |
| 5 | ROA | 0.76% | 1.07% | 0.31% |
| 6 | ROE | 2.82% | 6.90% | 4.08% |

Financial banking activities in 2011 faced a lot of difficulties, more than expected, due to the tight monetary policies and the competitions from other banks. However, with the strong will of BIDC' staffs, the activities of BIDC in 2011 continued developing and achieved a lot of encouraging results. All operations have become more stable and the qualities of customer services have been improved time by time.

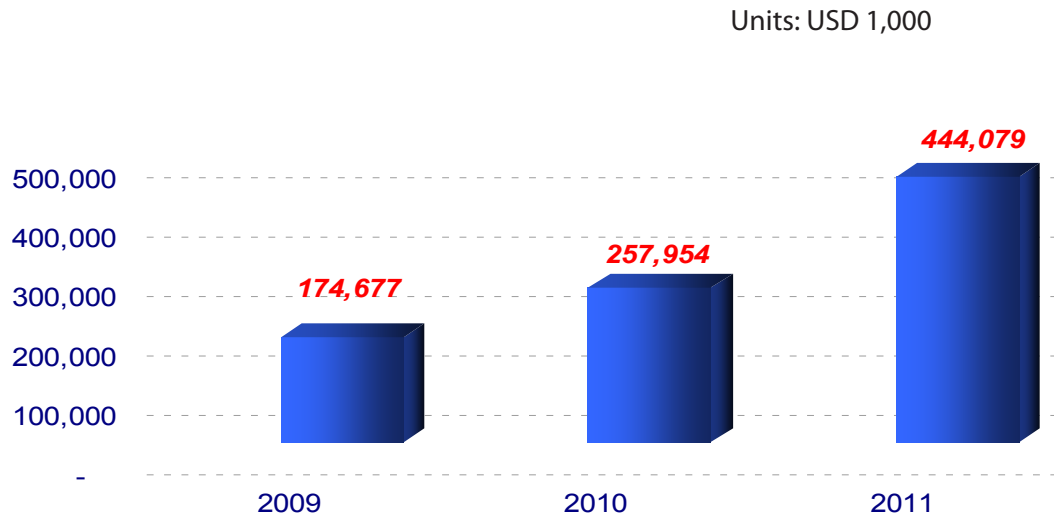
In overall, in 2011 BIDC basically completed the business targets: total assets, customer deposit balance, credit balances, and profits before tax have been strongly increased, compared with 2010.

BIDC step-by-step affirmed its position in the Cambodian market, creating a reputation for the great and potential customers in the market.

In the following, we list some significant results achieved in 2011:

- Establish the position and reputation of BIDC in the market.
- Establish more relationships with potential customers.
- Well serve Vietnamese businesses performing investments in Cambodia.
- Build the banking infrastructure based on modern technologies to ensure long-term operation with more safety and efficiency.
- Stabilize the banking operations and make them more safety and efficiency.
- Establish a well qualified and active team of Cambodian staffs for the next developments of BIDC.

Total assets chart



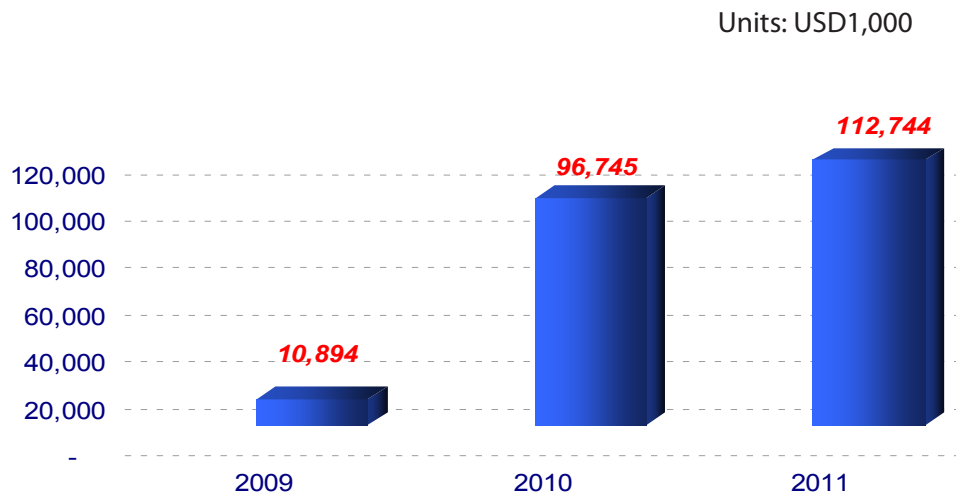
Customer deposit

With the economic situation in 2011 much more difficult than expected and with the monetary policy more tightened in Vietnam, the ability to raise capitals in BIDC has been really difficult. Therefore, the operating board has tightly monitored all banking units, continued pushing the tasks of raising capital, and finally fulfilled the plan.

Customer deposit in 2011 reached 112 millions USD, increasing 45,5 millions USD compared with the end of 2010.

In 2011, BIDC has built many marketing and promotion programs to attract deposits from populations and to receive the attentions from the customers.

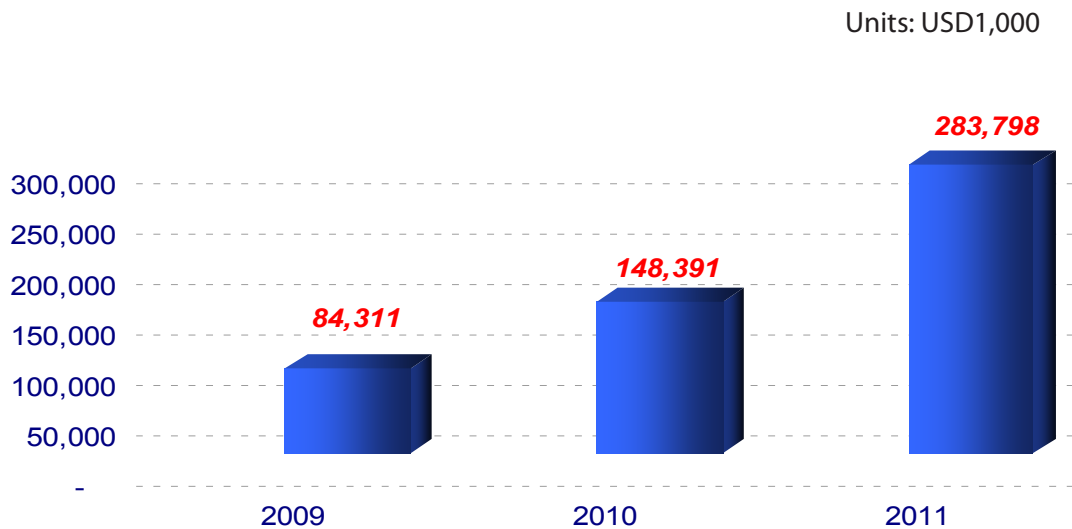
Customer deposits and other amounts due to customers chart



Credit operation:

In 2011, total loan balance reached 283,7 millions USD, increasing 134,4 millions USD, compared with the end of 2010. BIDC mainly focused on large business customers, both in the Cambodian and Vietnamese market.

Loans and Advances to Customer chart



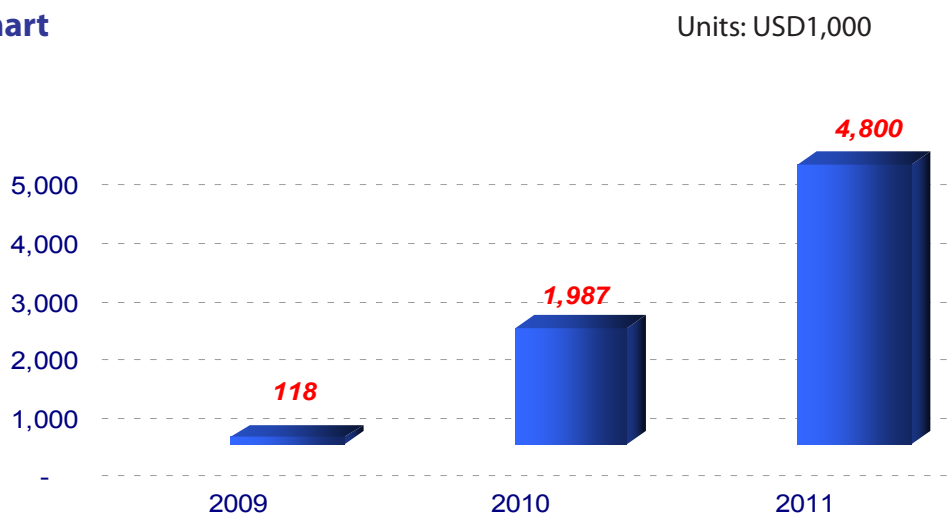
Efficiency of Business Operations

Differences between revenue and expenditure in 2011 reached 7,6 millions USD. The profit before tax was 6,1 millions USD.

Net service revenue up to 31/12/2011 reached 2,674 millions USD.

Revenue transferred through BIDC Inpay from Cambodia to Vietnam and vice versa continues growing and the revenue of transferring money of BIDC through out other channels continues growing strongly.

Profit after tax chart



The safety indicators of baking activities

BIDC correctly performs and fully complies the prudential ratios, accordance with the regulations of State Bank of Vietnam and National Bank of Cambodia.

Information Technology

The core-banking system T24 so far has been operated stably. There have been no online-connection errors reported between the Head Offices and the banking branches, ensuring smooth and safe networking connections within BIDC banking system.

After successfully deploying the new products of Inpay, BSMS, Internet Banking, BIDC continue deploying the ATM project to operate Golive in Cambodia in 2012.

Network development

In 2011, BIDC has completed the opening of the two new branches: one in Hanoi-Vietnam and the other branch in KampongCham-Cambodia, affiliating the total number of branches of BIDC in the two markets into 5 branches. The activities of all branches of BIDC are performed well, contributing the common goals of the whole system.

Developing Securities Clearing Bank

BIDC is a pioneer in the connection with the payment system of Cambodia Stock Exchange. Currently, the connection phase has been completed and was tested successfully. However, BIDC must wait for the completion of the connection of the Canadia and Acleda banks before the BIDC system can be put in operation.

Other activities

Donate 300 public benches to Phnom Penh government located in Independence Monument Park and the park located in front of the Batum Vatey temple.

Donate rice for food relief in the provinces of Battambang and Kampong chan.



ORIENTATION OF BIDC IN 2012

Orientation

Identify the strategic objectives which are to exploit the Vietnamese businesses having investment in Cambodia and the large Cambodian firms focusing on areas of agro-industrial economy, real estate, manufacturing, trade, service, tourism, import and export.

Develop the connection services for payments and develop import-export turnover between Vietnam and Cambodia. Develop new products, modern and high utility, and compatible with the T24-Core banking system.

Step-up the promotion and marketing activities in the two markets.

Implement the strategy of localization of banking operations, branding, and diversification of banking services in accordance with markets.

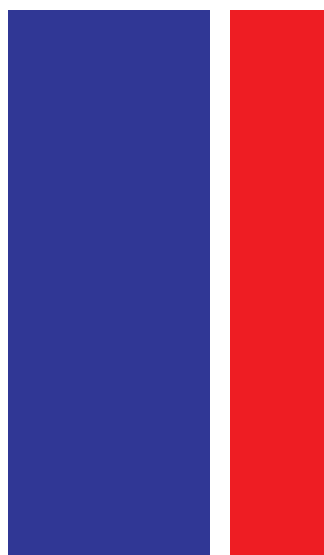
Objectives

Customer Deposits: Put more efforts on the activities of deposit of Corporates and Individuals in the two markets of Vietnam and Cambodia, focusing on the customer deposit developments in Cambodia.

Credit operation: Focus on lending Vietnamese businesses having investment in Cambodia and on lending Cambodian businesses, and diversify lending industries for ensuring capital adequacy and profit targets.

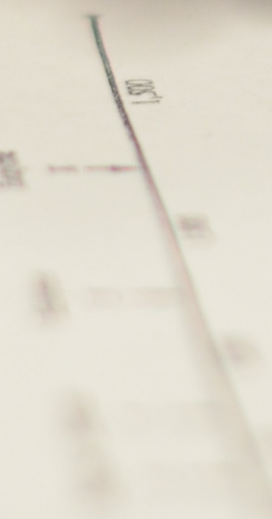
Structure service: Increase revenue from non-credit services: billing, underwriting, issuing L/C, and foreign currency trading.

In 2012, BIDC will develop and open a new Branch in Cambodia and more dealers in the Phnom Penh Capital. Besides, BIDC is on going the developments of the ATMs and POS/VISA systems.





The arrows
indicate the positions of the restriction sites.
The DNA is digested with the restriction enzyme
EcoRI. The resulting fragments are separated by gel electrophoresis.
The DNA fragments are then ligated with a DNA probe.
The probe is then hybridized to the DNA fragments.
The hybridized fragments are then detected by autoradiography.
The results are shown in the figure below.



The diagram shows a horizontal line representing a DNA molecule. There are four vertical tick marks along the line, each with an arrow pointing to it. The tick marks are labeled from left to right as 'EcoRI', 'EcoRI', 'EcoRI', and 'EcoRI'. Below the line, there are four vertical bars of varying heights, each corresponding to one of the EcoRI sites. The tallest bar is on the right, and its height is labeled '1500'. The other three bars are shorter, with the second bar from the left being the tallest of these three. The diagram illustrates the digestion of a DNA molecule with EcoRI, resulting in fragments of different sizes.

The DNA fragments are then ligated with a DNA probe.
The probe is then hybridized to the DNA fragments.
The hybridized fragments are then detected by autoradiography.
The results are shown in the figure below.

Audited financial statements



The Board of Management of Bank for Investment and Development of Cambodia Plc (here in referred to as "the Bank" or "BIDC") presents its report together with the financial statements as at 31 December 2011 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 was co-founded by Bank for Investment and Development of Vietnam ("BIDV") (owning 80%) and Phuong Nam Company (owning 20%). PIB was restructured and renamed as 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 2011 are as follows:

| | 2011 US\$ | 2010 US\$ |
|--------------------------------|-------------------|------------------|
| Profit before tax | 6,117,581 | 2,580,183 |
| Income tax expense | (1,317,778) | (592,686) |
| Net profit for the year | 4,799,803 | 1,987,497 |
| KHR'000 equivalent | 19,386,405 | 8,055,323 |

SHARE CAPITAL

The share capital of the Bank was US\$70,000,000 as at 31 December 2011.

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 financial statements of the Bank were prepared, the Board of Management took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and advances and making of provision for bad and doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provision 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 for the provision for bad and doubtful loans and advances in the financial statements of the Bank inadequate to any material extent.

CURRENT ASSETS

Before the financial statements of the Bank were prepared, the Board of Management took reasonable steps to ascertain that any current assets, other than loans, 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 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 in any material aspect.

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 2011 to the date of this report are:

| Name | Position |
|---------------------|---------------|
| Mr. Le Dao Nguyen | 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 |
| Mr. Ngo Duy Chinh | Member of BOD |
| Mr. Van Dinh Hai | Member of BOD |

THE BOARD OF MANAGEMENT

The members of the Board of Management from 1 January 2011 to 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. Mey Phy | Senior Executive Vice President |
| Mr. Le Nam Trung | Senior Executive Vice President |
| Mr. Ngo Van Long | Senior Executive Vice President |
| Mr. Pham The Nghiem | Senior Executive Vice President |

AUDITORS

The auditors, Ernst & Young (Cambodia) Ltd., expressed their willingness to accept reappointment as auditors.

THE BOARD OF MANAGEMENT'S BENEFITS

During and at the end of the year, no arrangement existed, to which the Bank was a party, whose object was to enable the Board of Management to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

No manager has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Board of Management, or the fixed salary of a full time employee of the Bank as disclosed in Note 24 to the financial statements) by reason of a contract made by the Bank or with a firm of which he is a member, or with a company in which he has a material 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 2011 and of its financial performance and cash flows for the year then ended. 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 ensuring that proper accounting records are kept which disclose with reasonable accuracy, at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. 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.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2011, 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.

On behalf of the Board of Management

Mr. Nguyen Van Hien
Chief Executive Officer/Member of the Board of Directors

Phnom Penh, Kingdom of Cambodia
15 February 2012
Reference: 60829148/15388418



Reference: 60829148/15388418

INDEPENDENT AUDITORS' REPORT

To: The owner 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 2011, 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 (collectively referred to as "the financial statements").

Management's responsibility for the financial statements

Management 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 risks 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 2011, 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) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

15 February 2012

To: The owner 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 2011, 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 (collectively referred to as "the financial statements").

Management's responsibility for the financial statements

Management 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 risks 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 2011, 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) Ltd.

Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia
15 February 2012

BALANCE SHEET as at 31 December 2011

| | Notes | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|--|-------|-----------------------------|--|-----------------------------|--|
| ASSETS | | | | | |
| Cash on hand | 3 | 6,302,419 | 25,455,472 | 1,106,750 | 4,485,659 |
| Balances with the National Bank of Cambodia | 4 | 35,248,740 | 142,369,660 | 47,726,690 | 193,436,273 |
| Balances with other credit institutions | 5 | 52,326,211 | 211,345,560 | 24,527,427 | 99,409,662 |
| Placements with and loans to other credit institutions | 6 | 23,997,273 | 96,924,985 | 18,423,093 | 74,668,797 |
| Loans and advances to customers | 7 | 281,306,111 | 1,136,195,383 | 148,051,853 | 600,054,159 |
| Investments in securities | 8 | 11,577,458 | 46,761,354 | 12,219,124 | 49,524,111 |
| Property and equipment | 9 | 4,059,245 | 16,395,291 | 4,406,640 | 17,860,112 |
| Intangible assets | 10 | 2,700,957 | 10,909,167 | 249,756 | 1,012,263 |
| Other assets | 11 | 26,560,669 | 107,278,543 | 1,242,788 | 5,037,020 |
| TOTAL ASSETS | | 444,079,083 | 1,793,635,415 | 257,954,121 | 1,045,488,056 |
| LIABILITIES | | | | | |
| Deposits from other credit institutions | 12 | 251,822,352 | 1,017,110,480 | 87,635,960 | 355,188,547 |
| Deposits from customers | 13 | 112,743,797 | 455,372,196 | 96,745,130 | 392,108,013 |
| Income tax payable | 14 | 989,444 | 3,996,364 | 319,961 | 1,296,802 |
| Other liabilities | 15 | 3,578,879 | 14,455,092 | 1,200,900 | 4,867,249 |
| | | 369,134,472 | 1,490,934,132 | 185,901,951 | 753,460,611 |
| SHAREHOLDER'S EQUITY | | | | | |
| Paid-up capital | 16 | 70,000,000 | 282,730,000 | 70,000,000 | 283,710,000 |
| Foreign exchange translation reserve | | (16,448) | (66,435) | (29,849) | (120,978) |
| General banking reserve | | 161,256 | 651,312 | - | - |
| Retained earnings | | 4,799,803 | 19,386,406 | 2,082,019 | 8,438,423 |
| | | 74,944,611 | 302,701,283 | 72,052,170 | 292,027,445 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | 444,079,083 | 1,793,635,415 | 257,954,121 | 1,045,488,056 |

INCOME STATEMENT for the year ended 31 December 2011



| | Notes | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|---|-------|-------------------|-------------------------------|------------------|-------------------------------|
| Interest and similar income | 17 | 27,621,555 | 111,563,459 | 10,948,764 | 44,375,342 |
| Interest and similar expense | 18 | (18,581,462) | (75,050,525) | (5,113,088) | (20,723,347) |
| Net interest and similar income | | 9,040,093 | 36,512,934 | 5,835,676 | 23,651,995 |
| Fees and commission income | 19 | 2,989,123 | 12,073,068 | 1,593,023 | 6,456,523 |
| Fees and commission expense | | (259,117) | (1,046,573) | (178,241) | (722,412) |
| Net fees and commission income | | 2,730,006 | 11,026,495 | 1,414,782 | 5,734,111 |
| Income from investments | | 1,572,584 | 6,351,669 | 42,296 | 171,424 |
| Other operating income | 20 | 218,693 | 883,302 | 1,136,325 | 4,605,525 |
| TOTAL OPERATING INCOME | | 13,561,376 | 54,774,400 | 8,429,079 | 34,163,055 |
| General and administrative expenses | 21 | (6,152,505) | (24,849,968) | (4,577,287) | (18,551,742) |
| Provision for losses on loans and advances | 7 | (1,286,026) | (5,194,259) | (1,252,752) | (5,077,405) |
| Provision for off-balance-sheet commitments | | (5,264) | (21,262) | (18,857) | (76,427) |
| PROFIT BEFORE TAX | | 6,117,581 | 24,708,911 | 2,580,183 | 10,457,481 |
| Income tax expense | 14 | (1,317,778) | (5,322,506) | (592,686) | (2,402,158) |
| NET PROFIT FOR THE YEAR | | 4,799,803 | 19,386,405 | 1,987,497 | 8,055,323 |

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2011

| | <i>Paid-up capital US\$</i> | <i>Foreign exchange translation reserve US\$</i> | <i>General banking reserve US\$</i> | <i>Retained earnings US\$</i> | <i>Total US\$</i> |
|--|-------------------------------------|--|---|---------------------------------------|-----------------------|
| Balance as at 1 January 2010 | 70,000,000 | - | - | 118,379 | 70,118,379 |
| Net profit for the year | - | - | - | 1,987,497 | 1,987,497 |
| Additional tax payments | - | - | - | (23,857) | (23,857) |
| Foreign currency translation difference | - | (29,849) | - | - | (29,849) |
| Balance as at 31 December 2010 | 70,000,000 | (29,849) | - | 2,082,019 | 72,052,170 |
| KHR'000 equivalent (Note 2.1) | 283,710,000 | (120,978) | - | 8,438,423 | 292,027,445 |
| Balance as at 1 January 2011 | 70,000,000 | (29,849) | - | 2,082,019 | 72,052,170 |
| Appropriation to reserve | - | - | 161,256 | (161,256) | - |
| Transfer profit to parent company | - | - | - | (1,789,084) | (1,789,084) |
| Net profit for the year | - | - | - | 4,799,803 | 4,799,803 |
| Foreign currency translation difference | - | 13,401 | - | (131,679) | (118,278) |
| Balance as at 31 December 2011 | 70,000,000 | (16,448) | 161,256 | 4,799,803 | 74,944,611 |
| KHR'000 equivalent (Note 2.1) | 282,730,000 | (66,435) | 651,312 | 19,386,406 | 302,701,283 |

STATEMENT OF CASH FLOWS for the year ended 31 December 2011

| | <i>Notes</i> | 2011 <i>US\$</i> | 2011 <i>KHR'000</i> <i>(Note 2.1)</i> | 2010 <i>US\$</i> | 2010 <i>KHR'000</i> <i>(Note 2.1)</i> |
|---|--------------|----------------------------|--|----------------------------|--|
| Net cash provided by operating activities | 22 | 38,357,467 | 154,925,808 | 17,477,929 | 70,838,052 |
| Cash flows from investing activities | | | | | |
| Acquisition of property and equipment | | (1,149,696) | (4,643,625) | (4,226,868) | (17,131,498) |
| Investment in construction in progress | | (1,856,392) | (7,497,970) | (106,502) | (431,652) |
| Interest received from bond investment | | 1,489,844 | 6,017,486 | - | - |
| Acquisition of investments in stocks | | (320,000) | (1,292,480) | (12,219,124) | (49,524,111) |
| Net cash used in investing activities | | (1,836,244) | (7,416,589) | (16,552,494) | (67,087,261) |
| Cash flows from financing activity | | | | | |
| Dividend paid | | (1,789,084) | (7,226,110) | - | - |
| Net increase in cash and cash equivalents | | 34,732,139 | 140,283,109 | 925,435 | 3,750,791 |
| Cash and cash equivalents at beginning of year | 3 | 66,669,752 | 270,212,508 | 65,744,317 | 274,088,057 |
| Foreign exchange difference | | - | (933,378) | - | (7,626,340) |
| Cash and cash equivalents at end of year | 3 | 101,401,891 | 409,562,239 | 66,669,752 | 270,212,508 |

1. CORPORATE INFORMATION

Bank for Investment and Development of Cambodia Plc (here in 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 was co-founded by Bank for Investment and Development of Viet Nam (“BIDV”) (owning 80%) and Phuong Nam Company (owning 20%). PIB was restructured and renamed as Bank for Investment and Development of Cambodia in accordance with Decision No. B1-09-554 dated 15 July 2009 by the Governor of National Bank of Cambodia (“the 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 2011 is US\$70,000,000.

Board of Directors

The members of the Board of Directors from 1 January 2011 to the date of this report are:

| Name | Position |
|---------------------|---------------|
| Mr. Le Dao Nguyen | 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 |
| Mr. Ngo Duy Chinh | Member of BOD |
| Mr. Van Dinh Hai | Member of BOD |



Board of Management

The members of the Board of Management from 1 January 2011 to 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. Mey Phy | Senior Executive Vice President |
| Mr. Le Nam Trung | Senior Executive Vice President |
| Mr. Ngo Van Long | Senior Executive Vice President |
| Mr. Pham The Nghiem | Senior Executive Vice President |

Location

The head office of the Bank is located at No. 23, Kramuon Sar (114 Corner 67), Phsar Thmey 2, Daun Penh District, Phnom Penh, Cambodia. The Bank has three branches in Cambodia (Phnom Penh, Siem Reap and Kampong Cham) and two branches in Vietnam (Ho Chi Minh City and Ha Noi).

Employees

As at 31 December 2011, the Bank has a total of 71 employees in the head office, 25 employees in Phnom Penh Branch, 20 employees in Siem Reap Branch, 20 employees in Kampong Cham Branch, 42 employees in Ho Chi Minh Branch and 35 employees in Ha Noi 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") 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 KHR4,039: US\$1 ruling as at 31 December 2011 (31 December 2010: KHR4,053: US\$1), as announced by the NBC. Such translation should not be construed as a representation that the US\$ amounts have been, or could be, converted into KHR 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 and business segments are 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, less any amounts written off and allowance for losses on loans and advances. Short term loans are those with repayment date within one year from the date the loan was advanced. Long term loans are those with final repayment date of more than one year from the date the loan was advanced. Interest accrued but not yet paid other than overdraft, was classified as other assets in the balance sheet.

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

Kingdom of Cambodia

Allowance for losses on loans and advances is made with regard to specific risks and relate to those loans and advances that have been individually reviewed and specifically identified as special mention, substandard, doubtful or loss. In addition, a general allowance is also maintained for loans classified as normal. The allowance is based on a percentage of total outstanding loans and advances.

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% of gross loans for loans graded as 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.

Socialist Republic of Vietnam

Loans and advances to customers should be classified and provided for in accordance with the Law on Credit Institutions effective from 1 January 2011, 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 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 Investments in bonds and stocks - initial recognition and subsequent measurement

2.4.5.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades" - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.4.5.2 Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. The investment in bonds and stocks are classified as available for sale investments. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2.4.5.3 Available-for-sale financial investments – subsequent measurement

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Bank has not designated any loans or receivables as available-for-sale.

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.5 Investments in bonds and stocks - initial recognition and subsequent measurement (continued)

2.4.5.3 Available-for-sale financial investments – subsequent measurement (continued)

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gain or losses are recognized directly in equity in the “Available-for-sale reserve”. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in “Other operating income” or “Other operating expense”. Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a weighted average basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognized in the income statement as “Other operating income” when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in “Impairment losses on financial investments” and removed from the “Available-for-sale reserve”. There is no impairment loss arising from impairment of such investments during the year.

2.4.6 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 disclosed above. An allowance is raised against other credit-related commitments when losses are considered probable.

2.4.7 Deposits and placements with banks

Deposits and placements with banks are carried at cost.

2.4.8 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.

2.4.9 Statutory deposits

Statutory deposits for 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.

2.4.10 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.

2.4.11 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 other property and equipment items is charged to the income statement by the reducing balance method at the following rates:

| | |
|---|-----|
| Furniture, fixtures and equipment | 25% |
| Information technology ("IT") equipment | 50% |
| Motor vehicles | 25% |
| Computer software | 10% |

(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. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.12 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.

2.4.13 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.

2.4.14 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 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.

2.4.15 Provision for off-balance sheet commitments

Socialist Republic of Vietnam

According to Decision 493/2005/QĐ-NHNN and Decision 18/2007/QĐ-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/QĐ-NHNN, namely Current, Special Mention, Substandard, Doubtful and Loss based on the overdue status and other qualitative factors.

2.4.16 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.

2.4.17 Recognition of income and expense

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.

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.

Interest expense

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

2.4.18 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. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.19 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 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 24.

2.4.20 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 (see Note 29). 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.

2.4.21 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.

2.4.22 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.

2.4.23 Corresponding figures

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



3. CASH ON HAND

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|--------------------------|-----------------------------|--|-----------------------------|--|
| US\$ | 5,948,031 | 24,024,098 | 1,020,650 | 4,136,694 |
| KHR | 9,094 | 36,730 | 18,292 | 74,138 |
| Other foreign currencies | 345,294 | 1,394,644 | 67,808 | 274,827 |
| | 6,302,419 | 25,455,472 | 1,106,750 | 4,485,659 |

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

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|---|-----------------------------|--|-----------------------------|--|
| Cash on hand | 6,302,419 | 25,455,472 | 1,106,750 | 4,485,659 |
| Balances with the NBC - current account | 19,496,174 | 78,745,045 | 30,535,575 | 123,760,687 |
| Balances with other banks - current and term deposits (less than 3 months maturity) | 75,603,298 | 305,361,722 | 35,027,427 | 141,966,162 |
| | 101,401,891 | 409,562,239 | 66,669,752 | 270,212,508 |

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|--------------------------------------|-----------------------------|--|-----------------------------|--|
| Current accounts with the NBC | | | | |
| KHR | 638,190 | 2,577,649 | 440,332 | 1,784,667 |
| US\$ | 18,857,984 | 76,167,396 | 30,095,243 | 121,976,020 |
| Statutory deposits | | | | |
| Capital guarantee deposit - US\$ (i) | 2,000,000 | 8,078,000 | 7,000,000 | 28,371,000 |
| Reserve deposits - KHR | 15,006 | 60,610 | 14,955 | 60,610 |
| Reserve deposits - US\$ | 13,737,560 | 55,486,005 | 10,176,160 | 41,243,976 |
| | 35,248,740 | 142,369,660 | 47,726,690 | 193,436,273 |

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.

Pusuant to Letter No. 957/2010-BIDC dated 12 November 2010 regarding request for reduction of Capital Guarantee deposit from BIDC and Reply Letter No. 10_209 from NBC dated 26 November 2010, NBC agreed to reduce the statutory deposit of BIDC to US\$ 2,000,000. In case there is an increase in risk during operation, NBC may request BIDC to raise this deposit as required by regulation.

Reserve deposits

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 foreign currencies, respectively.

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

| | 31 December 2011 | 31 December 2010 |
|----------------------------------|------------------|------------------|
| Capital guarantee deposit - US\$ | 0.10% | 0.11% |
| Reserve deposits - US\$ and KHR | 0.14% | 0.18% |
| Current accounts | Nil | Nil |

5. BALANCES WITH OTHER CREDIT INSTITUTIONS

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|----------------------------------|-----------------------------|--|-----------------------------|--|
| Local banks | | | | |
| Acleda Bank Plc. - US\$ | 3,049,228 | 12,315,830 | 6,803,671 | 27,575,277 |
| Acleda Bank Plc. - KHR | 1,536 | 6,204 | 51 | 207 |
| Canadia Bank Plc. - US\$ | 2,754,734 | 11,126,371 | 5,326,454 | 21,588,120 |
| Overseas banks | | | | |
| BIDV (HCM Branch) - VND | 92,003 | 371,601 | 5,245,464 | 21,259,864 |
| BIDV (HCM Branch) - US\$ | 238,693 | 964,081 | 1,190,950 | 4,826,920 |
| BIDV (HCM Branch) - HKD | 13 | 51 | - | - |
| BIDV (HCM Branch) - GBP | 782 | 3,158 | - | - |
| BIDV (HCM Branch) - AUD | 12,292 | 49,647 | - | - |
| BIDV (Head Office) - US\$ | 8,177,972 | 33,030,827 | 4,520,529 | 18,321,705 |
| BIDV (Head Office) - AUD | 10,522 | 42,498 | 612 | 2,479 |
| BIDV (Head Office) - EUR | 20,631 | 83,330 | 468 | 1,896 |
| BIDV (Head Office) - VND | 1,141 | 4,607 | 155 | 627 |
| BIDV (Hà Thành) - VND | 123,503 | 498,830 | - | - |
| Standard Chartered Bank - US\$ | 255,965 | 1,033,843 | 508,680 | 2,061,679 |
| Wells Fargo Bank New York - US\$ | 258,566 | 1,044,348 | 424,321 | 1,719,774 |
| Lao Viet (HCM Branch) - VND | 129 | 520 | 264,348 | 1,071,402 |
| Lao Viet (HCM Branch) - US\$ | 9,000,000 | 36,351,000 | - | - |
| Lao Viet (Hanoi Branch) - US\$ | 19,311,917 | 78,000,835 | - | - |
| Lao Viet (HO) - VND | 6,241,598 | 25,209,814 | - | - |
| State Bank of Vietnam - VND | 1,677,549 | 6,775,621 | 181,685 | 736,370 |
| Vietcombank (HCM Branch) - US\$ | 51,161 | 206,641 | 39,184 | 158,814 |
| Vietcombank (HCM Branch) - EUR | 131,368 | 530,596 | - | - |
| BIDV (SGD2 Branch) - VND | 479 | 1,936 | 19,174 | 77,713 |
| BIDV (SGD2 Branch) - US\$ | 4,104 | 16,569 | - | - |
| BIDV (NKKN Branch) | 82 | 329 | 1,681 | 6,815 |
| VP Bank | 5,798 | 23,419 | - | - |
| Dong A Bank - US\$ | - | - | - | - |
| JP Morgan - US\$ | 904,445 | 3,653,054 | - | - |
| | 52,326,211 | 211,345,560 | 24,527,427 | 99,409,662 |

The annual interest rates of balances with other credit institutions are as follows:

| | 31 December 2011 | 31 December 2010 |
|-----------------------|------------------|------------------|
| Annual interest rates | 0.00% - 2.40% | 0.00% - 2.40% |

6. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|----------------------------|-----------------------------|--|-----------------------------|--|
| Lao Viet Bank (HCM Branch) | 4,081,045 | 16,483,340 | 13,423,093 | 54,403,797 |
| Eximbank | 3,360,860 | 13,574,515 | - | - |
| VP Bank | 5,281,352 | 21,331,381 | - | - |
| Dai A Bank | 1,900,000 | 7,674,100 | - | - |
| EVN Financial Company | 1,500,000 | 6,058,500 | - | - |
| Song Da Financial Company | 960,246 | 3,878,433 | - | - |
| BIDV (HO) | 2,832,725 | 11,441,376 | - | - |
| BIDV (SGD 2 Branch) | - | - | 5,000,000 | 20,265,000 |
| MHB | 4,081,045 | 16,483,340 | - | - |
| | 23,997,273 | 96,924,985 | 18,423,093 | 74,668,797 |
| In which: | | | | |
| Less than 3 months | 23,277,087 | 94,016,162 | 10,500,000 | 42,556,500 |
| More than 3 months | 720,186 | 2,908,823 | 7,923,093 | 32,112,297 |
| | 23,997,273 | 96,924,985 | 18,423,093 | 74,668,797 |

The annual interest rates of placements with loans to other credit institutions are as follows:

| | 31 December 2011 | 31 December 2010 |
|------------------------------|------------------|------------------|
| Annual interest rates - VND | 13.50% - 21.00% | 11.00% |
| Annual interest rates - US\$ | 3.00% - 5.90% | 3.00% - 5.90% |

7. LOANS AND ADVANCES TO CUSTOMERS

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ Restated | 31 December 2010 KHR'000 (Note 2.1) Restated |
|--|-----------------------------|--|---|--|
| Loans | | | | |
| Term loans | 189,740,423 | 766,361,570 | 111,238,425 | 450,849,337 |
| Overdraft | 55,090,771 | 222,511,625 | 996,892 | 4,040,404 |
| Credit card facilities | 38,966,419 | 157,385,366 | 37,069,288 | 150,241,823 |
| Total loans – gross | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |
| Allowance for losses on loans and advances | (2,491,502) | (10,063,178) | (1,252,752) | (5,077,405) |
| Loans and advances to customers - net | 281,306,111 | 1,136,195,383 | 148,051,853 | 600,054,159 |

Changes in the allowance for losses on loans and advances are summarised below:

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 | 31 December 2010 US\$ | 31 December 2010 KHR'000 |
|----------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
| Balance as at 1 January | 1,252,752 | 5,077,405 | - | - |
| Provision expense in the year | 1,286,026 | 5,194,259 | 1,252,752 | 5,077,405 |
| Exchange differences | (47,276) | (208,486) | | |
| Balance as at 31 December | 2,491,502 | 10,063,178 | 1,252,752 | 5,077,405 |

7. LOANS AND ADVANCES TO CUSTOMERS (continued)

Further analyses of loans and advances are as follows:

(a) The loan portfolio is graded as follows:

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ (Restated) | 31 December 2010 KHR'000 (Note 2.1) (Restated) |
|------------------------------|-----------------------------|--|---|--|
| Normal loans | | | | |
| Secured | 231,099,398 | 933,410,470 | 148,729,935 | 602,802,429 |
| Unsecured | 50,816,549 | 205,248,042 | 574,670 | 2,329,135 |
| | 281,915,947 | 1,138,658,512 | 149,304,605 | 605,131,564 |
| Special mention loans | | | | |
| Secured | 1,792,459 | 7,239,742 | - | - |
| Unsecured | - | - | - | - |
| | 1,792,459 | 7,239,742 | - | - |
| Substandard loans | | | | |
| Secured | 89,207 | 360,307 | - | - |
| Unsecured | - | - | - | - |
| | 89,207 | 360,307 | - | - |
| Total | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |

(b) For an analysis of loans and advances by maturity, refer to Note 26 on Financial Risk Management.

(c) For an analysis of loans and advances by currency, refer to Note 26 on Financial Risk Management.

(d) Analysis of loans and advances by type of loans is as follows:

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ (Restated) | 31 December 2010 KHR'000 (Note 2.1) (Restated) |
|--------------------------|-----------------------------|--|---|--|
| Commercial loans | 263,362,803 | 1,063,722,363 | 144,344,496 | 585,028,244 |
| Consumer loans | 20,434,810 | 82,536,198 | 4,960,109 | 20,103,320 |
| Total gross loans | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |

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

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ (Restated) | 31 December 2010 KHR'000 (Note 2.1) (Restated) |
|--|-----------------------------|--|---|--|
| Wholesale and retail | 76,495,730 | 308,966,260 | 37,948,575 | 153,805,575 |
| Manufacturing | 53,253,964 | 215,092,760 | 20,469,290 | 82,962,033 |
| Agriculture | 32,100,711 | 129,654,770 | 13,675,470 | 55,426,680 |
| Real estate | 13,809,176 | 55,775,260 | 10,399,469 | 42,149,044 |
| Transportation, storage and communication | 19,777,445 | 79,881,100 | 7,957,837 | 32,253,114 |
| Construction | 30,217,034 | 122,046,600 | 5,100,826 | 20,673,648 |
| Consumer items | 20,434,810 | 82,536,198 | 4,939,212 | 20,018,626 |
| Others | 37,708,743 | 152,305,613 | 48,813,926 | 197,842,844 |
| Total gross loans | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |

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

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ (Restated) | 31 December 2010 KHR'000 (Note 2.1) (Restated) |
|-------------------------|-----------------------------|--|---|--|
| Residence status | | | | |
| Residents | 166,014,087 | 670,530,898 | 76,534,015 | 310,192,364 |
| Non-residents | 117,783,526 | 475,727,663 | 72,770,590 | 294,939,200 |
| | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |
| Relationship | | | | |
| Related parties | 115,940 | 468,280 | - | - |
| Non-related parties | 283,681,673 | 1,145,790,281 | 149,304,605 | 605,131,564 |
| | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |
| Exposure | | | | |
| Large | 114,563,459 | 462,721,811 | 92,550,379 | 375,106,685 |
| Non-large | 169,234,154 | 683,536,750 | 56,754,226 | 230,024,879 |
| | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |

7. LOANS AND ADVANCES TO CUSTOMERS (continued)

The annual interest rates of loans and advances to customers are as follows:

| | 31 December 2011 | 31 December 2010 |
|------------|------------------|------------------|
| Term loans | 3.00% - 11.00% | 4.25% - 11.00% |

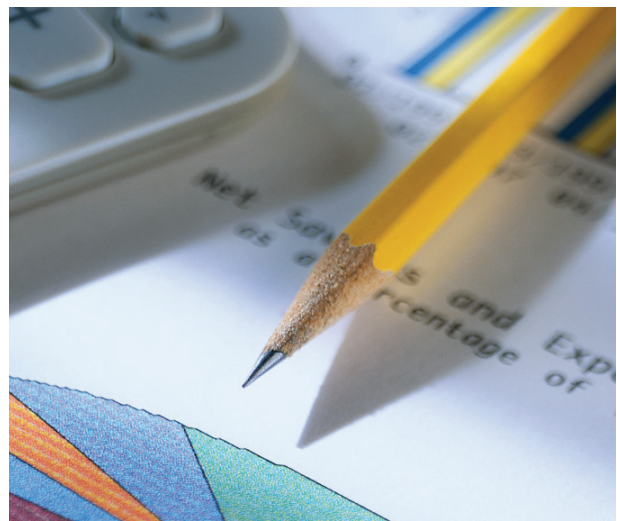
8 INVESTMENTS IN SECURITIES

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|-----------------------|-----------------------------|--|-----------------------------|--|
| Investment in bonds | 9,602,458 | 38,784,329 | 10,564,124 | 42,816,396 |
| Investments in stocks | 1,975,000 | 7,977,025 | 1,655,000 | 6,707,715 |
| | 11,577,458 | 46,761,354 | 12,219,124 | 49,524,111 |

8.1 Investment in bonds

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|--|-----------------------------|--|-----------------------------|--|
| Bonds issued by Tai Nguyen Construction - Manufacture - Trade Co., Ltd | 9,602,458 | 38,784,329 | 10,564,124 | 42,816,396 |

Bonds are issued by Tai Nguyen Construction - Manufacture - Trade Co., Ltd to finance the building project of Phuoc Nguyen Hung Apartment (Kenton Residences) at Phuoc Kien, Nha Be District, Ho Chi Minh City and multi-functional urban center at Phu My Ward, District 7, Ho Chi Minh City. These bonds have term of three years and bear interest at 16.00% p.a for the first year. Interest rate for the following years is equal to the average interest rate on 12-month saving deposits in VND with interest payment in arrears of BIDV (SGD2), Agribank (Saigon branch), Vietinbank (HCM branch) and VCB (HCM branch) plus a margin of 4.5% p.a. Interest is paid annually.



8.2 Investments in stocks

| | 31 December 2011 | | | 31 December 2010 | | |
|-------------------------------------|------------------|-----------------------|------------------------------|------------------|-----------------------|------------------------------|
| | US\$ | KHR'000 (Note 2.1) | % owned by the Bank | US\$ | KHR'000 (Note 2.1) | % owned by the Bank |
| Cambodia Vietnam Securities Company | 1,500,000 | 6,058,500 | 15 | 1,500,000 | 6,079,500 | 15 |
| Allumina Joint Venture Company | 450,000 | 1,817,550 | 5 | 150,000 | 607,950 | 5 |
| Credit Bureau of Cambodia Company | 25,000 | 100,975 | 1 | 5,000 | 20,265 | 1 |
| | 1,975,000 | 7,977,025 | | 1,655,000 | 6,707,715 | |

9. PROPERTY AND EQUIPMENT

Property and equipment comprises of:

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|--------------------------|-----------------------------|--|-----------------------------|--|
| Property and equipment | 3,119,615 | 12,600,125 | 2,464,772 | 9,989,721 |
| Construction in progress | 939,630 | 3,795,166 | 1,941,868 | 7,870,391 |
| | 4,059,245 | 16,395,291 | 4,406,640 | 17,860,112 |

9. PROPERTY AND EQUIPMENT (continued)

9.1 Property and equipment

| | <i>Buildings and leasehold improvements US\$</i> | <i>Furniture, fixtures and equipment US\$</i> | <i>IT equipment US\$</i> | <i>Motor vehicles US\$</i> | <i>Total US\$</i> |
|---|--|---|----------------------------------|------------------------------------|-----------------------|
| Cost | | | | | |
| At 1 January 2011 | 980,388 | 835,531 | 957,367 | 382,884 | 3,156,170 |
| Additions | 429,419 | 232,074 | 119,595 | 114,307 | 895,395 |
| Transfer from construction-in progress | 448,270 | - | 77,152 | - | 525,422 |
| At 31 December 2011 | 1,858,077 | 1,067,605 | 1,154,114 | 497,191 | 4,576,987 |
| Less: Accumulated depreciation | | | | | |
| At 1 January 2011 | (55,263) | (279,329) | (301,096) | (55,710) | (691,398) |
| Charges | (71,656) | (147,359) | (430,855) | (72,718) | (722,588) |
| Foreign exchange difference | - | (31,739) | 6,151 | (17,798) | (43,386) |
| At 31 December 2011 | (126,919) | (458,427) | (725,800) | (146,226) | (1,457,372) |
| Net book value | | | | | |
| At 1 January 2011 | 925,125 | 556,202 | 656,271 | 327,174 | 2,464,772 |
| At 31 December 2011 | 1,731,158 | 609,178 | 428,314 | 350,965 | 3,119,615 |
| KHR'000 equivalent (Note 2.1) | | | | | |
| At 1 January 2011 | 3,749,526 | 2,254,287 | 2,659,872 | 1,326,036 | 9,989,721 |
| At 31 December 2011 | 6,992,146 | 2,460,470 | 1,729,960 | 1,417,548 | 12,600,125 |

9.2 Construction in progress

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note2.1) |
|-----------------------------------|-----------------------------|---|-----------------------------|---|
| At 1 January | 1,941,868 | 7,870,391 | - | - |
| Additions | 1,856,392 | 7,497,974 | 1,941,868 | 7,870,391 |
| Decrease during the year | | | | |
| Transfer to leasehold improvement | (448,270) | (1,810,564) | - | - |
| Transfer to IT equipment | (77,152) | (311,618) | - | - |
| Transfer to computer software | (2,333,429) | (9,424,719) | - | - |
| | (2,858,851) | (11,546,901) | - | - |
| Exchange differences | 221 | (26,298) | - | - |
| At 31 December | 939,630 | 3,795,166 | 1,941,868 | 7,870,391 |

10. INTANGIBLE ASSETS

| | Computer software US\$ | Pre-opening expenses US\$ | Total US\$ |
|--|------------------------------|---------------------------------|-------------------|
| Cost | | | |
| At 1 January 2011 | 562,991 | 266,636 | 829,627 |
| Additions | 254,301 | - | 254,301 |
| Transfer from construction-in progress | 2,333,429 | - | 2,333,429 |
| At 31 December 2011 | 3,150,721 | 266,636 | 3,417,357 |
| Less: Accumulated amortization | | | |
| At 1 January 2011 | (313,235) | (266,636) | (579,871) |
| Charges | (128,322) | - | (128,322) |
| Foreign exchange difference | (8,207) | - | (8,207) |
| At 31 December 2011 | (449,764) | (266,636) | (716,400) |
| Net book value | | | |
| At 1 January 2011 | 249,756 | - | 249,756 |
| At 31 December 2011 | 2,700,957 | - | 2,700,957 |
| KHR'000 equivalent (Note 2.1) | | | |
| At 1 January 2011 | 1,012,263 | - | 1,012,263 |
| At 31 December 2011 | 10,909,167 | - | 10,909,167 |

11. OTHER ASSETS

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ (Restated) | 31 December 2010 KHR'000 (Note 2.1) (Restated) |
|---|-----------------------------|--|---|--|
| Interest receivable | 2,639,097 | 10,659,315 | 599,591 | 2,430,142 |
| Deferred expenses | 384,458 | 1,552,825 | 250,172 | 1,013,949 |
| T24 deposit | - | - | 72,200 | 292,626 |
| Advances | 17,035 | 68,806 | 55,138 | 223,474 |
| Input VAT | 96,551 | 389,969 | 52,434 | 212,517 |
| Deposits to BIDV Securities Company (*) | 20,645,285 | 83,386,307 | - | - |
| Entrusted investments (**) | 2,621,711 | 10,589,091 | - | - |
| Others | 156,532 | 632,230 | 213,253 | 864,312 |
| | 26,560,669 | 107,278,543 | 1,242,788 | 5,037,020 |

(*) Deposits to BIDV Securities Company ("BSC") per Securities Brokerage Contracts between Ho Chi Minh branch or Ha Noi branch with BSC. According to these contracts, BSC acts as a broker for securities (Government bonds) purchase transactions. At the end of contract term, in case BSC is not able to find a seller per request of the Bank, the Bank will collect the deposits plus interest agreed in the contract. Detailed information is as follows:

| Branch | Amount US\$ | Interest rate (%pa) | Start date | Maturity date |
|-------------------|-------------------|------------------------|------------|---------------|
| BSC – Ho Chi Minh | 7,201,843 | 14.00 | 16/09/2011 | 16/02/2012 |
| BSC – Ho Chi Minh | 2,400,615 | 14.00 | 19/09/2011 | 20/02/2012 |
| BSC – Ho Chi Minh | 4,801,228 | 14.00 | 24/10/2011 | 06/02/2012 |
| BSC – Hanoi | 2,400,615 | 5.70 | 27/12/2011 | 03/01/2012 |
| BSC – Hanoi | 2,400,615 | 5.70 | 28/12/2011 | 04/01/2012 |
| BSC – Hanoi | 1,440,369 | 5.70 | 29/12/2011 | 05/01/2012 |
| Total | 20,645,285 | | | |



Be your side, by your hand



(**) Entrusted investments to fund management companies such as SME and Viet Cat at Hanoi branch. The purpose is to purchase Government Bonds. During the contract time, if no Government Bonds are purchased, the investment could be utilized as term deposits at other banks agreed by the Bank with an interest rate stated in the contracts.

The detailed information is as follows:

| <i>Company</i> | <i>Amount US\$</i> | <i>Interest rate (%pa)</i> | <i>Start date</i> | <i>Maturity date</i> |
|----------------------------------|------------------------|--------------------------------|-------------------|--------------------------|
| SME Fund Management Company | 510,707 | 14.00 | 05/12/2011 | 05/01/2012 |
| SME Fund Management Company | 399,990 | 0.50 | 30/12/2011 | 06/01/2012 |
| Viet Cat Fund Management Company | 510,707 | 14.00 | 05/12/2011 | 05/01/2012 |
| Viet Cat Fund Management Company | 480,123 | 6.00 | 30/12/2011 | 03/01/2012 |
| Viet Cat Fund Management Company | 720,184 | 6% | 30/12/2011 | 03/01/2012 |
| Total | 2,621,711 | | | |

12. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|--|-----------------------------|--|-----------------------------|--|
| Demand deposits from | | | | |
| Lao Viet Bank | 31,675,020 | 127,935,404 | - | - |
| SacomBank | 395,966 | 1,599,305 | - | - |
| Term deposits from | | | | |
| Vattanac Bank | 5,064,093 | 20,453,871 | - | - |
| Lao Viet Bank | 2,880,737 | 11,635,299 | - | - |
| Eximbank | 2,400,615 | 9,696,082 | - | - |
| EVN Financial Company | 480,123 | 1,939,216 | - | - |
| ABA Bank | 10,500,000 | 42,409,500 | - | - |
| SacomBank CPC | 6,000,000 | 24,234,000 | - | - |
| CVS | 8,892,364 | 35,916,257 | - | - |
| Term deposits with MHB | - | - | 7,923,093 | 32,112,297 |
| Dai A Bank – US\$ | 1,900,000 | 7,674,100 | - | - |
| Term deposits with BIDV (Head Office) | | | 79,712,867 | 323,076,250 |
| BIDV (Head Office) – US\$ | 3,900,000 | 15,752,100 | - | - |
| BIDV (Head Office) – VND | 177,733,434 | 717,865,346 | - | - |
| Total | 251,822,352 | 1,017,110,480 | 87,635,960 | 355,188,547 |

The annual interest rates of deposits from credit institution are as follows:

| | 31 December 2011 US\$ | 31 December 2011 KHR | 31 December 2010 US\$ | 31 December 2010 KHR |
|-----------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| Demand deposits | 0.00% | 0.00% - 0.10% | 0.00% | 0.00% |
| Term deposits | 2% - 3.2% | 2.50% - 6.00% | 0.8% | N/A |

13. DEPOSITS FROM CUSTOMERS

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|-----------------------------|-----------------------------|--|-----------------------------|--|
| Current accounts | 32,668,143 | 131,946,634 | 37,970,783 | 153,895,583 |
| Fixed deposits | 73,539,260 | 297,025,070 | 54,401,534 | 220,489,417 |
| Savings deposits | 2,819,145 | 11,386,525 | 1,983,780 | 8,040,260 |
| Margin deposits | 3,717,249 | 15,013,967 | 2,389,033 | 9,682,753 |
| Total | 112,743,797 | 455,372,196 | 96,745,130 | 392,108,013 |
| Number of depositors | | | | |
| Current accounts | 932 | | 434 | |
| Fixed deposits | 117 | | 346 | |
| Savings deposits | 3,335 | | 2,260 | |
| Total | 4,384 | | 3,040 | |

Further analyses of deposits from customers are as follows:

(a) Types of customers

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|---------------------------|-----------------------------|--|-----------------------------|--|
| Domestic corporations | 55,040,929 | 222,310,310 | 60,149,015 | 243,783,959 |
| Foreign corporations | 32,244,890 | 130,237,112 | | |
| Resident individuals | 9,435,607 | 38,110,418 | 36,596,115 | 148,324,054 |
| Non-residents individuals | 16,022,371 | 64,714,356 | - | - |
| Total | 112,743,797 | 455,372,196 | 96,745,130 | 392,108,013 |

(b) For maturity analysis, refer to Note 26 on Financial risk management.

(c) For deposits from related parties, refer to Note 24 on Related party transactions and balances.

(d) The annual interest rates of deposits from customers are as follows:

| | 31 December 2011 | 31 December 2010 |
|------------------|------------------|------------------|
| Current accounts | Nil | Nil - 3.60% |
| Saving accounts | Nil - 1.00% | Nil - 1.00% |
| Fixed deposits | 2.00% - 6.00% | 2.00% - 15.20% |

14. TAXATION

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

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|---------------------------------------|------------------|-------------------------------|----------------|-------------------------------|
| Corporate income tax | | | | |
| Current | 1,317,778 | 5,322,506 | 592,686 | 2,402,158 |
| Deferred | - | - | - | - |
| Total tax expense for the year | 1,317,778 | 5,322,506 | 592,686 | 2,402,158 |

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.

In accordance with Vietnamese tax regulations, current CIT is calculated at the tax rate of 25% of taxable income.

Details of estimated CIT expense and payable are as follows:

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|--------------------------|------------------|-------------------------------|----------------|-------------------------------|
| Cambodia operation | 862,210 | 3,482,467 | 226,195 | 916,764 |
| Hanoi branch | 87,726 | 354,324 | - | - |
| Hochiminh branch | 367,842 | 1,485,715 | 366,491 | 1,485,394 |
| Total current CIT | 1,317,778 | 5,322,506 | 592,686 | 2,402,158 |

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

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|---------------------------------------|-----------------------------|--|-----------------------------|--|
| Balance at the beginning of the year | 319,961 | 1,296,802 | 25,967 | 108,257 |
| Current tax charge for the year | 1,317,778 | 5,322,506 | 592,686 | 2,402,158 |
| Foreign exchange difference | - | (4,481) | - | (3,013) |
| Payments during the year | (648,295) | (2,618,463) | (298,692) | (1,210,600) |
| Balance at the end of the year | 989,444 | 3,996,364 | 319,961 | 1,296,802 |

15. OTHER LIABILITIES

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|----------------------------|-----------------------------|--|-----------------------------|--|
| Interest payable | 2,956,946 | 11,943,105 | 909,328 | 3,685,505 |
| Wages and salaries payable | 195,251 | 788,617 | 205,521 | 832,978 |
| Others | 426,682 | 1,723,370 | 86,051 | 348,766 |
| | 3,578,879 | 14,455,092 | 1,200,900 | 4,867,249 |

16. PAID-UP CAPITAL

The paid-up capital was US\$ 70,000,000 or KHR'000 282,730,000 which was fully contributed by Cambodian Investment and Development Co Ltd. ("IDCC"), a company incorporated in Cambodia, which was co-founded by Bank for Investment and Development of Vietnam ("BIDV") (owning 80%) and Phuong Nam Company (owning 20%) at 31 December 2011.

17. INTEREST AND SIMILAR INCOME

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|--------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| Interest income from lending | 23,057,861 | 93,130,700 | 10,466,923 | 42,422,443 |
| Interest income from deposits: | | | - | - |
| NBC | 20,162 | 81,433 | 5,694 | 23,076 |
| Local credit institutions | 240,417 | 971,045 | 476,147 | 1,929,823 |
| Overseas credit institutions | 4,303,115 | 17,380,281 | - | - |
| | 27,621,555 | 111,563,459 | 10,948,764 | 44,375,342 |

18. INTEREST AND SIMILAR EXPENSE

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|---|-------------------|-------------------------------|------------------|-------------------------------|
| Interest expense on deposits from other credit institutions | 13,190,547 | 53,276,620 | 163,825 | 663,983 |
| Interest expense on deposits from customers | | | | |
| Fixed deposits | 4,901,855 | 19,798,593 | 4,823,215 | 19,548,491 |
| Demand deposits | 385,203 | 1,555,836 | 105,302 | 426,790 |
| Saving deposits | 16,676 | 67,353 | 16,030 | 64,970 |
| Margin deposits | 87,181 | 352,123 | 4,664 | 18,903 |
| Borrowed funds | - | - | 52 | 210 |
| | 18,581,462 | 75,050,525 | 5,113,088 | 20,723,347 |

19. FEES AND COMMISSION INCOME

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|------------------------------------|------------------|-------------------------------|------------------|-------------------------------|
| Loan arrangement fees | 1,494,720 | 6,037,176 | 764,457 | 3,098,344 |
| Trade finance | 539,183 | 2,177,760 | 525,995 | 2,131,859 |
| Commission received on remittances | 518,574 | 2,094,521 | 163,763 | 663,729 |
| Loan processing fees | 71,421 | 288,467 | 26,853 | 108,836 |
| Other commissions and fees | 365,225 | 1,475,144 | 111,955 | 453,755 |
| | 2,989,123 | 12,073,068 | 1,593,023 | 6,456,523 |



20. OTHER OPERATING INCOME

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|-----------------------|----------------|-------------------------------|------------------|-------------------------------|
| Foreign exchange gain | 218,684 | 883,267 | 1,136,038 | 4,604,360 |
| Others | 9 | 35 | 287 | 1,165 |
| | 218,693 | 883,302 | 1,136,325 | 4,605,525 |

21. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|---|------------------|-------------------------------|------------------|-------------------------------|
| Personnel | 2,205,869 | 8,909,503 | 1,564,499 | 6,340,913 |
| Depreciation | 722,588 | 2,918,531 | 356,142 | 1,281,555 |
| Rental | 505,062 | 2,039,944 | 186,237 | 916,703 |
| Other tax expenses | 382,457 | 1,544,745 | 85,995 | 348,539 |
| Advertising expense | 328,437 | 1,326,559 | 118,307 | 479,496 |
| Business meals and entertainment | 217,131 | 876,993 | 130,444 | 528,689 |
| Telephone and telex | 173,919 | 702,460 | 115,359 | 467,550 |
| Utilities | 170,973 | 690,561 | 128,437 | 520,554 |
| Travelling and accommodation | 146,205 | 590,521 | 93,439 | 378,710 |
| Amortisation | 128,322 | 518,292 | 287,676 | 1,165,951 |
| Convention and conference | 105,360 | 425,548 | 137,691 | 558,061 |
| Supplies | 101,453 | 409,770 | 70,300 | 284,927 |
| Bank license fees | 50,701 | 204,781 | 35,980 | 145,827 |
| Repairs and maintenance | 43,047 | 173,865 | 14,280 | 57,877 |
| Professional fees | 41,085 | 165,942 | 14,811 | 60,029 |
| Shareholders' meeting | 31,590 | 127,592 | 2,600 | 10,538 |
| Directors' remuneration | 29,142 | 117,705 | 34,292 | 138,986 |
| Dues and memberships, stamp and registration expenses | 28,144 | 113,673 | 17,100 | 69,306 |
| Insurance | 12,653 | 51,105 | 9,591 | 38,871 |
| Bank security | 10,832 | 43,749 | 2,023 | 8,198 |
| Patent tax | 1,139 | 4,599 | 3,095 | 12,546 |
| Others | 716,396 | 2,893,530 | 1,168,989 | 4,737,916 |
| | 6,152,505 | 24,849,968 | 4,577,287 | 18,551,742 |

22. NET CASH PROVIDED BY OPERATING ACTIVITIES

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|---|-------------------|-------------------------------|-------------------|-------------------------------|
| Cash flows from operating activities | | | | |
| Profit before income tax | 6,117,581 | 24,708,911 | 2,580,183 | 10,457,481 |
| <i>Adjustments for:</i> | | | | |
| Depreciation and amortization expense | 850,909 | 3,436,823 | 542,378 | 2,198,258 |
| Allowance for losses on loans and advances | 1,291,290 | 5,215,521 | 1,271,609 | 5,153,829 |
| Accrued interest receivable | (1,956,767) | (7,903,384) | (599,591) | (2,430,142) |
| Accrued interest payable | 2,047,618 | 8,270,329 | 909,328 | 3,685,505 |
| Income tax paid during year | (648,295) | (2,618,463) | (298,692) | (1,210,600) |
| Gains from investments | (1,572,584) | (6,351,669) | (42,296) | (171,424) |
| Exchange rate differences | 842,221 | 3,401,732 | (30,954) | (125,458) |
| Operating profit before changes in working capital | 6,971,973 | 28,159,800 | 4,331,965 | 17,557,452 |
| (Increase) decrease in operating assets: | | | | |
| Capital guarantee and reserve deposits with NBC | 1,438,549 | 5,810,299 | (9,458,716) | (38,336,177) |
| Placements with and loans other credit institutions | 7,202,909 | 29,092,550 | 7,084,911 | 28,715,144 |
| Loans and advances to customers | (134,493,009) | (543,217,262) | (65,038,577) | (263,601,354) |
| Other assets | (23,278,375) | (94,021,357) | 418,330 | 1,695,490 |
| Increase (decrease) in operating liabilities: | | | | |
| Deposits from other credit institutions | 164,186,392 | 663,148,838 | (5,896,110) | (23,896,933) |
| Deposits from customers | 15,998,667 | 64,618,615 | 85,851,173 | 347,954,806 |
| Other liabilities | 330,361 | 1,334,325 | 184,953 | 749,624 |
| Net cash provided by operating activities | 38,357,467 | 154,925,808 | 17,477,929 | 70,838,052 |



23. COMMITMENTS AND CONTINGENCIES

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|--|-----------------------------|--|-----------------------------|--|
| (i) Credit-related commitments | | | | |
| Letters of credit | 31,111,234 | 125,658,273 | 39,540,189 | 160,256,386 |
| Bank guarantees | 994,333 | 4,016,110 | 433,100 | 1,755,354 |
| Others | 10,335,455 | 41,744,903 | 3,202,782 | 12,980,876 |
| | 42,441,022 | 171,419,286 | 43,176,071 | 174,992,616 |
| (ii) Lease commitments | | | | |
| Not later than 1 year | 327,921 | 1,324,473 | - | - |
| Later than 1 year and not later than 5 years | 1,639,606 | 6,622,367 | 374,800 | 1,519,064 |
| Over 5 years | 3,142,577 | 12,692,870 | 5,859,080 | 23,746,852 |
| | 5,110,104 | 20,639,710 | 6,233,880 | 25,265,916 |



24. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Significant transactions with related parties during the year include:

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|-------------------------------------|------------------|-------------------------------|------------------|-------------------------------|
| Interest income | | | | |
| BIDV (Head Office) | - | - | 111,799 | 453,120 |
| BIDV (SGD 2 Branch) | - | - | 69 | 281 |
| BIDV (NKKN Branch) | - | - | - | - |
| IDCC | - | - | 14,535 | 58,909 |
| Lao Viet Bank | 572,547 | 2,312,516 | - | - |
| | 572,547 | 2,312,516 | 126,403 | 512,310 |
| Interest expense | | | | |
| Cambodia Vietnam Insurance Company | 481,805 | 1,946,010 | 150,961 | 611,846 |
| BIDV (Head Office) | 1,593,196 | 6,434,919 | 2,480,175 | 10,052,151 |
| Lao Viet Bank | 225,675 | 911,500 | - | - |
| IDCC | 28,796 | 116,307 | - | - |
| Cambodia Vietnam Securities Company | 469,457 | 1,896,137 | 260 | 1,055 |
| | 2,798,929 | 11,304,873 | 2,631,396 | 10,665,052 |

24. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

| | 31 December 2011 US\$ | 31 December 2011 KHR'000 (Note 2.1) | 31 December 2010 US\$ | 31 December 2010 KHR'000 (Note 2.1) |
|---------------------------------------|-----------------------------|--|-----------------------------|--|
| Deposits with related parties | | | | |
| BIDV (HCMC Branch) | - | - | 6,436,414 | 26,086,784 |
| BIDV (SGD 2 Branch) | - | - | 5,019,171 | 20,342,701 |
| BIDV (NKKN Branch) | - | - | 1,681 | 6,815 |
| BIDV (Head Office) | 8,186,753 | 33,066,295 | 4,521,764 | 18,326,707 |
| Lao Viet Bank (HO) | 2,880,737 | 11,635,299 | - | - |
| Lao Viet Bank (HCM Branch) | 17,675,003 | 71,389,337 | - | - |
| Lao Viet Bank (HN Branch) | 14,000,000 | 56,546,000 | - | - |
| | 42,742,493 | 172,636,931 | 15,979,030 | 64,763,007 |
| Amounts due to related parties | | | | |
| BIDV (Head Office) | 94,478,741 | 381,599,631 | 79,712,867 | 323,076,250 |
| Cambodia Vietnam Insurance Company | 5,902,005 | 23,838,198 | 996,301 | 4,038,006 |
| IDCC | 1,809,420 | 7,308,247 | 1,366,773 | 5,539,533 |
| Lao Viet Bank (HO) | 6,241,598 | 25,209,814 | - | - |
| Lao Viet Bank (HCM Branch) | 15,512,353 | 62,654,395 | - | - |
| Lao Viet Bank (HN Branch) | 16,880,737 | 68,181,299 | - | - |
| Cambodia Vietnam Securities Company | 8,895,435 | 35,928,662 | 2,737,278 | 11,094,188 |
| | 149,720,289 | 604,720,246 | 84,813,219 | 343,747,977 |



(c) Key management personnel compensation

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

| | 2011 US\$ | 2011 KHR'000 (Note 2.1) | 2010 US\$ | 2010 KHR'000 (Note 2.1) |
|---------------------|--------------|-------------------------------|--------------|-------------------------------|
| Board of Directors | 25,130 | 101,499 | 17,100 | 69,306 |
| Board of Management | 245,070 | 989,839 | 176,117 | 713,802 |
| Gross remuneration | 270,200 | 1,091,338 | 193,217 | 783,108 |
| Board of Directors | 23,171 | 93,589 | 16,740 | 67,847 |
| Board of Management | 215,713 | 871,263 | 149,718 | 606,808 |
| Net remuneration | 238,884 | 964,852 | 166,458 | 674,655 |

Related party transactions include all transactions undertaken with other parties to which the Bank are related as defined in Note 2.4.19.

25. GEOGRAPHICAL REGIONS

The Bank operates in two geographic markets: Kingdom of Cambodia (“domestic”) and Socialist Republic of Vietnam (“Vietnam”). The assets allocation based on the geographical regions as at 31 December 2011 is as follows:

| | <i>Domestic US\$</i> | <i>Vietnam US\$</i> | <i>Total US\$</i> |
|--|--------------------------|-------------------------|-----------------------|
| ASSETS | | | |
| Cash on hand | 5,902,589 | 399,830 | 6,302,419 |
| Balances with the NBC | 35,248,740 | - | 35,248,740 |
| Balances with other credit institutions | 15,411,805 | 36,914,406 | 52,326,211 |
| Placements with and loans to other credit institutions | - | 23,997,273 | 23,997,273 |
| Loans and advances to customers | 164,351,618 | 116,954,493 | 281,306,111 |
| Investment in bonds | - | 9,602,458 | 9,602,458 |
| Investments in stocks | 1,975,000 | - | 1,975,000 |
| Property and equipment | 3,484,806 | 574,439 | 4,059,245 |
| Intangible assets | 1,657,735 | 1,043,222 | 2,700,957 |
| Other assets | 1,535,532 | 25,044,974 | 26,580,506 |
| TOTAL ASSETS | 229,567,825 | 214,531,095 | 444,098,920 |
| LIABILITIES | | | |
| Deposits from other credit institutions | 147,852,422 | 103,969,930 | 251,822,352 |
| Deposits from customers | 66,025,405 | 46,718,392 | 112,743,797 |
| Income tax payable | 874,343 | 115,101 | 989,444 |
| Other liabilities | 1,404,399 | 2,168,702 | 3,573,101 |
| TOTAL LIABILITIES | 216,156,569 | 152,972,125 | 369,128,694 |

26. FINANCIAL RISK MANAGEMENT

The Bank's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure.

A primary objective of the Bank in risk management is to comply with the NBC's regulations. On the other hand, the Bank has recognized the importance of achieving international best practices on risk management. The Bank has established a Risk Management Department to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The Bank holds the following financial assets and liabilities:

| | 31 December 2011 | | 31 December 2010 | |
|--|--------------------|-------------------------------------|--------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Financial assets | | | | |
| Cash on hand | 6,302,419 | 25,455,472 | 1,106,750 | 4,485,659 |
| Balances with the NBC | 35,248,740 | 142,369,660 | 47,726,690 | 193,436,273 |
| Balances with other credit institutions | 52,326,211 | 211,345,560 | 24,527,427 | 99,409,660 |
| Placements with and loans to other credit institutions | 23,997,273 | 96,924,985 | 18,423,093 | 74,668,797 |
| Loans and advances to customers | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |
| Other assets | 26,580,505 | 107,358,664 | 903,627 | 3,662,401 |
| Total financial assets | 428,252,761 | 1,729,712,902 | 241,992,192 | 980,794,354 |
| Financial liabilities | | | | |
| Deposits from other credit institutions | 251,822,352 | 1,017,110,482 | 87,635,960 | 355,188,547 |
| Deposits from customers | 112,743,797 | 455,372,196 | 96,745,130 | 392,108,013 |
| Income tax payable | 989,444 | 3,996,365 | 319,962 | 1,296,802 |
| Other liabilities | 3,546,381 | 14,323,829 | 1,200,900 | 4,867,249 |
| Total financial liabilities | 369,101,974 | 1,490,802,872 | 185,901,952 | 753,460,611 |
| Net financial assets | 59,150,787 | 238,910,030 | 56,090,240 | 227,333,743 |

26. FINANCIAL RISK MANAGEMENT (continued)

26.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Credit Risk Department.

(a) Credit risk measurement

The Bank assesses the probability of default of individual counterparties manually. Credit Risk Department is responsible for determining the risk rating policies.

(b) Risk limit control and mitigation policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia and Vietnam. The Bank manages, limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, under the conditions of NBC Prakas No. B7-06-226 of the NBC, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances to customers, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings;
- Customers fixed deposit placed with the Bank
- Cash in the form of margin deposits; and
- Debenture over fixed and floating assets of borrowers.

(c) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as disclosed in Note 2.4.4.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

| | 31 December 2011 | | 31 December 2010 | |
|--|--------------------|-------------------------------------|--------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Cash on hand | 6,302,419 | 25,455,472 | 1,106,750 | 4,485,659 |
| Balances with the NBC | 35,248,740 | 142,369,660 | 47,726,690 | 193,436,273 |
| Balances with other credit institutions | 52,326,211 | 211,345,560 | 24,527,427 | 99,409,660 |
| Placements with and loans to other credit institutions | 23,997,273 | 96,924,985 | 18,423,093 | 74,668,797 |
| Loans and advances to customers | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,564 |
| Other assets | 26,580,505 | 107,358,664 | 903,627 | 3,662,401 |
| | 428,252,761 | 1,729,712,902 | 241,992,192 | 980,794,354 |

The details of credit risk exposure relating to off-balance sheet items are disclosed in Note 23 on Credit-related commitments.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

(e) Loans and advances

| | 31 December 2011 | | 31 December 2010 | |
|--|--------------------|-------------------------------------|--------------------|-------------------------------------|
| | US\$ | KHR'000 equivalent (Note 2.1) | US\$ | KHR'000 equivalent (Note 2.1) |
| Loans and advances neither past due nor impaired (i) | 281,915,947 | 1,138,658,512 | 149,304,605 | 605,131,565 |
| Loans and advances past due but not impaired (ii) | 1,792,459 | 7,239,742 | - | - |
| Loans and advances individually impaired (iii) | 89,207 | 360,307 | - | - |
| Total loans and advances, gross | 283,797,613 | 1,146,258,561 | 149,304,605 | 605,131,565 |
| Less: | | | | |
| Allowance for losses on loans and advances | 2,491,502 | 10,063,178 | 1,252,752 | 5,077,405 |
| Total loans and advances | 281,306,111 | 1,136,195,383 | 148,051,853 | 600,054,160 |

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument, will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

The Bank operates in the Kingdom of Cambodia and Vietnam and transacts in many currencies, and is exposed to various currency risks, primarily with respect to KHR, USD, VND, etc.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank's functional currency.

The Bank has set limits on positions by currency, based on its internal risk assessment system and the NBC's regulations. Positions are monitored on a daily basis to ensure positions are maintained within the established limits.

As at 31 December 2011 and 2010, balances in monetary assets and liabilities denominated in currencies other than US\$ and VND are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.



(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, the management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Bank has no financial assets and liabilities with floating interest rates. Balances with the NBC, balances with other credit institutions and loans and advances earn fixed interest rates for the period of the deposits. Placement and deposits from other credit institutions and deposits from customers have fixed interest rates.

26.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Bank's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The table below is an analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.



26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Liquidity risk (continued)

| | Up to 1 month US\$ | > 1 to 3 months US\$ | > 3 to 6 months US\$ |
|--|--------------------------|----------------------------|----------------------------|
| 2011 | | | |
| Financial assets | | | |
| Cash and bank balances | 78,124,804 | - | - |
| Placements with and loans to other banks | 16,555,368 | 6,721,721 | 720,184 |
| Statutory deposits | - | - | - |
| Loans and advances to customers | 18,895,368 | 32,812,951 | 66,138,254 |
| Investment in securities | - | - | - |
| Other assets | 9,223,789 | 14,725,266 | 334,918 |
| Total financial assets | 122,799,329 | 54,259,938 | 67,193,356 |
| Financial liabilities | | | |
| Deposits of other banks | 224,877,522 | 18,444,830 | 6,500,000 |
| Deposits from customers | 68,761,730 | 12,604,098 | 13,404,587 |
| Corporate income tax payable | - | 989,444 | - |
| Other liabilities | 1,082,920 | 641,468 | 474,006 |
| Total financial liabilities | 294,722,172 | 32,679,840 | 20,378,593 |
| Net liquidity surplus (gap) | (171,922,843) | 21,580,098 | 46,814,763 |
| KHR'000 equivalent (Note 2.1) | (694,396,371) | 87,162,012 | 189,084,829 |

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Liquidity risk (continued)

| | Up to 1 month US\$ | > 1 to 3 months US\$ | > 3 to 6 months US\$ |
|--|--------------------------|----------------------------|----------------------------|
| 2010 | | | |
| Financial assets | | | |
| Cash and bank balances | 49,227,266 | - | - |
| Placements with and loans to other banks | 6,760,783 | 10,500,000 | 7,923,093 |
| Statutory deposits | - | - | - |
| Loans and advances to customers | 10,425,511 | 49,952,365 | 16,345,100 |
| Investment in bonds | - | - | - |
| Other assets | 332,627 | - | 495,860 |
| Total financial assets | 66,746,187 | 60,452,365 | 24,764,053 |
| Financial liabilities | | | |
| Deposits of other banks | 57,000,000 | - | 30,635,960 |
| Deposits from customers | 25,987,384 | 8,428,036 | 12,248,914 |
| Other liabilities | 1,520,861 | - | - |
| Total financial liabilities | 84,508,245 | 8,428,036 | 42,884,874 |
| Net liquidity surplus (gap) | (17,762,058) | 52,024,329 | (18,120,821) |
| KHR'000 equivalent (Note 2.1) | (71,989,621) | 210,854,605 | (73,443,688) |

| > 6 to 12 months US\$ | > 1 to 5 years US\$ | Over 5 years US\$ | No fixed maturity date US\$ | Total US\$ |
|--------------------------|------------------------|----------------------|--------------------------------|--------------------|
| - | - | - | - | 49,227,266 |
| - | - | - | - | 25,183,876 |
| - | - | - | 17,372,818 | 17,372,818 |
| 49,160,641 | 21,096,149 | 2,664,000 | - | 149,643,766 |
| 10,564,124 | - | - | - | 10,564,124 |
| - | - | - | 75,140 | 903,627 |
| 59,724,765 | 21,096,149 | 2,664,000 | 17,447,958 | 252,895,477 |
| - | - | - | - | 87,635,960 |
| 6,535,929 | 1,201,270 | - | 42,343,597 | 96,745,130 |
| - | - | - | - | 1,520,861 |
| 6,535,929 | 1,201,270 | - | 42,343,597 | 185,901,951 |
| 53,188,836 | 19,894,879 | 2,664,000 | (24,895,639) | 66,993,526 |
| 215,574,352 | 80,633,945 | 10,797,192 | (100,902,024) | 271,524,761 |

26. FINANCIAL RISK MANAGEMENT (continued)

26.4 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values. In making this assessment, the management assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for loan losses, if any.

26.5 Capital management

The main regulatory capital requirement of the Bank is for 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 Bank recognized the impact of the level of capital on shareholders' return and 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.



27. RECLASSIFICATION OF CORRESPONDING FIGURES

Certain corresponding figures on the balance sheet have been reclassified to reflect the presentation of the current year's financial statements.

| | 31 December 2010 (previously presented) US\$ | Reclassification US\$ | 31 December 2010 (reclassified) US\$ |
|--------------------------------------|--|--------------------------|---|
| BALANCE SHEET | | | |
| ASSETS | | | |
| Loans and advances to customers | 148,391,014 | (339,161) | 148,051,853 |
| Other assets | 903,627 | 339,161 | 1,242,788 |
| SHAREHOLDER'S EQUITY | | | |
| Retained earnings | 2,052,170 | 29,849 | 2,082,019 |
| Foreign exchange translation reserve | - | (29,849) | (29,849) |

(*) Reclassify accrued interests to other assets

(**) Reclassify foreign exchange difference on the opening balance of retained earnings to foreign exchange translation reserve



28. SUBSEQUENT EVENTS

At the date of these financial statements, there were no events which occurred subsequent to 31 December 2011 that had significant impact on the financial position of the Bank as at 31 December 2011.

29. EXCHANGE RATES OF US DOLLAR AND APPLICABLE FOREIGN CURRENCIES AGAINST KHMER RIEL AT YEAR END

| | <i>2011</i> | <i>2010</i> |
|------|-------------|-------------|
| | <i>KHR</i> | <i>KHR</i> |
| US\$ | 4,039 | 4,053 |
| VND | 0.192 | 0.214 |
| EUR | 5,231 | 5,390 |
| AUD | 4,098 | 4,117 |
| SGD | 3,108 | 3,145 |
| GBP | 6,225 | 6,255 |



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