



Annual Report 2005



Contents

	Page
	General company information 1
	Mission statement / Our vision 2
	Company overview 3
	Organisation chart 3
	Four year financial highlights 4
	Business performance 5
	Chairman's message 6
	General Manager's message 7
1 <u>Business Overview</u>	
	The Board of Directors 8
	The Executive Management 8
	Management biographies 9
	Board of Directors' report 10
2 <u>Corporate Governance</u>	
	Statement of the Executive Management 12
	Auditors' report 13
	Income statement 14
	Balance sheet 15
	Statement of changes in shareholders' equity 16
	Cash flow statement 17
	Notes to the financial statements 18
	Appendix 1: Notes on compliance 32
	Schedule 1: Liquidity ratio 33
	Schedule 2: Net worth 34
	Schedule 3: Solvency ratio 35
	Computations of other ratios 36
3 <u>Annual Audit Financial Statements</u>	
4 <u>International Correspondents</u>	
	Standard settlement instructions (SSI) 39



General company information

Status:	Commercial bank which is a joint venture between the State and private enterprise
Head office:	No.3, Street Kramuon Sar, Sangkat Phsar Tmey 1, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. P.O. Box 1550 PNH, Cambodia Phone: +855 (0)23 724 466 / 722 466 / 725 266 Fax: +855 (0)23 426 108 / 426 410 Email: ftb@camnet.com.kh www.ftbbank.com SWIFT: FTCKHPP
Registered capital:	50,000,000,000 KHR
First bank license:	License no. 16, dated 4 January 2001
Registered amendments:	An amendment to the Memorandum of the Articles of Association was registered at NBC on 14 June 2006
Commercial re-registration:	No. Co 8835/06M, dated 21 June 2006



Mission statement

To be the 'bank of choice' in Cambodia, in terms of customer confidence, service levels and product range. We will achieve this by providing first class services and innovative and appropriate financial products which not only create, but maximize, value for our customers and shareholders.

As an organisation, we strive for success, excellence and only the highest standards in everything we do. By recruiting top quality staff, creating a productive workplace, providing a healthy learning environment and recognising and rewarding our people we will build a team that is ready to lead the Bank into a successful new era.

Our vision

To be the 'bank of choice' in Cambodia and be recognised as:

- providing shareholders with a healthy return on investment (ROI)
- an employer of choice, based on remuneration, working conditions and development opportunities
- providing best value, choice of products, security and levels of service for our customers
- contributing to Cambodia's economic development through the implementation of the Royal Government's financial sector strategy



Company overview

The Foreign Trade Bank of Cambodia was established on 10 October 1979 under sub-decree no.1213 of the Revolution People's Council of Cambodia to:

- perform banking and business functions
- manage foreign currency
- conduct international settlements
- make foreign trade loans
- contribute to the protection of the national currency and State assets
- strengthen economic and cultural communications with other countries, and
- operate as a separate legal entity from the Government

From Liberation Day on 7 January 1979 until 1999, the Bank worked to achieve these objectives by operating as a department within the National Bank of Cambodia (NBC). Appropriate business systems and procedures were established and the Bank developed active roles in local and overseas markets which, in turn, contributed to the restoration of Cambodia's economy. Over a period of time the Bank won the trust of its customers and built the necessary technical capacity required to run a profitable business.

In 1999, with the aim of promoting economic growth by allowing the NBC to focus on its role as a central bank and monetary authority, privatization was identified as a key reform objective for the Foreign Trade Bank of Cambodia. The privatisation process was

designed and implemented using the framework of the Royal Government's Program on Poverty Reduction.

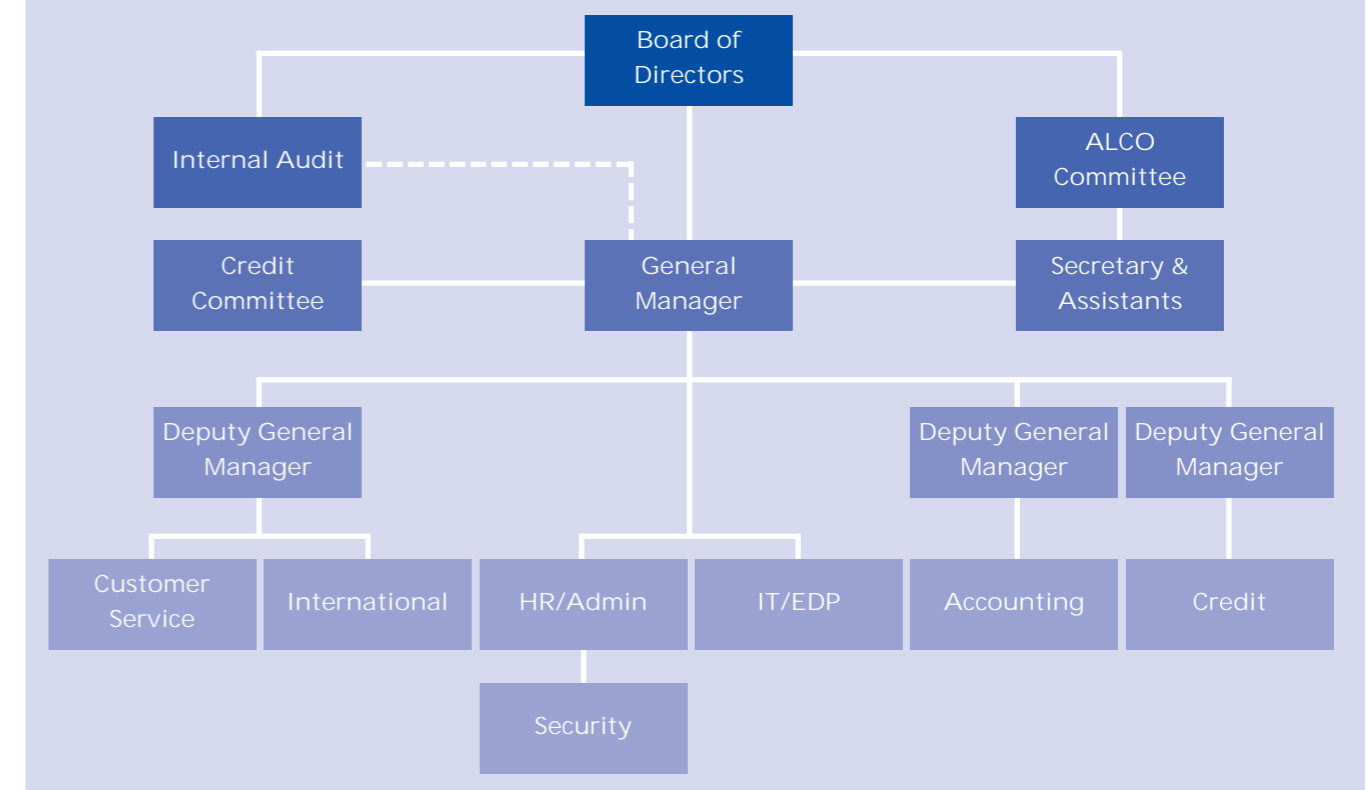
On 1 August 2000, NBC activated this reform and the Foreign Trade Bank of Cambodia's status was changed into that of a state-owned commercial bank, with all the expected features of a Public Economic Enterprise. The aim of this re-structure was to allow the Bank to conduct autonomous business operations with equal status to other commercial banks that were operating according to Cambodia's laws on banking and finance.

On 1 August 2002, an 80 per cent share of ownership in the Bank was transferred to the Ministry of Economy and Finance, with NBC retaining the remaining 20 per cent share.

The Bank changed its ownership status from a state owned bank to a commercial bank operating as a joint venture between the State and private enterprise on 28 October 2005. Under the new structure, the shareholders are Canadia Bank PLC with a 46% share of ownership, ING Holding Co., Ltd with 44% and the Ministry of Economy and Finance holding the remaining 10% of the total capital.

As a result of these changes, there are now six members on the Board of Directors, the Chairman is from Canadia Bank PLC and the Vice Chairman is from ING Holding Co., Ltd.

Organisation chart



Four year financial highlights

Summary of the balance sheet (US Dollars)

	2005	2004	2003	2002
Total assets	163,504,698	159,847,090	151,141,959	152,965,176
Net loans and advances to customer	30,849,945	32,647,783	31,283,789	25,296,773
Other assets	132,654,753	127,199,307	119,858,170	127,668,403
Total liabilities	144,736,698	141,380,099	133,313,156	134,447,810
Deposits	143,628,259	140,204,038	131,862,754	132,612,807
Other liabilities	1,108,439	1,176,061	1,450,402	1,835,003
Capital	12,159,533	12,416,191	12,575,453	12,722,646
Reserves and retained earnings	6,608,467	6,050,800	5,253,350	5,794,720

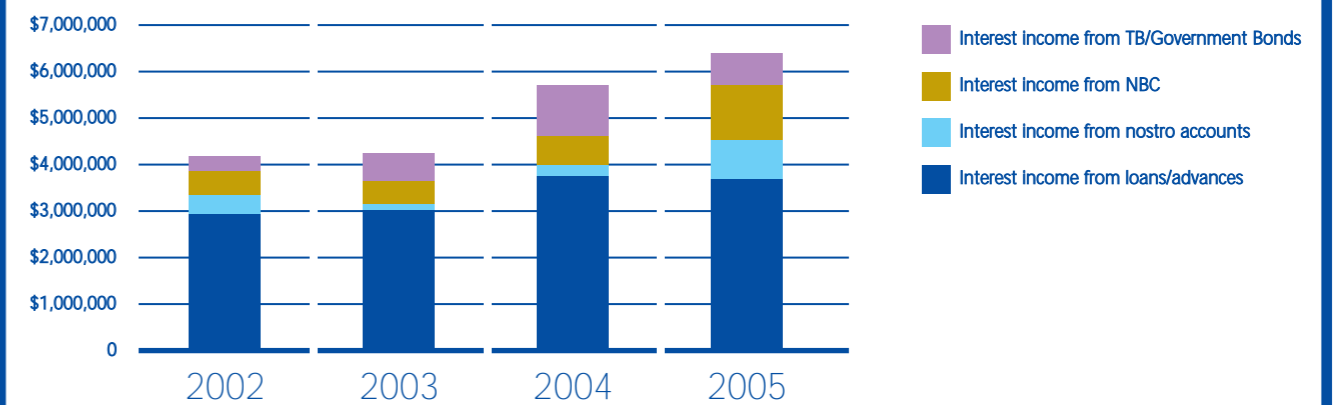
A summary of business results (US Dollars)

	2005	2004	2003	2002
Net interest (income)	3,881,730	3,061,480	994,733	955,506
Operating income before provisions	3,717,986	3,675,430	2,000,346	1,992,034
Profit (before income tax)	891,456	1,568,939	875,840	2,059,033
Net profit for the year	734,372	1,255,151	700,672	1,638,711

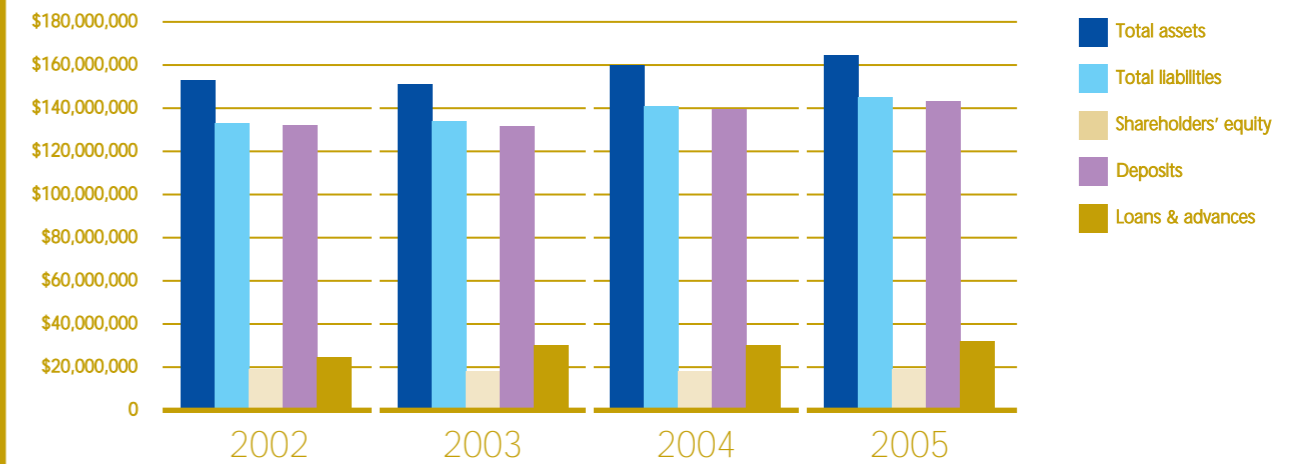


Business performance

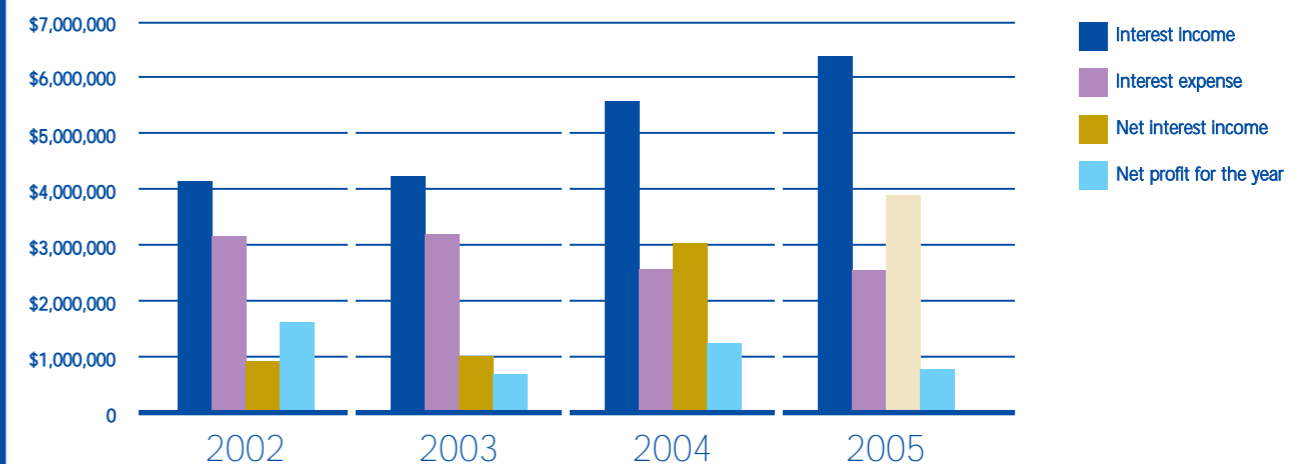
Interest income (US Dollars)



Summary balance sheet (US Dollars)



Summary profit & loss statement (US Dollars)



Chairman's message

Dear customers, shareholders and other stakeholders,

On behalf of the Board of Directors of the Foreign Trade Bank of Cambodia, it is my privilege to present to you the Bank's Annual Report for the financial year ended December 31, 2005.

2005 was the remarkable year for the bank and it witnessed several highly significant events. The Foreign Trade Bank of Cambodia, the first state owned bank in Cambodia became a commercial bank, operating as a joint venture between the State and private enterprise in the 26th year of its existence.

This successful transition will result in both change and opportunity for the bank, its customers and its staff. Two major goals following this transition were to boost lending to local business and continue our investment in technology. We also expect to introduce new products and the roll-out of improved working practices to increase our economic performance.

Several service improvements are in the final stages of planning or have already been introduced. A very good example of one of these changes will be the installation of the bank's first ATM. Due to be installed during the second semester of 2006, these machines will serve to bring our operating practices in line with international standards and offer increased flexibility and accessibility to our customers.

Keeping our customers in mind at all times is the cornerstone of our service culture. We are here to serve you and you are entitled to our best efforts and services.

We recognise that our success is dependent on retaining existing customers and attracting new ones. We will only achieve this if we provide competitive, appropriate, secure and well administered products and services. None of this would be achievable without re-investing into staff development, and, incentivising our staff to keep customer service a top priority.

In summary, by working for our customers we are also working for our own benefit and the benefit of Cambodia. With the Bank's social and economic objectives in mind the Foreign Trade Bank of Cambodia is honored and proud to play a part in the businesses of our customers and to be increasingly involved in the economic life of Cambodia. We continue to actively contribute to improving our national GDP as well as the living standards of our staff members.



We wish to take this opportunity to express our gratitude to you, our valued customers, for your continuous support and confidence and wish you all the very best for the future.

Sincerely yours,

Mr. Pung Kheav Se
Chairman

General Manager's message

The Foreign Trade Bank of Cambodia has always played a premier role in Cambodian society and the country's economy. It was the first, and foremost, bank to deliver banking services to both local and foreign customers at a time when the rebuilding of the country's economy was of paramount importance.

At the end of 2005, the Bank entered into a joint venture between the State and the private sector. This change in the Bank's status was the result of our efforts to implement the Royal Government's Financial Sector Blueprint for 2001-2010 as well as deliver the business results defined by the State shareholder.

Confidence and stability

For the last 26 years we have succeeded in building, and keeping, our customers' confidence. As a result, the Bank's assets increased significantly during the review period, compared to 2004, and there were two particularly noticeable achievements:

- Deposits have increased to approximately \$143 million (US Dollars)
- Profit before provision amounted to \$3,717,000 (US Dollars)

Stepping up to the future

Our main strategies and goals for 2006:

- Continue to develop staff productivity by improving core banking skills
- Continue to improve customer service and develop new products and services in order to be the best banking choice for the Cambodian people
- Continue to expand the Bank's funds, and improve the effectiveness of our use of these funds, in order to maximise profit in the upcoming year
- Continue to develop our systems, products and facilities for the benefit and convenience of our customers
- Continue to provide, and enhance, the security of our existing customers' funds, whilst attracting new customers.
- Retain our leading position in the increasingly competitive Cambodian banking environment.

In closing, we would like to express our warmest gratitude to the following groups of people, all of whom have contributed to the Bank's success:

- the management team, especially to the chairman, vice-chairman and members of Board of Directors, who have worked so hard to ensure that this transition has been implemented smoothly. Their vision, and their willingness to lead us into an entirely new corporate culture, is a source of inspiration and encouragement to all of us.



- Our most sincere thanks also go to our staff for all the efforts they have made in making our vision a reality.
- Our humble gratitude goes to all of our customers for their continued support and their confidence in our company. We hope to have the honour of continuing to serve them long into the future.

Sincerely yours,

Lok Chumteav Ouk Maly
General Manager

The Board of Directors

The Foreign Trade Bank of Cambodia is led by the Board of Directors. This is the supreme body, and it represents the general assembly in initiating ordinary and extraordinary meetings of the shareholders.

The Board of Directors consists of six members. The current members are listed below:

Mr. Pung Kheav Se	Chairman of the Board of Directors	Joined the Board in 2005
Oknha Lim Bun Sour	Vice Chairman of the Board of Directors	Joined the Board in 2005
Mr. Mey Vann	Member of Board of Directors & representative of MoEF	Joined the Board in 2002
Lokchumteav Ouk Maly	Member of Board of Directors	Joined the Board in 2000
H.E. Gui Anvanith	Member of Board of Directors	Joined the Board in 2005
Lokchumteav Ung Polyna	Member of Board of Directors	Joined the Board in 2005

The Executive Management

The Executive Board is responsible for running the Bank's day to day business.

The Board of Management (the Executive Board) consists of 5 members:

Lokchumteav Ouk Maly	General Director
H.E. Gui Anvanith	Deputy General Manager
Mr. Tim Bophal	Deputy General Manager
Mr. Phang Samrech	Deputy General Manager
Lokchumteav Ung Polyna	Internal Audit Manager



Assets & Liabilities Committee (ALCO)

ALCO is comprised of nine members, as follow:

Lokchumteav Ouk Maly	General Manager	Chairperson
H.E. Gui Anvanith	Board Member	Vice Chairman
Mr. Tim Bophal	Deputy General Manager	Member
Mr. Phang Samrech	Deputy General Manager	Member
Lokchumteav Ung Polyna	Board Member	Member
Head of International Department		Member
Head of Customer Service Department		Member
Head of Accounting Department		Member
Head of Credit Department		Member

Credit Committee

Following the reform of the Bank's management structure in 2005, the new Credit Committee comprises of the following members:

Oknha Lim Bun Sour	Vice Chairman Board of Directors	Chairman
Lokchumteav Ouk Maly	General Manager	Member
H.E. Gui Anvanith	Deputy General Manager	Member
Mr. Tim Bophal	Deputy General Manager	Member
Lokchumteav Ung Polyna	Board Member	Member



Management biographies

1 Mr. Pung Kheav Se

Mr. Pung Kheav Se was born in 1946 in Phnom Penh, Cambodia. His experience and business acumen have made him a distinguished and well respected businessman. He is actively involved in a wide range of economic activities both abroad and in Cambodia. His numerous achievements, including his significant contributions to the development of Cambodia were recognized with a Mahasereyvattanac Award from Cambodia's King Norodom Sihanouk in 2002.

2 Oknha Lim Bun Sour

Oknha Lim Bun Sour was born in 1965 in Kampong Chhnaing Province, in Cambodia. He is a well-known and widely respected businessman and has acquired many years' of business experience during his career. His current responsibilities include positions as Vice Chairman of AZ Group, a member of the Cambodian Chamber of Commerce, a member of the Board of Directors of Public Enterprises Telecom Cambodia "TC" and Chairman of Camintel S.A.

3 Mr. Mey Vann

Mr. Mey Vann was born in Kampong Thom Province, Cambodia in 1969. He holds a Masters Degree in Economic Development and has successfully completed numerous courses on Financial Markets and Financial Sector Development in Cambodia and several other countries. He works as Director of the Department of Financial Industry at the Ministry of Economy and Finance.

4 Lokchumteav Ouk Maly

Lokchumteav Ouk Maly was born in Takeo Province, Cambodia in 1951. She successfully completed a Banking Studies Associated Degree in Phnom Penh, Cambodia in 1984 and went on to obtain a Master of Business Administration (MBA) in 1997. She has also had the opportunity to attend other long and short courses in related fields in several other countries. She is an acknowledged expert on the banking sector and during her long career has undertaken consultancies to share her experience with overseas banks. She is an adviser to Cambodia's Prime Minister with the rank of Under

Secretary of State, and is also General Treasurer of the Cambodian Red Cross. She has worked for the Foreign Trade Bank of Cambodia since 1979 and has served as the General Manager since 2000.

5 H.E. Gui Anvanith

H.E. Gui Anvanith was born in 1953 in Cambodia. He obtained a Bachelor Degree in Engineering and Applied Sciences (Industrial Engineering) from the Ecole Polytechnique at the University of Montreal, where he graduated, in 1976, with distinction. In 1980 he completed a Masters Degree in Business Administration (M.B.A.) from the University of Western Ontario in Canada. He has many years' experience in a number of sectors: banking (Toronto Dominion Bank, Bank of Montreal, Credit Agricole Indosuez, ANZ Royal, MPDF), financial (Laurentian Group - Banking and Insurance - Canada), engineering (Bechtel Corporation, USA), corporate (Société Concessionnaire de l'Aéroport/Vinci), and governmental (Ministry of Public Works and Transport, Sihanoukville Autonomous Port).

6 Lokchumteav Ung Polyna

Lokchumteav Ung Polyna was born in 1960 in Phnom Penh, Cambodia. She is a graduate from the Normandy Business School (ESCAE-Le Havre-Caen) in France and from the Normandy Centre for Research on Computer Sciences (CENORI). Her experience specifically relates to HR management, IT, accounting, law and banking.

7 Mr. Tim Bophal

Mr. Tim Bophal was born in 1950 in Phnom Penh, Cambodia. He obtained a Bachelor Degree in Economics in Cambodia. He has successfully completed numerous courses on finance and banking both in Cambodia and overseas.

8 Mr. Phang Samrech

Mr. Phang Samrech was born in 1948 in Phnom Penh, Cambodia. He obtained a Bachelor Degree in Finance and Banking in Vietnam. He has successfully completed numerous courses on finance and banking both in Cambodia and several overseas.

Front row (left to right): Oknha Lim Bun Sour, Mr. Pung Kheav Se
Back row (left to right): Lokchumteav Ung Polyna, His Excellency Gui Anvanith, Mr. Mey Vann, Lokchumteav Ouk Maly



Board of Directors' report

Internal audit

The Foreign Trade Bank has a well-established internal audit department whose main function is to assist the Board of Directors in monitoring the internal controls of all departments at the bank. Through the use of regular evaluations and controls, it assures that the procedures and processes implemented in each department are followed in respect of transparency, good governance and professionalism. The department also makes recommendations for operational improvements where necessary.

Risk management

The Foreign Trade Bank of Cambodia's Assets and Liabilities Committee (ALCO) are responsible for managing the Bank's risks, reporting on risk exposure and ensuring that the Bank's risks comply with both internal regulations and the requirements of the National Bank of Cambodia, especially in regard to solvency and liquidity. It is also their responsibility to ensure that the business environment is constantly monitored and analysed so that necessary amendments to the Bank's risk policies or procedures can be reviewed accordingly and any changes implemented in a timely and well planned manner.

During 2005, specific improvements have been identified in the area of risk management. As a result, senior managers will prioritize and supervise the roll-out of a revised set of risk management policies and procedures in the coming period, focusing on:

- A daily review of the liquidity report to ensure tighter controls
- The roll-out of a robust contingency plan for use in the event of liquidity shortfalls
- The continued maintenance of a healthy liquidity flow and compliance with Prakas No. B07-00-38 issued by the National Bank of Cambodia
- The continued improvement of policies and procedures for the management of interest rate risk using gap analysis
- The imposition of limits on foreign exchange activities and the implementation of a procedure to prevent the mismatch of currency assets and liabilities
- The establishment of transparent reporting lines to and from all departments, including from the Internal Audit team to the Board of Directors.
- The establishment of internal audit policies and procedures which adhere to the Bank's internal control systems.
- The production and distribution of an internal manual for the Bank's staff members to use as a guide to routine operating practices and procedures.
- The design and implementation of an extensive training program to enable staff to develop their risk management competencies.

Significant changes during the year

In 2005 we have undergone significant changes and these will, in turn, change the face and way we do business. Commencing operations as a commercial bank has presented us with many challenges, but with an even greater number of new and exciting opportunities. One of the most significant changes took place towards the end of the year when the Board of Directors announced the start of a complete 'rebranding' of the Bank's image. The exact scope of this project has yet to be finalised but

the first step will be the design of a new logo. This initiative, once complete, will help us to prepare mentally for the challenges ahead, will focus our attention on our mission and will help to communicate what the 'new and improved' Foreign Trade Bank represents to our customers.

A brief outlines of some of the changes we have experienced/facilitated are presented below:

- Providing a faster service; Foreign Trade Bank of Cambodia staff have designed a set of reforms to improve the effectiveness and efficiency of our service delivery.
- New credit policies have been implemented in order to expand our lending activity and improve asset quality.
- The preparation of guidelines dealing with accounting, international payment systems and customer service procedures is complete and roll out of these, as well as an employee handbook and a procedural guide on the prevention of money laundering, is due to start.

Board focus and commitment

The Foreign Trade Bank of Cambodia's Board of Directors is committed to improving and developing the Bank's products, services and staff in order to ensure the Bank retains, and continues to improve, its prominent position in the financial/banking sector in Cambodia. To achieve these aims the board members, management and staff are in the process of implementing the following actions:

- Starting the implementation of a new core banking system, which will lead to the installation of ATMs and the setup of internet banking services.
- Refocus on traditional strengths in the area of trade finance.
- The evaluation of other potential new products and services in the near future, depending on the bank's technological capabilities, the demands of the financial markets, budget constraints and the capabilities of our staff.
- Encourage, recognise and reward staff performance in relation to ethics, honesty and integrity, and the acceptance of additional responsibilities. Implement a staff reward system to ensure that all staff are fairly compensated for their efforts.
- Build staff confidence in the future of the Foreign Trade Bank of Cambodia and their personal opportunities for career development through training to international standards. Develop a sense of belonging among staff and create a working environment that they will be proud of and which fosters increased levels of responsibility, initiative and excitement.

Code of ethics

The Foreign Trade Bank of Cambodia is a very well respected organisation. To ensure we retain our good reputation, the bank will demonstrate the highest level of ethical, social, moral values at all times. In order to assist staff members in their day to day adherence to these values, the bank has developed a series of written best practice policies and procedures for staff to follow. These procedures outline correct work practices, company regulations and ethical positioning. These booklets will also be supplemented with ongoing staff training.

Independence and transparency

The Foreign Trade Bank of Cambodia is a fully independent institution. The Foreign Trade Bank of Cambodia operates as a commercial bank and, as such, its business activities are subject



to a periodic, on-site or off-site inspections by the National Bank of Cambodia.

To ensure operational transparency, the Foreign Trade Bank of Cambodia's operations are monitored by its Internal Audit team. In addition, we are under the regulatory control of the National Bank of Cambodia, which is the supervisory authority for all commercial banks. Besides these permanent regulatory controls, the Bank is also subject to an annual investigation by an independent external auditor. This auditor inspects all financial aspects of our operation, delivers a report outlining their findings and certifies our accounts as being compliant with all regulatory requirements.

Customers

The Foreign Trade Bank of Cambodia makes every effort to provide reliable and efficient services to our customers at all times. Despite this, we recognise that there is always room for improvement and we therefore welcome comments from our customers on suggested improvements. We are committed to evaluating and acting on these customer suggestions whenever possible.

Staff

In order to be the premier bank in Cambodia, the Board of Directors and shareholders understand that recruiting and retaining top quality employees, in terms of knowledge, skills, expertise and motivation is a top priority.

Staff remuneration, reward and development obviously play a key role in our ability to do this. All our staff have benefited from



either in-house or overseas training during the review period

and the implementation of the Human Resource Development Program, developed in 2004, is expected to deliver a multi-skilled workforce capable of responding effectively to change.

Social and community contributions

As usual the Bank has continued its contributions to community and social causes during 2005. Our main focus, as usual, has been on the Cambodian Red Cross but we have also contributed to many smaller charitable organisations and funded some traditional events.

Compliance with the laws and regulations of the National Bank of Cambodia

The Foreign Trade Bank of Cambodia fully complies with all the laws and regulations of the National Bank of Cambodia, including:

- The implementation of the new 'Chart of Account' of National Bank of Cambodia
- Liquidity Ratio, Prakas No. B7-04-207
- Minimum Capital Requirement, Prakas No. B7-00-39
- Net Worth, Prakas No. B7-00-47
- Solvency Ratio, Prakas No. B7-04-206
- Classification and Provision for Loss on Loans and Advances, Prakas No. B7-00-51, Amendment per Prakas B7-02-145 and Circular B7-04-01
- Large Credit Exposures, Prakas No. B700-52
- Loans to Related Parties, Prakas No. B7-02-146
- Fixed Assets, Prakas No. B7-01-186

Financial auditor's report 2005

Statement of the Executive Management

The Executive Management submits its report and the audited financial statements of Foreign Trade Bank of Cambodia ("the Bank") for the year ended 31 December 2005.

The Bank

The Bank was created following Sub-decree No. 1213 dated 10 October 1979 under the former regime of the State of Cambodia. In 2000, the Bank was separated from the direct management of the National Bank of Cambodia ("the Central Bank") in order to transform its permanent identity into a State-owned commercial bank with the features of a Public Economic Enterprise and an aim to conduct autonomous business operations. Once its management and technical operations have been strengthened and improved by the Reform Commission, it should have equal status to other commercial banks.

In January 2001, the Bank obtained its banking license from the Central Bank to operate as a commercial bank in the Kingdom of Cambodia for a period of three years starting from 4 January 2001. This was the first license granted to enable the Bank to operate as a separate legal entity independent from the Central Bank's direct management. On 8 January 2004, the Bank obtained its 2nd banking license from the Central Bank for a period of three years starting that date.

On 31 December 2002, the Ministry of Finance and Economy ("MoEF") announced through a Statement of Intent for the privatization of the Bank as part of the reform of the financial sector of the Royal Government of Cambodia. On 28 October 2005, the shareholders of the Bank represented by the Privatization Committee entered into a sales agreement with Canada Bank and ING Holding Company. The Central Bank sold its 20% shareholding in the Bank and MoEF reduced its 80% shareholding to 10%. On 23 May 2006, the Bank's Memorandum and Articles of Association have been revised to reflect the change in shareholders.

Principal activities

The principal activities of the Bank consist of the provision of various types of banking and related financial services.

Results of operations and dividends

The results of operations for the year ended 31 December 2005 are set out in the income statement on page 14.

The Board of Directors & Executive Management

The members of the Board of Directors and Executive Management at the date of this report are:

Board of Directors

Mr. Pung Kheav Se	Chairman
Oknha Lim Bunsour	Vice chairman
Mr. Mey Vann	Member
Lokchumteav Ouk Maly	Member
H.E. Gui Anvanith	Member
Lokchumteav Ung Polyna	Member

Executive Management

Lokchumteav Ouk Maly	General Manager
H.E. Gui Anvanith	Deputy General Manager
Mr. Tim Bophal	Deputy General Manager
Mr. Phang Samrech	Deputy General Manager

Statement of Executive Management

The Bank's Executive Management is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2005 and of the results of its operations and its cash flows for the period then ended. In preparing these financial statements, the Executive 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 the guidelines issued by the Central Bank and Cambodian Accounting Standards or, if there have been any departures in the interest of true and fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

In the opinion of the Executive Management, there are reasonable grounds to believe that the Bank will be able to pay its liabilities as and when they become due and payable.

On behalf of the Executive Management

Lokchumteav Ouk Maly
General Manager
Phnom Penh, Kingdom of Cambodia
Date: 29 May 2006

Gui Anvanith, Deputy General Manager

Report of the Auditors to the Board of Directors and the shareholders of the Foreign Trade Bank of Cambodia

PricewaterhouseCoopers (Cambodia) Ltd
124 Norodom Boulevard, Chamkarmon
Phnom Penh
Kingdom of Cambodia.
Tel : (855) 23 218 086
Fax : (855) 23 211 594

We have audited the accompanying balance sheet of Foreign Trade Bank of Cambodia ("the Bank"), as at 31 December 2005 and the related statements of income and cash flows for the year then ended, together with the notes thereto on pages 14 to 31. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

This report, including the opinion, has been prepared for and only for the shareholders of Foreign Trade Bank of Cambodia and for no other purpose. We do not in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The functional and presentation currency of the Bank was changed from Khmer Riel to United States dollars in 2005. The 2005 balances in the financial statements were translated into Khmer Riel at the official rate of exchange as at the reporting date as regulated by the National Bank of Cambodia ("the Central Bank"), in accordance with Announcement No. B795-139-AN issued on 5 December 1995. The functional and presentation currency of the 2004 financial statements was the Khmer Riel. The 2004 comparative balances in the financial statements were translated into United States dollars at the official rate of exchange as at 31 December 2004 and presented in the financial statements for comparative purposes only. The 2005 balances expressed in Khmer Riel and the 2004 balances expressed in United States dollars do not form part of the audited financial statements and therefore we do not express an opinion on these balances.

In our opinion, the financial statements set out on 4 to 33 give a true and fair view of the financial position of the Bank as at 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards.

Senaka Fernando
Authorised signatory
PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED
Date: 29 May 2006
Phnom Penh, Kingdom of Cambodia

Income statement

For the year ended 31 December 2005

	Note	For the year ended		For the year ended	
		2005 US\$	2004 US\$*	2005 Riel '000	2004 Riel '000
Interest income	3	6,390,896	5,605,455	26,279,363	22,573,166
Interest expense	4	(2,509,166)	(2,543,975)	(10,317,692)	(10,244,587)
Net interest income		3,881,730	3,061,480	15,961,671	12,328,579
Fee and commission income	5	1,239,954	1,436,547	5,098,689	5,784,975
Fee and commission expense		(72,988)	(124,206)	(300,125)	(500,179)
Net fee and commission income		1,166,966	1,312,341	4,798,564	5,284,796
Other incomes - net	6	242,597	550,183	997,559	2,215,587
General and administrative expenses	7	(1,573,307)	(1,248,574)	(6,469,440)	(5,028,007)
Operating income before extensions of credit		3,717,986	3,675,430	15,288,354	14,800,955
Provision for losses on loans and advances	9	(2,826,530)	(2,023,219)	(11,622,692)	(8,147,502)
Provision for accrued interest on non-performing loans	18	-	(83,272)	-	(335,336)
Profit before income tax		891,456	1,568,939	3,665,662	6,318,117
Income tax expense	10	(157,084)	(313,788)	(645,930)	(1,263,624)
Net profit for the year		734,372	1,255,151	3,019,732	5,054,493

* Audited in KHR only


Lokchumteav Ouk Maly
General Manager
Date: 29 May 2006

Gui Anvanith
Deputy General Manager

The accompanying notes on pages 18 to 31 form an integral part of these financial statements

Balance Sheet

as at 31 December 2005

	Note	As at 31 December		As at 31 December	
		2005 US\$	2004 US\$*	2005 Riel '000	2004 Riel '000
Assets					
Cash on hand		6,215,685	6,218,433	25,558,895	25,041,629
Balances with the Central Bank, net	11	47,840,388	74,790,897	196,719,676	301,182,942
Balances with other banks	12	21,449,570	11,074,338	88,200,628	44,596,361
Placements with other banks	13	41,461,053	9,551,978	170,487,852	38,465,817
Investments in government bonds and treasury bills	14	13,587,178	21,762,680	55,870,477	87,638,314
Loans and advances to customers, net	15	30,849,945	32,647,783	126,854,972	131,472,622
Property and equipment	16	283,582	336,893	1,166,091	1,356,669
Computer software	17	181,543	247,044	746,505	994,848
Other assets, net	18	1,635,754	3,217,044	6,726,221	12,955,037
Total assets		163,504,698	159,847,090	672,331,317	643,704,239
Liabilities and shareholders' equity					
Liabilities					
Deposits of other banks	19	732,783	936,814	3,013,202	3,772,550
Deposits of non-bank customers	20	142,895,476	139,267,224	587,586,196	560,829,112
Provision for taxation		85,332	227,974	350,884	918,051
Other liabilities	21	1,023,107	948,087	4,207,019	3,817,953
Total liabilities		144,736,698	141,380,099	595,157,301	569,337,666
Shareholders' equity					
Share capital	22	12,159,533	12,416,191	50,000,000	50,000,000
Capital reserve	22	247,529	155,129	1,017,841	624,704
Reserve for banking risks	22	1,190,006	1,215,124	4,893,306	4,893,306
Translation reserve	22	3,504,660	3,578,634	14,411,160	14,411,160
General reserve	22	174,692	125,662	718,335	506,041
Retained earnings		1,491,580	976,251	6,133,374	3,931,362
Total shareholders' equity		18,768,000	18,466,991	77,174,016	74,366,573
Total liabilities and shareholders' equity		163,504,698	159,847,090	672,331,317	643,704,239

* Audited in KHR only


Lokchumteav Ouk Maly
General Manager
Date: 29 May 2006

Gui Anvanith
Deputy General Manager

The accompanying notes on pages 18 to 31 form an integral part of these financial statements

Statement of changes in shareholders' equity

For the year ended 31 December 2005

	Share capital (US\$)	Capital reserve (US\$)	Reserve for banking risks (US\$)	Translation reserve (US\$)	General reserve (US\$)	Retained earnings (US\$)	Total (US\$)
Balance at 1 January 2004	12,575,453	110,288	1,230,711	3,342,060	101,986	468,304	17,828,802
Net profit for the year	-	-	-	-	-	1,255,151	1,255,151
Appropriation of retained earnings:							
Translation reserve	22	-	-	278,900	-	(278,900)	-
Capital reserve	22	46,238	-	-	-	(46,238)	-
General reserve	22	-	-	-	24,968	(24,968)	-
Bonus to staff	-	-	-	-	-	(20,807)	(20,807)
Bonus to BoD	-	-	-	-	-	(4,161)	(4,161)
Dividends paid to MoEF	-	-	-	-	-	(292,961)	(292,961)
Dividends paid to the Central Bank	-	-	-	-	-	(73,240)	(73,240)
Currency translation differences	(159,262)	(1,397)	(15,587)	(42,326)	(1,292)	(5,929)	(225,793)
Balance at 31 December 2004*	12,416,191	155,129	1,215,124	3,578,634	125,662	976,251	18,466,991
Equivalent in Riel '000	50,000,000	624,704	4,893,306	14,411,160	506,041	3,931,362	74,366,573
Balance at 1 January 2005	12,416,191	155,129	1,215,124	3,578,634	125,662	976,251	18,466,991
Net profit for the year	-	-	-	-	-	734,372	734,372
Appropriation of retained earnings:							
Translation reserve	-	-	-	-	-	-	-
Capital reserve	-	95,607	-	-	-	(95,607)	-
General reserve	-	-	-	-	51,628	(51,628)	-
Bonus to staff	-	-	-	-	-	(43,023)	(43,023)
Bonus to Board of Directors	-	-	-	-	-	(8,604)	(8,604)
Currency translation differences	(256,658)	(3,207)	(25,118)	(73,974)	(2,598)	(20,181)	(381,736)
Balance at 31 December 2005	12,159,533	247,529	1,190,006	3,504,660	174,692	1,491,580	18,768,000
Equivalent in Riel '000	50,000,000	1,017,841	4,893,306	14,411,160	718,335	6,133,374	77,174,016

* Audited in KHR only

The accompanying notes on pages 18 to 31 form an integral part of these financial statements

Cash flow statement

For the year ended 31 December 2005

	Note	For the year ended		For the year ended	
		2005	2004	2005	2004
		US\$	US\$*	Riel '000	Riel '000
Cash flows from operating activities					
Income before tax		891,456	1,568,939	3,665,662	6,318,117
Adjustments for:					
Provision for losses on loans and advances	9	4,804,267	2,867,410	19,755,144	11,547,061
Provision for accrued interest receivables on non-performing loans and advances		-	83,272	-	335,336
Depreciation and amortization		123,496	102,744	507,814	413,752
Loss on disposal of tangible assets		440	-	1,810	-
Cash inflow from operating income before changes in working capitals		5,819,659	4,622,365	23,980,430	18,614,266
Changes in working capitals					
Payment of bonus to staff and board of directors		(51,628)	(24,968)	(212,294)	(100,547)
(Increase) in balances with the Central Bank		-	(12,303)	-	(49,543)
Increase in loans and advances to customers		(3,681,297)	(4,627,597)	(15,137,495)	(18,635,335)
Decrease in other assets		1,514,790	1,015,118	6,228,815	4,087,882
Decrease in deposits of other banks		(184,666)	(1,018,336)	(759,348)	(4,100,840)
Increase in deposits of non-bank customers		6,507,073	11,029,598	26,757,085	44,416,191
Decrease in other liabilities		115,825	(395,872)	476,273	(1,594,177)
Net cash generated from/(used in) operations		10,039,756	10,588,005	41,283,466	42,637,897
Income tax paid		(316,221)	(173,886)	(1,300,301)	(700,240)
Net cash generated from/(used in) operating activities		9,723,535	10,414,119	39,983,165	41,937,657
Cash flows from investing activities					
Reserve deposits with the Central Bank		(196,376)	(483,859)	(807,500)	(1,948,500)
Payment for computer software		-	(28,928)	-	(116,493)
Purchase of property and equipment		(17,194)	(16,552)	(70,701)	(66,656)
Net cash used in investing activities		(213,570)	(529,339)	(878,201)	(2,131,649)
Cash flows from financing activities					
Dividends paid to MoEF		-	(292,961)	-	(1,179,754)
Dividends paid to the Central Bank		-	(73,240)	-	(294,938)
Net cash used in financing activities		-	(366,201)	-	(1,474,692)
Net increase in cash and cash equivalents		9,509,962	9,518,579	39,104,964	38,331,316
Exchange difference		(2,123,170)	-	-	-
Cash and cash equivalents at beginning of the year		102,711,453	93,192,874	413,619,020	375,287,704
Cash and cash equivalents at end of the year	24	110,098,245	102,711,453	452,723,984	413,619,020

* Audited in KHR only

The accompanying notes on pages 18 to 31 form an integral part of these financial statements

Notes to the financial statements

For the year ended 31 December 2005

1 Background information

Foreign Trade Bank ("the Bank") was created following Sub-decree No. 1213 dated 10 October 1979 under the former regime of the State of Cambodia. In 2000, the Bank was separated from the direct management of the National Bank of Cambodia ("the Central Bank") in order to transform its permanent identity into a State-owned commercial bank with the features of a Public Economic Enterprise and an aim to conduct autonomous business operations. Once its management and technical operations have been strengthened and improved by the Reform Commission, it should have equal status to other commercial banks.

In January 2001, the Bank obtained its banking license from the Central Bank to operate as a commercial bank in the Kingdom of Cambodia for a period of three years starting from 4 January 2001. This was the first license granted to the Bank to operate as a separate legal entity independent from the Central Bank's direct management. On 8 January 2004, the Bank obtained its second banking license from for a period of three years starting from that date.

On 31 December 2002, the Ministry of Finance and Economy ("MoEF") announced through a Statement of Intent for a Privatisation of the Bank as part of the reform of the financial sector of the Royal Government of Cambodia. On 28 October 2005, the shareholders of the Bank represented by the Privatisation Committee entered into a sales agreement with Canadia Bank and ING Holding Company. The Central Bank sold its 20% shareholding in the Bank and MoEF reduced its 80% shareholding to 10%. On 23 May 2006, the Bank's Memorandum and Articles of Association have been revised to reflect the change in shareholders.

The registered office of the Bank is located at No.3 R.V. Kramuon Sar, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2005, the Bank had 94 employees (2004: 93 employees).

2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the guidelines issued by the Central Bank and Cambodian Accounting Standards. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are only addressed to those who are informed about the guidelines issued by the Central Bank and Cambodian Accounting Standards. The financial statements have been prepared under the historical cost convention.

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The functional currency in previous years was the Khmer Riel but the US\$ has been adopted as the functional currency of the Bank in 2005 as the US\$ better reflects the economic substance of underlying events and circumstances of the Bank. The financial statements are presented in US\$, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Transactions in currencies other than US\$, the functional currency, are translated into US\$ at the exchange rate prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary and liabilities denominated in currencies other than US\$, are recognised in the income statement. The average exchange rate was not used to translate the income and expenses within the income statement as the exchange rate remained relatively constant throughout the period.

The principal rates used to translate monetary assets and liabilities at the balance sheet date are:

	31 December	
	2005	2004
US\$	4,112	4,027
GBP	7,092	7,526
FRF	554	534
CHF	3,128	3,407
DEM	1,861	1,776
THB	100	101
CAD	3,533	3,216
JPY	34	39
AUD	3,011	2,936
EUR	4,871	5,275

2.3 Interest income and expense

Interest income on loans and advances to customers, deposits with the Central Bank and other banks, government bonds and treasury bills is recognised on an accruals basis, except where serious doubt exists as to the collectibles of loans and advances to customers, in which case, no interest income is recognized. The policy on suspension of interest is in conformity with the Central Bank's Guidelines on the suspension of interest on non-performing loans and provision for losses on loans and advances.

Interest expense on deposits from banks and non-bank customers is recognized on an accruals basis.

2.4 Fee and commission income

Fee and commission income is recognized when the transaction occurs. Fee and commission income comprises income received from inward and outward bank transfers, trading with letters of credits and bills for collection.

2.5 Loans and advances to customers

Loans and advances to customers are stated in the balance sheet at the amount of principal less any amounts written off and

provision for losses on loans and advances. Short term loans are those with a repayment date within one year of the date the loan was advanced. Long term loans are those with a final repayment date of more than one year of the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recovery of loans and advances previously written off or provided for is recognized in the income statement.

2.6 Provision for losses on loans and advances

The Central Bank's Prakas B7-02-145 dated 7 June 2002 requires commercial banks to classify their loan portfolio into four classes. The mandatory level of specific provisioning is provided, depending on the classification concerned, and regardless of the assets (except cash) pledged as collateral, as follows:

Standard	0%
Substandard (overdue from 91 days to 180 days)	10%
Doubtful (overdue from 181 days to 360 days)	30%
Loss (overdue more than 360 days)	100%

2.7 Overdue loans

In accordance with Prakas B 700-51K issued by the Central Bank on 17 February 2000, overdue loans are defined as total outstanding principal where principal or interest is past due.

2.8 Investments in government bonds and treasury bills, and overnight deposits and short-term deposits with other banks

The Bank classified its investments in government bonds and treasury bills, and overnight deposits and short-term deposits with other banks, as held-to-maturity investments which have fixed maturity where the Bank has both the intent and the ability to hold to maturity. These investments are stated at carrying value less any provision for impairment.

2.9 Property and equipment

Property and equipment are stated at historical cost less depreciation, except for land and idle building which are not being depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

Office furniture and equipment	3 - 5 years
Motor vehicles	5 years

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are dealt with in the income statement.

2.10 Computer software

Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. These costs are amortised over their estimated useful lives of 5 years (2004: 10 years) using the straight-line method.

2.11 Operating lease

Leases in which a significant portion of risks and rewards of ownership of assets are retained by the lesser are classified as operating leases. Payments made under operating leases are

charged to the income statement on a straight-line basis over the period of the lease.

2.12 Staff pension fund

The Bank provides its employees with benefits under the retirement plan. The fund is sourced from the following:

- A monthly contribution which is based on the monthly salary of an employee and contributed by the Bank and its employees at a rate of 5% and 5%, respectively. This contribution is charged to statement of income.
- The Bank contributes interest on the cumulative balance of the pension fund computed at 6% per annum. This contribution is charged to statement of income.

The pension fund will be fully paid to the employee, who contributed to the fund, upon termination of employment with the Bank for any reason.

In addition to the pension fund, an employee is also entitled to receive the benefits of a lump sum payment representing an employee's end gross monthly salary multiplied by the lower of number of years of service or 10 years upon termination of employment with the Bank.

2.13 Deferred income tax

Deferred income tax will be provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.14 Related party transactions

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital or voting rights and include any individual who participates in the administration, direction, management or internal control of the Bank.

2.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash on hand, short-term deposit and clearing accounts with the Central Bank, treasury bills with maturity of three months or less, balance with other banks and placements with other banks.

2.16 Appropriations

In 2005, the Bank's policy was to:

- Allocate 5% to 10% of net profit for the year to the Capital Reserve Account.
- Allocate 6% of net profit for the year after Capital Reserve Account allocation to General Reserve Account.
- Appropriate and distribute 5% and 0.5% to 1% of the net profit for the year after Capital Reserve Account allocation to the Bank's employees and members of the Board of Directors, respectively.

The above allocations and appropriations of net profit for the year are declared and approved by the Bank's Board of Directors, and are accounted for directly from retained earnings.

In accordance with the Bank's revised Memorandum and Article of Association, the Bank's net profits for the year will be credited to retained earnings only. Appropriations from net profits will no longer be made to the general and capital reserves.

Notes to the financial statements (continued)

3 Interest income	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Loans and advances to customers	3,635,457	3,790,517	14,949,001	15,264,411
Government treasury bills	508,618	698,867	2,091,437	2,814,336
Placements with the Central Bank	1,116,308	687,824	4,590,258	2,769,866
Government bonds	267,510	297,989	1,100,000	1,200,000
Placements with overseas banks	863,003	130,258	3,548,667	524,553
Total	6,390,896	5,605,455	26,279,363	22,573,166

4 Interest expense	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Fixed deposits				
in US\$	1,479,309	1,540,549	6,082,917	6,203,791
in Riel	596,026	580,957	2,450,860	2,339,512
Savings deposits				
in US\$	276,704	266,930	1,137,805	1,074,928
in Riel	138,597	135,594	569,916	546,039
Pension fund	18,530	19,945	76,194	80,317
Total	2,509,166	2,543,975	10,317,692	10,244,587

5 Fee and commission income	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Fund remittance fees	490,029	486,254	2,015,000	1,958,146
Loan processing fees	298,660	474,386	1,228,088	1,910,352
Commission from issuing letters of credit and guarantee	196,659	192,721	808,662	776,089
SWIFT fee	151,460	149,837	622,804	603,390
Other service charges	103,146	133,349	424,135	536,998
Total	1,239,954	1,436,547	5,098,689	5,784,975

6 Other incomes - net	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Gain/(Loss) on money exchange	(14,955)	271,283	(61,493)	1,092,455
Gain on revaluation - net	167,103	278,900	687,127	1,123,132
Other income	90,449	-	371,925	-
Total	242,597	550,183	997,559	2,215,587

7 General and administrative expenses	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Staff costs (note 8)	606,341	519,868	2,493,276	2,093,507
Legal and court fees	245,274	96,137	1,008,567	387,142
Communication expenses	71,733	55,805	294,967	224,725
Depreciation and amortisation	123,496	102,744	507,814	413,752
Rental expense	74,400	64,800	305,933	260,950
Utilities and office expense	72,077	82,623	296,379	332,722
Marketing costs	66,051	47,303	271,603	190,488
The Central Bank's fee charged on transferred shares	59,582	-	245,000	-
Insurance and security expense	44,466	44,490	182,843	179,161
Auditor's remuneration	21,400	29,750	87,997	119,802
Board of Director's meeting fees	23,739	24,882	97,615	100,200
Transportation costs	22,660	13,147	93,179	52,943
Repair and maintenance	17,120	12,252	70,399	49,340
Other expenses	124,968	154,773	513,868	623,275
Total	1,573,307	1,248,574	6,469,440	5,028,007

* Audited in KHR only

8 Staff costs	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Salaries	469,857	416,805	1,932,054	1,678,472
Bonus and allowances	117,804	86,545	484,411	348,516
Contribution to pension fund	18,680	16,518	76,811	66,519
Total	606,341	519,868	2,493,276	2,093,507

9 Provision for losses on loans and advances	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Provision for losses on loans and advances (note 15(e))	(4,804,267)	(2,867,410)	(19,755,144)	(11,547,061)
Recovery of bad loans previously written off	1,433,447	302,547	5,894,330	1,218,358
Recovery of loans that have been previously provided for (note 15(e))	544,290	541,644	2,238,122	2,181,201
Total	(2,826,530)	(2,023,219)	(11,622,692)	(8,147,502)

10 Taxation	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
(a) Income tax expense				
Current income tax	178,291	303,893	733,132	1,223,775
Deferred income tax movement	(21,207)	9,895	(87,202)	39,849
Total	157,084	313,788	645,930	1,263,624

(b) Reconciliation between income tax expense and accounting profit	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Accounting profit before taxation	891,455	1,568,939	3,665,662	6,318,117
Tax at applicable rate of 20%	178,291	313,788	733,132	1,263,624
Add/(deduct):				
Net unrealised foreign exchange gain for the year (note 6)	33,420	55,780	137,425	224,627
Net unrealised foreign exchange gain in prior year that was realised in current year (note 6)	(54,627)	(45,885)	(224,627)	(184,778)
Total current income tax expenses	157,084	303,893	645,930	1,223,775

(c) Deferred income tax
The deferred taxation movement is mainly due to the impact on the business income tax arising from the unrealized foreign exchange gain or loss.

(d) Other tax matters
The Bank's tax returns are subject to periodic examination by the Tax Department. Some areas of tax laws and regulations may be open to differing interpretation, therefore tax amounts reported in the financial statements could be changed at a later date, upon final determination by the Tax Department.

11 Balances with Central Bank	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Term deposits	25,100,000	58,600,000	103,211,200	235,982,200
Reserve account	9,500,000	9,500,000	39,064,000	38,256,500
Current accounts	12,012,386	5,436,975	49,394,933	21,894,699
Statutory deposits	1,215,953	1,241,619	5,000,000	5,000,000
Amount due from the Central Bank	140,578	143,545	578,056	578,056
	47,968,917	74,922,139	197,248,189	301,711,455
Provision for losses on amount due from the Central Bank	(128,529)	(131,242)	(528,513)	(528,513)
Total	47,840,388	74,790,897	196,719,676	301,182,942

* Audited in KHR only

Notes to the financial statements (continued)

Reserve account represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers and settlement accounts of other banks. In calculating the minimum reserve requirement, the Central Bank allows the balance of cash on hand held by the Bank in local currency of Riel 10,473,508 thousand as at 31 December 2005 (2004: Riel 10,636,113 thousand) to be deducted from the required reserve.

In compliance with the Prakas No. B700-04, the Bank maintains a statutory deposit with the Central Bank equivalent to Riel 5,000,000 thousand and which represents 10% of its registered capital. The statutory deposit earns interest at Riel refinance rate averaging at 3% per annum since 2002. These deposits are refundable should the Bank cease its operations in Cambodia.

The amount due from the Central Bank represents advances given to the Central Bank before the Bank became a separate legal entity independent from the Central Bank's direct management. US\$128,529 of the outstanding amount of US\$140,578 has been provided as at 31 December 2005.

Annual interest rates on balances with the Central Bank are summarised as follows:	2005	2004
Short term deposits	1.80% - 3.28%	0.8% - 1.8%
Reserve deposits	0%	0%
Current accounts	0%	0%
Statutory deposit	1.04% - 1.39%	3%

12 Balances with other banks

This represents current accounts with other banks outside Cambodia. These current accounts earn interest with annual rates ranging from 1.3% to 2.0% in 2005 (2004: 0% to 1.2%).

13 Placements with other banks

	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Overnight placements with banks	23,114,413	6,466,339	95,046,465	26,039,948
Short-term placement with banks	18,346,640	3,085,639	75,441,387	12,425,869
Total	41,461,053	9,551,978	170,487,852	38,465,817

Annual interest rates on placements with other banks are summarised as follows:	2005	2004
Overnight placements with banks	1.40%-3.60%	0.08% - 1.59%
Short-term placement with banks	0.24%-4.28%	0.88%-2.18%

14 Investments in Government Bonds & Treasury Bills

	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Government bonds (note 22)	9,727,626	9,932,952	40,000,000	40,000,000
Treasury bills	3,859,552	11,829,728	15,870,477	47,638,314
Total	13,587,178	21,762,680	55,870,477	87,638,314

Treasury bills as at 31 December 2005 are outstanding discounted bills issued by the Ministry of Economy and Finance with a maturity term of 3 months and earn interest at 6% per annum.

15 Loans and advances to customers

(a) Analysis by type of loan	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Commercial loans:				
Short-term loans	4,103,000	621,932	16,871,536	2,504,519
Long-term loans	8,019,102	8,835,463	32,974,547	35,580,408
Overdrafts	21,591,622	27,424,615	88,784,749	110,438,924
Consumer loans: Individual loans	30,000	325,288	123,360	1,309,939
	33,743,724	37,207,298	138,754,192	149,833,790
Provisions for losses on loans and advances	(2,893,779)	(4,559,515)	(11,899,220)	(18,361,168)
Total	30,849,945	32,647,783	126,854,972	131,472,622

All term loans were granted to Cambodian borrowers. All loans and advances to customers are secured.

* Audited in KHR only

(b) Analysis by industry	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Services	22,519,230	22,864,349	92,599,074	92,074,733
Import and export	2,245,675	5,249,871	9,234,214	21,141,231
Wholesale and retail	2,895,710	3,162,897	11,907,161	12,736,986
Agriculture	2,682,811	2,924,884	11,031,717	11,778,510
Chemical and medical supplies	1,821,298	2,163,391	7,489,178	8,711,974
Other industries	1,441,685	719,343	5,928,210	2,896,796
Individual	137,315	122,563	564,638	493,560
	33,743,724	37,207,298	138,754,192	149,833,790
Provisions for losses on loans and advances	(2,893,779)	(4,559,515)	(11,899,220)	(18,361,168)
Total	30,849,945	32,647,783	126,854,972	131,472,622

(c) Analysis by security	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Secured	33,743,724	37,167,649	138,754,192	149,674,123
Unsecured	-	39,649	-	159,667
	33,743,724	37,207,298	138,754,192	149,833,790
Provisions for losses on loans and advances	(2,893,779)	(4,559,515)	(11,899,220)	(18,361,168)
Total	30,849,945	32,647,783	126,854,972	131,472,622

(d) Analysis by classification	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Standard	24,889,702	21,726,510	102,346,454	87,492,656
Substandard	1,004,708	4,075,364	4,131,359	16,411,492
Doubtful	7,849,314	2,853,883	32,276,379	11,492,588
Loss	-	8,551,541	-	34,437,054
	33,743,724	37,207,298	138,754,192	149,833,790
Provisions for losses on loans and advances	(2,893,779)	(4,559,515)	(11,899,220)	(18,361,168)
Total	30,849,945	32,647,783	126,854,972	131,472,622

(e) Provision for losses on loans and advances	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
The movements in the provisions for losses on loans and advances are as follows:				
Balance at beginning of the year	4,465,265	4,024,919	18,361,168	16,208,348
Provision for the year	4,804,267	2,867,410	19,755,144	11,547,061
Bad loans written off	(6,008,984)	(1,836,758)	(24,708,943)	(7,396,625)
Bad loans recovered	(544,290)	(541,644)	(2,238,122)	(2,181,201)
Currency translation difference	177,521	45,588	729,973	183,585
Total	2,893,779	4,559,515	11,899,220	18,361,168

In 2005, the Board of Directors approved the write off bad loans amounting to US\$6,008,844 (2004: US\$1,836,758). The bad loans written off are secured by real estate properties with external valuation aggregating to approximately US\$14,329,720 (2004: US\$7,166,315). These properties are not recognised as assets of the Bank as at 31 December 2005 until such time the foreclosure procedures have taken place.

(f) Interest rate

These loans and advances to customers earn interest at annual rates ranging from:	2005	2004
Loans and advances in Riel	10.4% - 16.8%	10.4% - 16.8%
Loans and advances in US\$	10.0% - 36.0%	12.0% - 36.0%

* Audited in KHR only

Notes to the financial statements (continued)

16 Property & equipment

	Land US\$	Buildings US\$	Furniture & equipment US\$	Motor vehicles US\$	Total US\$
<i>As at 1 January 2004</i>					
Cost	227,313	65,016	335,492	54,023	681,845
Accumulated depreciation	-	-	(247,168)	(47,093)	(294,261)
Net book amount	227,313	65,016	88,325	6,930	387,584
Year ended 31 December 2004					
Opening net book amount	227,313	65,016	88,325	6,930	287,584
Exchange differences	(2,879)	(823)	(1,119)	(88)	(4,909)
Additions	-	-	16,552	-	16,552
Depreciation charge	-	-	(55,492)	(6,842)	(62,334)
Closing net book value	224,434	64,193	48,266	-	336,893
At 31 December 2004					
Cost	224,434	64,192	328,379	53,339	670,345
Accumulated depreciation	-	-	(280,113)	(53,339)	(333,452)
Net book amount	224,434	64,192	48,266	-	336,893
Equivalent in Riel '000	903,797	258,503	194,369	-	1,356,669
Year ended 31 December 2005					
Opening net book amount	224,434	64,192	48,266	-	336,892
Exchange differences	(4,639)	(1,326)	3,606	-	(2,359)
Additions	-	-	17,194	-	17,194
Disposals	-	-	(440)	-	(440)
Depreciation charge	-	-	(67,705)	-	(67,705)
Closing net book value	219,795	62,866	921	-	283,582
At 31 December 2005					
Cost	219,795	62,866	329,479	52,236	664,376
Accumulated depreciation	-	-	(328,558)	(52,236)	(380,794)
Net book amount	219,795	62,866	921	-	283,582
Equivalent in Riel '000	903,797	258,503	3,791	-	1,166,091

17 Computer software US\$

	Computer software US\$
<i>At 1 January 2004</i>	
Cost	323,105
Accumulated amortisation	(61,262)
Net book amount	261,843
Year ended 31 December 2004	
Opening net book amount	261,843
Exchange differences	(3,317)
Additions	28,928
Amortisation charge	(40,410)
Closing net book value	247,044
At 31 December 2004	
Cost	347,941
Accumulated amortisation	(100,896)
Net book amount	247,044
Equivalent Riel '000	994,848

Year ended 31 December 2005

Opening net book amount	247,044
Exchange differences	(9,710)
Additions	-
Amortisation charge	(55,791)
Closing net book value	181,543

At 31 December 2005

Cost	340,749
Accumulated amortisation	(159,206)
Net book amount	181,543
Equivalent Riel '000	746,505

The computer software mainly relates to the Core Banking System ("CBS") software. In 2005, the Bank reviewed the amortised cost of CBS and determined that the useful life of CBS should be reduced from 10 years to 5 years as indicated in note 2.10. This change was accounted for as a change in accounting estimate and thereby applied prospectively. As a result of the change in accounting estimate the amortisation charge increased by approximately US\$15,980 in 2005.

18 Other assets

	2005 US\$	2004 US\$*	2005 Riel '000	2004 Riel '000
Foreign cheques, travelers cheques and credit card balances for collection:				
In transit	763,161	2,867,945	3,138,120	11,549,215
On hand	51,377	51,351	211,262	206,790
Accrued interest income	663,126	277,263	2,726,774	1,116,540
Advances and prepayments	158,090	103,757	650,065	417,828
Total	1,635,754	3,300,316	6,726,221	13,290,373
Provision for accrued interest receivables on non-performing loans	-	(83,272)	-	(335,336)
Total	1,635,754	3,217,044	6,726,221	12,955,037

19 Deposits of other banks

	2005 US\$	2004 US\$*	2005 Riel '000	2004 Riel '000
Deposits of resident local banks	380,312	622,233	1,563,844	2,505,734
Deposits of resident non-local banks	352,471	314,581	1,449,358	1,266,816
Total	732,783	936,814	3,013,202	3,772,550

These deposits do not earn interest.

20 Deposits of non-bank customers

(a) Analysis by type of deposit	2005 US\$	2004 US\$*	2005 Riel '000	2004 Riel '000
Current accounts	46,585,993	44,148,505	191,561,604	177,786,028
Savings deposits	49,746,807	47,104,321	204,558,871	189,689,100
Term deposits	43,660,170	45,902,239	179,530,621	184,848,316
Margin deposits (note 23)	1,877,135	818,133	7,718,779	3,294,620
Other deposit accounts	1,025,371	1,294,026	4,216,321	5,211,048
Total	142,895,476	139,267,224	587,586,196	560,829,112

Margin deposits represent the aggregate balance of required non-interest bearing cash deposits from customers for letters of credit and guarantees outstanding at year-end (note 23).

Other deposit accounts comprise mainly customer accounts in transit and certified cheques for settlement guarantees amounting to US\$580,027 and US\$254,006, respectively (2004: US\$655,763 and US\$283,203, respectively).

* Audited in KHR only

Notes to the financial statements (continued)

(b) Analysis by type of customer	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Individuals	67,823,800	71,752,565	278,891,467	288,947,581
Private sector and NGOs	41,684,633	38,220,148	171,407,211	153,912,538
State-owned companies	33,387,043	29,294,511	137,287,518	117,968,993
Total	142,895,476	139,267,224	587,586,196	560,829,112

(c) Analysis by resident status	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Residents	140,594,649	135,865,686	578,125,196	547,131,117
Non-residents	2,300,827	3,401,538	9,461,000	13,697,995
Total	142,895,476	139,267,224	587,586,196	560,829,112

(d) Analysis by relationship	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
External parties	142,712,595	138,928,406	586,834,189	559,464,690
Staff	182,881	338,818	752,007	1,364,422
Total	142,895,476	139,267,224	587,586,196	560,829,112

(e) Interest rates		2005	2004
Current accounts		0%	0%
Savings accounts	US\$	0.75% - 1.5%	0.75% - 1.5%
	Riel	1.5% - 2%	1.5% - 2%
Fixed deposits in US\$ with a term of:	1 month	1% - 2%	1% - 2%
	3 months	3%	3%
	6 months	4% - 4.5%	4% - 4.5%
	12 months	5% - 5.5%	5% - 5.5%
Fixed deposits in Riel with a term of:	3 months	4.5%	4.5%
	6 months	5.5%	5.5%
	12 months	6.5%	6.5%

21 Other liabilities	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Accrual interest payable	652,685	627,214	2,683,841	2,525,791
Deferred tax liability (note 10)	33,420	55,780	137,425	224,627
Pension fund liability	176,692	133,684	726,557	538,347
Accrued taxes	61,342	64,871	252,239	261,237
Accrual for the Central Bank's fee charged on the transfer of shares	59,582	-	245,000	-
Other liabilities	39,386	66,538	161,957	267,951
Total	1,023,107	948,087	4,207,019	3,817,953

The details of movements of the pension fund liability are as follows:	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Balance as at 1 January	133,684	84,058	538,347	338,503
Exchange difference	(2,763)	-	-	-
Additions for the year:				
Staff contribution 5%	17,934	16,515	73,743	66,504
Bank's contribution 5%	17,934	16,515	73,743	66,504
Interest (note 4)	18,530	19,945	76,194	80,317
Payments to retired employees	(8,627)	(3,349)	(35,470)	(13,481)
Balance as at 31 December	176,692	133,684	726,557	538,347

* Audited in KHR only

22 Share capital and reserves

Share capital

The total authorised amount of share capital is Riel 50,000 million shares with a par value of Riel 100 thousand per share. All issued shares are ordinary shares and are fully paid.

	2005 % of ownership	Riel '000	2004 % of ownership	Riel '000
Analysis of shareholders as at 31 December 2005 is as follows:				
Canada Bank	46%	23,000,000	-	-
ING Holding Company Ltd.	44%	22,000,000	-	-
Ministry of Economy and Finance ("MoEF")	10%	5,000,000	80%	40,000,000
Central Bank	-	-	20%	10,000,000
Total consideration received	100%	50,000,000	100%	50,000,000
<i>Equivalent in US\$</i>		12,159,533		12,416,191

The MoEF issued 4,000 Government bonds to the Bank with a par value of Riel 10 million each on 1 April 2002. The cash amount of Riel 10,000 million was fully contributed to the Bank by the Central Bank in 2002. On 28 October 2005, the Shareholders of the Bank represented by the Privatisation Committee entered into a sales agreement with Canada Bank and ING Holding to sell their current shareholding in the Bank as part of the privatisation process. The Central Bank sold its 20% shareholding in the Bank and MoEF reduced its 80% shareholding to 10%. The 4,000 Government bonds issued to the Bank were bought back by the MoEF on 4 January 2006 as part of the sales agreement (note 27).

Reserves

Capital reserve

The capital reserve represents fund which have been set aside for future increases in capital. These funds are allocated from net profit after tax at an amount equal to 10%. Allocations to the capital reserve will not occur in the future under the Bank's revised Memorandum and Articles of Association.

Reserve for banking risks

The reserve for banking risks was initially established based on a resolution by the Board of Directors dated 19 June 2000. This account represents a general purpose reserve established to cover the risks for banking operations in Cambodia, in particular the general risks on loan delinquency, losses not covered by the provision for bad and doubtful loans, and currency risk.

Translation reserve

The translation reserve account represents the unrealised foreign exchange gains or losses from prior years that arose from the translation of the Bank's foreign currency denominated monetary assets and liabilities which were initially credited or charged to income statement and subsequently allocated to this reserve account as an appropriation of retained earnings for the year. The functional currency of the Bank has changed from the Cambodian Riel to the US\$ in 2005 (note 2.2a) and any foreign exchange gains or losses resulting from the translation of currencies other than US\$, are recognised in the income statement immediately (note 2.2b). The exchange gains or losses will not be allocated to the reserve account.

General reserve

The general reserve is allocated from profit after tax with an amount equal to 6% of net profit after tax after reduction of capital reserve. In 2005, there is no more funds transferred to this reserve account. The use of the general reserve is at the discretion of the Board of Directors. Allocations to the general reserve will not occur in the future under the Bank's revised Memorandum and Articles of Association.

23 Commitments & contingencies

	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Letters of credit	6,927,598	9,617,812	28,486,281	38,730,929
Letters of guarantees	2,803,093	5,068,886	11,526,317	20,412,402
Unused portion of approved credit facilities	4,629,864	3,265,667	19,038,001	13,150,843
Bill collections	291,754	186,296	1,199,696	750,213
Total	14,652,309	18,138,661	60,250,295	73,044,387

These commitments are secured by cash deposits of US\$1,877,135 (2004: US\$818,133), as disclosed in note 20.

* Audited in KHR only

Notes to the financial statements (continued)

24 Cash & cash equivalents

	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
Cash on hand	6,215,685	6,218,433	25,558,895	25,041,629
Term deposits and current accounts with the Central Bank	37,112,385	64,036,975	152,606,132	257,876,899
Balances with other banks	21,449,570	11,074,338	88,200,628	44,596,361
Placement accounts with other banks	41,461,053	9,551,978	170,487,852	38,465,817
Investments in treasury bills	3,859,552	11,829,729	15,870,477	47,638,314
Total	110,098,245	102,711,453	452,723,984	413,619,020

25 Related party transactions

	2005 US\$	2004 US\$ *	2005 Riel '000	2004 Riel '000
During the year ended 31 December 2005, following transactions with related parties have occurred:				
Payment to the Central Bank:				
Office rental fee	68,200	64,800	280,438	260,950
Banking license fee	17,023	17,383	70,000	70,000
Payment to Board of Directors:				
Distribution of previous year net income	8,605	4,161	35,382	16,757
Board of Director's meeting fee	23,739	26,409	97,616	106,350
Directors' remunerations	22,827	13,056	93,864	52,578
Total	140,394	125,809	577,300	506,635

* Audited in KHR only

26 Segment information

The major business of the Bank is commercial banking and is carried out within the Kingdom of Cambodia

27 Events after the balance sheet date

On 4 January 2006, the MoEF paid Riel 40,000 million to the Bank to buy back the Government bonds outstanding as at 31 December 2005 (notes 14 and 22). The buy back of Government bonds by MoEF formed part of the sales agreement made between the Bank and the joint venture partners during the privatisation process.

28 Financial risk management

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay the amount in full when due. Provision is made for losses that have been incurred at the balance sheet date. The Bank sets limits on the level of balloon loans in which the loan principal is repaid in full at the maturity date.

Exposure to credit is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

(b) Market risk

Market risk arises from open positions in interest rate and currency, all of which are exposed to general and specific market movement.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank sets limits on the level of currency exposure which is monitored monthly.

The table in note 29 to the financial statements summarises the Bank's exposure to foreign currency risk at 31 December which included the Bank's assets and liabilities at carrying amounts, categorised by currency.

(ii) Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Bank sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

The table in note 31 to the financial statements summarises the Bank's exposure to interest rate risk, which includes the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(c) Liquidity risk

Liquidity risk is defined as a risk when the maturity of assets and liabilities do not match. The Bank monitors the maturity gap analysis monthly.

An analysis of the assets and liabilities of the Bank grouped based on the remaining period at balance sheet to contractual maturity is provided in note 30 to the financial statements.

29 Currency analysis

31 December 2005

Assets

Cash on hand	3,668,626	2,547,059	-	-	-	-	6,215,685	25,558,895
Balances with the Central Bank, net	45,449,484	2,390,904	-	-	-	-	47,840,388	196,719,676
Balance with other banks	20,304,970	-	129,995	17,901	5,900	37,152	21,449,570	88,200,628
Placement with other banks	41,461,053	-	-	-	-	-	41,461,053	170,487,852
Investments in government bonds and treasury bills	-	13,587,178	-	-	-	-	13,587,178	55,870,477
Loans and advances to customers, net	30,754,291	95,654	-	-	-	-	30,849,945	126,854,972
Property and equipment	-	283,582	-	-	-	-	283,582	1,166,091
Computer software	-	181,543	-	-	-	-	181,543	746,505
Other assets, net	1,568,261	67,493	-	-	-	-	1,635,754	6,726,221
Total assets	143,206,685	19,153,413	129,995	17,901	5,900	37,152	163,504,698	672,331,317

Liabilities

Deposits of other banks	498,439	234,344	-	-	-	-	732,783	3,013,202
Deposits of non-bank customers	118,955,650	23,792,401	3,946	-	1,296	88,927	142,895,476	587,586,196
Provision for taxation	-	85,332	-	-	-	-	85,332	350,884
Other liabilities	214,920	808,187	-	-	-	-	1,023,107	4,207,019
Total liabilities	119,669,009	24,920,264	3,946	-	1,296	88,927	144,736,698	595,157,301
Net on balance sheet position	23,537,676	(5,766,851)	126,049	17,901	4,604	(51,775)	18,768,000	77,174,016

31 December 2004

Total assets	128,137,643	29,429,166	265,928	1,844	379,562	63,285	159,847,092	643,704,239
Total liabilities	117,024,833	24,207,858	1,333	-	1,456	90,782	141,380,101	569,337,666
Net on balance sheet position	11,112,810	5,221,308	264,595	1,844	378,106	(27,497)	18,466,991	74,366,573

31 December 2005

Assets

	Up to 1 month US\$	1-3 months US\$	3-12 months US\$	1-3 years US\$	3-5 years US\$	No fixed term US\$	Total US\$	Total Riel '000
Cash on hand	6,215,685	-	-	-	-	-	6,215,685	25,558,895
Balances with the Central Bank, net	37,112,386	-	9,500,000	-	-	1,228,002	47,840,388	196,719,676
Balances with other banks	21,449,570	-	-	-	-	-	21,449,570	88,200,628
Placements with other banks	41,461,053	-	-	-	-	-	41,461,053	170,487,852
Investments in government bonds and treasury bills	12,619,693	967,485	-	-	-	-	13,587,178	55,870,477
Loans and advances to customers, net	573,297	1,285,420	5,097,030	21,851,455	174,000	1,868,743	30,849,945	126,854,972
Property and equipment	-	-	-	922	-	282,660	283,582	1,166,091
Computer software	-	-	-	-	181,543	-	181,543	746,505
Other assets, net	1,295,138	198,190	51,816	62,650	-	27,960	1,635,754	6,726,221
Total assets	120,726,822	2,451,095	14,648,846	21,915,027	355,543	3,407,365	163,504,698	672,331,317

Liabilities

Deposits of other banks	732,783	-	-	-	-	-	732,783	3,013,202
Deposits of non-bank customers	106,834,641	10,609,213	25,451,622	-	-	-	142,895,476	587,586,196
Provision for taxation	-	85,332	-	-	-	-	85,332	350,884
Other liabilities	670,820	176,585	-	-	-	175,702	1,023,107	4,207,019

Total liabilities

Total liabilities	108,238,244	10,871,130	25,451,622	-	-	175,702	144,736,698	595,157,301
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Net liquidity gap

Net liquidity gap	12,488,578	(8,420,035)	(10,802,776)	21,915,027	355,543	3,231,663	18,768,000	77,174,016
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31 December 2004

Total assets

Total assets	98,098,547	12,736,834	7,646,745	29,911,798	-	11,453,166	159,847,090	643,704,239
Total liabilities	95,290,573	9,107,535	15,609,250	21,372,741	-	-	141,380,099	569,337,666

Net liquidity gap

Net liquidity gap	2,807,974	3,629,299	(7,962,505)	8,539,057	-	11,453,166	18,466,991	74,366,573
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31 Interest rate risk

	Up to 1 month US\$	1-3 months US\$	3-12 months US\$	1-3 years US\$	3-5 years US\$	Non interest bearing US\$	Total US\$	Total Riel '000
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31 December 2005

Assets

Cash on hand	-	-	-	-	-	6,215,685	6,215,685	25,558,895
Balances with the Central Bank, net	25,100,000	-	9,500,000	-	1,215,953	12,024,435	47,840,388	196,719,676
Balance with other banks	-	-	-	-	-	21,449,570	21,449,570	88,200,628
Placements with other banks	41,461,053	-	-	-	-	-	41,461,053	170,487,852
Investments in government bonds and treasury bills	12,619,693	967,485	-	-	-	-	13,587,178	55,870,477
Loans and advances to customers, net	573,297	1,285,420	5,097,030	21,851,454	2,042,744	-	30,849,945	126,854,972
Property and equipment	-	-	-	-	-	283,582	283,582	1,166,091
Computer software	-	-	-	-	-	181,543	181,543	746,505
Other assets, net	-	-	-	-	-	1,635,754	1,635,754	6,726,221
Total assets	79,754,043	2,252,905	14,597,030	21,851,454	3,258,697	41,790,569	163,504,698	672,331,317

Liabilities

Deposits of other banks	-	-	-	-	-	732,783	732,783	3,013,202
Deposits of non-bank customers	57,773,125	10,460,812	25,173,188	-	-	49,488,351	142,895,476	587,586,196
Provision for taxation	-	-	-	-	-	85,332	85,332	350,884
Other liabilities	-	-	-	-	-	1,023,107	1,023,107	4,207,019
Total liabilities	57,773,125	10,460,812	25,173,188	-	-	51,329,573	144,736,698	595,157,301

Net liquidity gap

Net liquidity gap	21,980,918	(8,207,907)	(10,576,158)	21,851,454	3,258,697	(9,539,004)	18,768,000	77,174,016
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31 December 2004

Assets

Cash on hand	6,218,433	-	-	-	-	-	6,218,433	25,041,629
Balances with the Central Bank, net	60,129,802	3,900,000	-	-	1,241,619	9,519,476	74,790,897	301,182,942
Balances with other banks	-	-	-	-	-	11,074,338	11,074,338	44,596,361
Placements with other banks	9,551,978	-	-	-	-	-	9,551,978	38,465,817
Investments in government bonds and treasury bills	5,249,473	6,580,255	-	9,932,953	-	-	21,762,681	87,638,314
Loans and advances to customers, net	2,657,478	2,256,579	7,646,745	19,978,846	-	108,134	32,647,782	131,472,622
Property and equipment	-	-	-	-	-	336,893	336,893	1,356,669
Computer software	-	-	-	-	-	247,044	247,044	994,848
Other current assets	-	-	-	-	-	3,217,044	3,217,044	12,955,037
Total assets	83,807,164	12,736,834	7,646,745	29,911,799	1,241,619	24,502,929	159,847,090	643,704,239

Liabilities

Deposits of other banks	-	-	-	-	-	936,814	936,814	3,772,550
Deposits of non-bank customers	93,405,670	8,879,561	15,609,250	21,372,743	-	-	139,267,224	560,829,112
Provision for taxation	-	227,974	-	-	-	-	227,974	918,051
Other liabilities	-	133,684	-	-	-	814,403	948,087	3,817,953
Total liabilities	93,405,670	9,241,219	15,609,250	21,372,743	-	1,751,217	141,380,099	569,337,666

Total interest sensitivity gap

Total interest sensitivity gap	(9,598,506)	3,495,615	(7,962,505)	8,539,056	1,241,619	22,751,712	18,466,991	74,366,573
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Appendix 1: Notes on compliance with the Central Bank's Prakas

For the year ended 31 December 2005

1. Liquidity ratio, Prakas No. B7-04-207

The Bank was in compliance with this Prakas requiring a Liquidity Ratio of at least 50%. As at 31 December 2005, the Bank's Liquidity Ratio was 153.08%.

The Liquidity Ratio calculation is detailed in Schedule 1.

2. Minimum capital requirement, Prakas No. B7-00-39

The Central Bank's Prakas No. B 7-00-39 on banks' minimum capital requires that all banks maintain a minimum paid-up capital of KHR 50 billion (approximately US\$12,159,533).

As at 31 December 2005, the Bank has fully complied with the minimum capital requirement of the Central Bank.

3. Net worth, Prakas No. B7-00-47

The Bank's Net Worth as at 31 December 2005 amounted to US\$17,396,449 as computed in Schedule 2.

Banks must maintain their net worth at least equal to their paid up capital. As at 31 December 2005, the Bank's net worth of US\$17,396,449 is higher by US\$5,236,916 compared to its paid-up capital of US\$12,159,533

The Net Worth calculation is detailed in Schedule 2.

4. Solvency ratio, Prakas No. B7-04-206

As at 31 December 2005, the Bank maintained a Solvency Ratio of 17.33%, representing the Bank's net worth as a percentage of its risk weighted assets and off balance sheet items.

The Bank was in compliance with this Prakas which requires a Solvency Ratio of at least 15%.

The Solvency Ratio calculation is detailed in Schedule 3.

5. Foreign currency transactions, Prakas No. B7-00-50

The Bank transacts its business primarily in United States Dollars (US\$) and maintains its books of accounts in US\$. Accordingly, all currencies other than US\$ are considered as foreign currencies.

Balance sheet items

As at 31 December 2005, in accordance with Prakas No. B700-50, all assets and liabilities of the Bank that were denominated in foreign currencies were revalued using the year-end exchange rate.

Off balance sheet items

The Bank is required to record in off-balance sheet accounts the capital commitments arising from the purchase and sale of foreign currencies relating to spot transactions (with a completion period of two days) and forward foreign exchange transactions.

As at 31 December 2005, the Bank had no capital commitments of this nature. The details of its other outstanding commitments and contingencies are disclosed in note 24 to the financial statements.

6. Classification of and provisioning for losses on loans and advances, Prakas No. B7-00-51, its amendment per Prakas B7-02-145 and Circular B7-04-01

The Bank is in compliance with the Central Bank's requirement, with respect to the minimum level of specific provisioning to be applied on the respective classification of loans, as defined by this Prakas.

The details of the computation of the required loan provision to comply with the Central Bank's requirements are provided in Schedule 4.

7. Large credit exposures, Prakas No. B700-52

Banks are required, under the conditions of this Prakas, to maintain at all times a maximum ratio of 20% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

As at 31 December 2005, the Bank had no exposure with a single beneficiary where such exposure exceeded 20% of the net worth as computed in Schedule 2.

8. Loans related to parties, Prakas No. B7-02-146

The Bank was in compliance with this Prakas requiring total weighted outstanding of loans to related parties to be not more than 10% of the Bank's net worth.

9. Fixed assets, Prakas No. B7-01-186

Fixed assets acquired by banks for operational purposes shall remain inferior to 30% of total bank's net worth as defined in Prakas B7-00-47. Fixed assets with no direct link to operating the Bank shall be sold not later than one year after the date they became property of the Bank.

As at 31 December 2005, the Bank's fixed assets amounting to US\$283,582 is equivalent to 1.63% of the Bank's net worth and is therefore compliant with the fixed asset ratio required by this Prakas.

Schedule 1: Liquidity ratio as at 31 December 2005

Liquidity ratio Numerator	US\$
1. Treasury balance	
Debit items	
- Cash on hand	6,215,685
- Deposits with the Central Bank (excluding statutory deposits)	46,624,435
- Deposits with banks	62,910,623
- Portion of lending to banks and MFIs with not more than one month to run	-
	<u>115,750,743</u>
Less:	
Credit items	
- Sight accounts maintained with the Central Bank, banks or financial institutions	(732,635)
- Borrowings from the Central Bank with not more than one month to run	-
	<u>(732,635)</u>
Net balance - lender position	115,018,108
1. Lending with not more than one month to run (exclude loans with no maturity)	59,833
2. Treasury bills with not more than one month to run (double)	2,893,969
	<u>117,971,910</u>
Total numerator (A)	
Denominator	
1. 80% of FD & CD having not more than one month to run	5,554,545
2. 50% of FD & CD having more than one month to run	18,684,838
3. 50% of savings deposits	24,873,478
4. 60% of demand deposits	27,915,596
	<u>77,064,457</u>
Total denominator (B)	
Liquidity ratio (A/B)	<u>153.08%</u>

Schedule 2: Net worth as at 31 December 2005

	US\$
Net worth	
Paid-up capital	12,159,533
Reserves other than revaluation (Translation reserve, general reserve and capital reserve)	3,926,881
Audited net income for the last financial year	734,372
Retained earnings brought forward (*)	757,206
Premiums related to capital	-
Provisions for general banking risk approved by the Central Bank	-
Other items approved by the Central Bank	-
Total (A)	<u>17,577,992</u>
Less :	
Unpaid portion of capital	-
Advances and loans to shareholders or managers and their next of kin	-
Treasury stocks (holding of own shares)	-
Accumulated loss brought forward	-
Loss incurred for the period	-
Intangible assets including formation expenses	(181,543)
Dividends payable	-
Provisions to be constituted for doubtful debts and securities	-
Total (B)	<u>(181,543)</u>
Base net worth (C) = (A - B)	<u>17,396,449</u>
Revaluation surplus approved by the Central Bank	-
Subordinated debts approved by the Central Bank	-
Other items approved by the Central Bank	-
Total items to be added (D)	<u>-</u>
Less :	
Assets representing the net worth of another bank	-
Other items	-
Total items to be deducted (E)	<u>-</u>
Net worth (F) = (C + D - E)	<u>17,396,449</u>

(*) Retained earnings brought forward as at 1 January 2005 excluding the appropriation to general, capital and translation reserve accounts, and distributed to staff and members of the board of directors.

Schedule 3: Solvency ratio as at 31 December 2005

Solvency ratio		US\$
Numerator		
Net worth as computed above (N)		<u>17,396,449</u>
Denominator	Assets	Weighting
Total gross assets		
- Cash, gold and claims on the Central Bank	6,215,685	0%
- Assets collateralised by deposits	-	0%
- Claims on sovereign rated AAA to AA-	13,642,996	0%
- Claims on sovereign rated A+ to A-	-	20%
- Claims on banks rated AAA to AA-	56,372,818	20%
- Claims on sovereign rated BBB+ to BBB-	-	50%
- Claims on banks rated A+ to A-	6,537,804	50%
- Other assets	80,735,395	100%
Total assets as reported in the balance sheet	<u>163,504,698</u>	
Off balance sheet items		
- Full risk	396,943	100%
- Medium risk	6,102,404	50%
- Moderate risk	8,152,962	20%
- Low risk	-	0%
	<u>14,652,309</u>	
Denominator (D1)		<u>100,357,598</u>
Solvency ratio: (S = N / D1)		<u>17.33%</u>

Computation of other ratios as at 31 December 2005

(Amounts in US\$)

Capital

1	Equity to total assets (A/B)	11.48%					
	A - Equity	18,768,000					
	B - Total assets	163,504,698					
2	Capital Tier I to total assets (A/B)	11.48%					
	A - Capital Tier 1	18,768,000					
	B - Total assets	163,504,698					
3	Capital Tier I to risk weighted assets (A/B)	18.70%					
	A - Capital Tier 1	18,768,000					
	B - Risk weighted assets	100,357,598					
4	Capital Tier I + Tier II to risk weighted assets (A/B)	18.70%					
	A - Capital Tier I + Tier II	18,768,000					
	B - Risk Weighted assets	100,357,598					
5	Net worth to assets (A/B)	10.64%					
	A - Net worth	17,396,449					
	B - Total assets	163,504,698					
6	Solvency ratio (A/B)	17.33%					
	A - Net worth	17,396,449					
	B - Risk weighted assets	100,357,598					
7	Debt to total assets (A/B)	88.52%					
	A - Total liabilities	144,736,698					
	B - Total assets	163,504,698					
8	Debt-equity ratio (A/B)	771.19%					
	A - Total liabilities	144,736,698					
	B - Equity	18,768,000					
9	Dividend to net profit (A/B)	0.00%					
	A - Dividend	-					
	B - Net profit	734,372					
Assets quality							
10	Banking reserve to total loans (A/B)	3.53%					
	A - Banking reserves (general reserve for banking risks)	1,190,006					
	B - Total loans (gross)	33,743,724					
11	Banking reserve to total assets (A/B)	0.73%					
	A - Banking reserves (general reserve for banking risks)	1,190,006					
	B - Total assets	163,504,698					
12	Non-performing loans to total loans (A/B)	26.24%					
	A - Non-performing loans	8,854,022					
	B - Total loans (gross)	33,743,724					
13	Non-performing loans to total assets (A/B)	5.42%					
	A - Non-performing loans	8,854,022					
	B - Total assets	163,504,698					
14	Classified assets to total loans (A/B)	26.40%					
	A - Classified assets	8,854,022					
	B - Total loans (gross)	33,743,724					
15	Classified assets to total assets (A/B)	5.42%					
	A - Classified assets (non-performing loans)	8,854,022					
	B - Total assets	163,504,698					
16	Classified assets to total equity (A/B)	47.18%					
	A - Classified assets (non-performing loans)	8,854,022					
	B - Total equity	18,768,000					
17	Loans to related parties to total loans (A/B)	0.00%					
	A - Loans to related parties	-					
	B - Total loans (gross)	33,743,724					
18	Large exposure to total loans (A/B)	0.00%					
	A - Large exposure	-					
	B - Total loans (gross)	33,743,724					
19	Loans to related parties to net worth (A/B)	0.00%					
	A - Loans to related parties	-					
	B - Net worth	17,396,449					
20	Large exposure to net worth (A/B)	0.00%					
	A - Large exposure	-					
	B - Net worth	17,396,449					
21	General provision to net worth	0.00%					
	A - General provision	-					
	B - Total loans (gross)	33,743,724					
22	Specific provision to total loans (A/B)	8.58 %					
	A - Specific provision	2,893,779					
	B - Total loans (gross)	33,743,724					
23	Specific provision to Non performing loans (A/B)	32.68%					
	A - Specific provision	2,893,779					
	B - Non performing loans	8,854,022					
24	All allowances to total assets (A/B)	1.77%					
	A - Total all allowances	2,893,779					
	B - Total assets	163,504,698					
25	Loans to deposits (A/B)	0.23%					
	A - Total loans to non bank customers (gross)	33,743,724					
	B - Customer's deposits	143,628,258					
Earnings							
26	Return on assets (A/B)	0.45%					
	A - Net profit	734,372					
	B - Total assets	163,504,698					
27	Return on equity (A/B)	3.91%					
	A - Net profit	734,372					
	B - Equity	18,768,000					
28	Gross Yield (A/B)	3.91%					
	A - Interest income	6,390,896					
	B - Total assets	163,504,698					

Computations of other ratios (continued)

29	Net interest margin (NIM) to total assets ((A-B)/C)	2.37%
	A - Interest income	6,390,896
	B - Interest expense	2,509,166
	C - Total assets	163,504,698
30	Other income (OTNC) = (A/B)	0.91%
	A - Other incomes	1,482,550
	B - Total assets	163,504,698
31	Provision to total assets (A/B)	2.94%
	A - Provision	4,804,267
	B - Total assets	163,504,698
32	Overhead (OHEAD) = (A/B)	3.91%
	A - Non-interest expense	6,390,980
	B - Total assets	163,504,698
33	Net income before tax (NIBT) = (A/B)	0.55%
	A - Net income before tax	891,456
	B - Total assets	163,504,698
34	Tax to total assets (A/B)	0.10%
	A - Tax	165,125
	B - Total assets	163,504,698
35	Interest margin to gross income ((A-B)/C)	39.40%
	A - Interest income	6,390,896
	B - Interest expense	2,509,166
	C - Gross income	9,851,182
36	Non-interest income to gross income (A/B)	15.05%
	A - Non-interest income	1,482,550
	B - Gross income	9,851,182
37	Non-Interest expense to gross income (A/B)	64.88%
	A - Non-interest expense	6,390,980
	B - Gross income	9,851,182
38	Times interest earned ((A+B)/C)	1.36%
	A - Income before tax	891,456
	B - Interest expense	2,509,166
	C - Interest expense	2,509,166
Liquidity		
39	Liquid assets (A/B)	66.99%
	A - Liquid assets	109,535,057
	B - Total assets	163,504,698
40	Short-term liabilities (A/B)	72.85%
	A - Short-term liabilities (less than one year)	119,121,291
	B - Total assets	163,504,698
41	Net Liquid assets ((A-B)/C)	-6.62%
	A - Liquid assets	109,535,057
	B - Short-term liabilities (less than one year)	119,121,291
	C - Total liabilities	144,736,698
42	Quick ratio (A/B)	85.10%
	A - Quick assets	123,117,916
	B - Current liabilities	144,736,698
43	Deposit to total loans (A/B)	425.64%
	A - Total customers' deposits	143,628,258
	B - Total loans to non-bank customers (gross)	33,743,724

Standard settlement instructions (SSI)

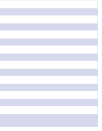
Country of correspondents	Name and address of bank	Currency
AUSTRALIA	Commonwealth Bank of Australia Sydney, NSW 2001, Australia Swift code: CTBAAU2S	AUD
BELGIUM	ING Belgium SA/NV (Formerly Banque Bruxelles Lambert) Avenue Marnixlaan 24, B-1000, Brussels, Belgium Swift code: BBRUBEBB010	EUR
ENGLAND	HSBC Bank PLC (Formerly Midland Bank PLC) Poultry St., London EC2P 2BX, UK Swift code: MIDLGB22	GBP / USD
ENGLAND	Standard Chartered Bank Clements House, 27-28 Clements Lane, London EC4N 7AP, UK Swift code: SCBLGB2L	GBP
FRANCE	Natexis Banques Populaires 45, Rue Saint Dominique, 75007, Paris, France Swift code: CCBPFRPPPAR	USD / EUR
FRANCE	BNP Paribas 16, Bld. des Italiens, 75009 Paris, France Swift code: BNPAFRPP	EUR
FRANCE	Société Générale 29, Bld. Haussmann, 75009 Paris, RCS 552 120 222, France Swift code: SOGEFRPP	EUR
FRANCE	Eurobank 79-81 Bld. Haussmann, 75008 Paris, France Swift code: EUROFRPP	EUR
FRANCE	Crédit Agricole S.A. 91-93, Bld. Pasteur, 75015 Paris, France Swift code: AGRIFRPP	EUR
GERMANY	Deutsche Bank AG 60262 Frankfurt, Germany Swift code: DEUTDEFF	EUR
GERMANY	Dresdner Bank AG Roßmark 14, 60311 Frankfurt Am Main, Germany Swift code: DRESDEFF	EUR
JAPAN	Bank of Tokyo Mitsubishi 3-2 Nihonbashi, P.O. Box no. 191, Tokyo 103-8684, Japan Swift code: BOTKJPJT	USD / JPY
SWITZERLAND	Credit Suisse Group Paradeplatz 8, 8070 Zurich, Switzerland Swift code: CRESCHZZ80A	CHF

Standard settlement instructions (SSI)

<u>SINGAPORE</u>	<u>Standard Chartered Bank Singapore</u> 6 Battery Road, Branch 6747 7000, Singapore 049909 Swift code: SCBLSGSG	<u>USD</u>
<u>SINGAPORE</u>	<u>Natexis Banque Populaires Singapore</u> 50 Raffles Place, #41- 01 Land Tower, Singapore 048623 Swift code: BFCESGSG	<u>USD</u>
<u>THAILAND</u>	<u>Bangkok Bank PLC</u> 333 Silom Road, Bangkok 10500, Thailand Swift code: BKKBTHBK	<u>USD</u>
<u>USA</u>	<u>Standard Chartered Bank</u> 1 Madison Avenue, New York, NY 10010, USA Swift code: SCBLUS33	<u>USD</u>
<u>USA</u>	<u>JP Morgan Chase Bank New York</u> Church Street Station, P.O. Box 932, New York, NY 10008-0932, USA Swift code: CHASUS33	<u>USD</u>
<u>USA</u>	<u>HSBC BANK USA N.A.</u> 452, Fifth Avenue, New York, NY 10018-2706 Swift code: MRMDUS33	<u>USD</u>
<u>USA</u>	<u>Wachovia Bank, N.A.</u> NY International Branch 11 Penn Plaza, 4th Floor, New York, NY 10001, USA Swift code: PNBpus3nny	<u>USD</u>
<u>USA</u>	<u>Citibank N.A.</u> 1 Penns Way, Newcastle, DE 19720, USA Swift code: CITIUS33	<u>USD</u>
<u>VIETNAM</u>	<u>Bank for Foreign Trade of Vietnam</u> 198 Tran Quang Khai, Hanoi, Vietnam Swift code: BFTVNVX	<u>USD</u>



Notes





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