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**Annual Report**  
2006



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## General company information

<b>Status:</b>	Commercial bank which is a joint venture between the State and private enterprise
<b>Head office:</b>	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: <a href="mailto:ftb@camnet.com.kh">ftb@camnet.com.kh</a> <a href="http://www.ftbbank.com">www.ftbbank.com</a> SWIFT: FTCKHPP
<b>Registered capital:</b>	50,000,000,000 KHR
<b>First bank license:</b>	License no. 16, dated 4 January 2001
<b>Registered amendments:</b>	An amendment to the Memorandum of the Articles of Association was registered at NBC on 14 June 2006
<b>Commercial re-registration:</b>	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.

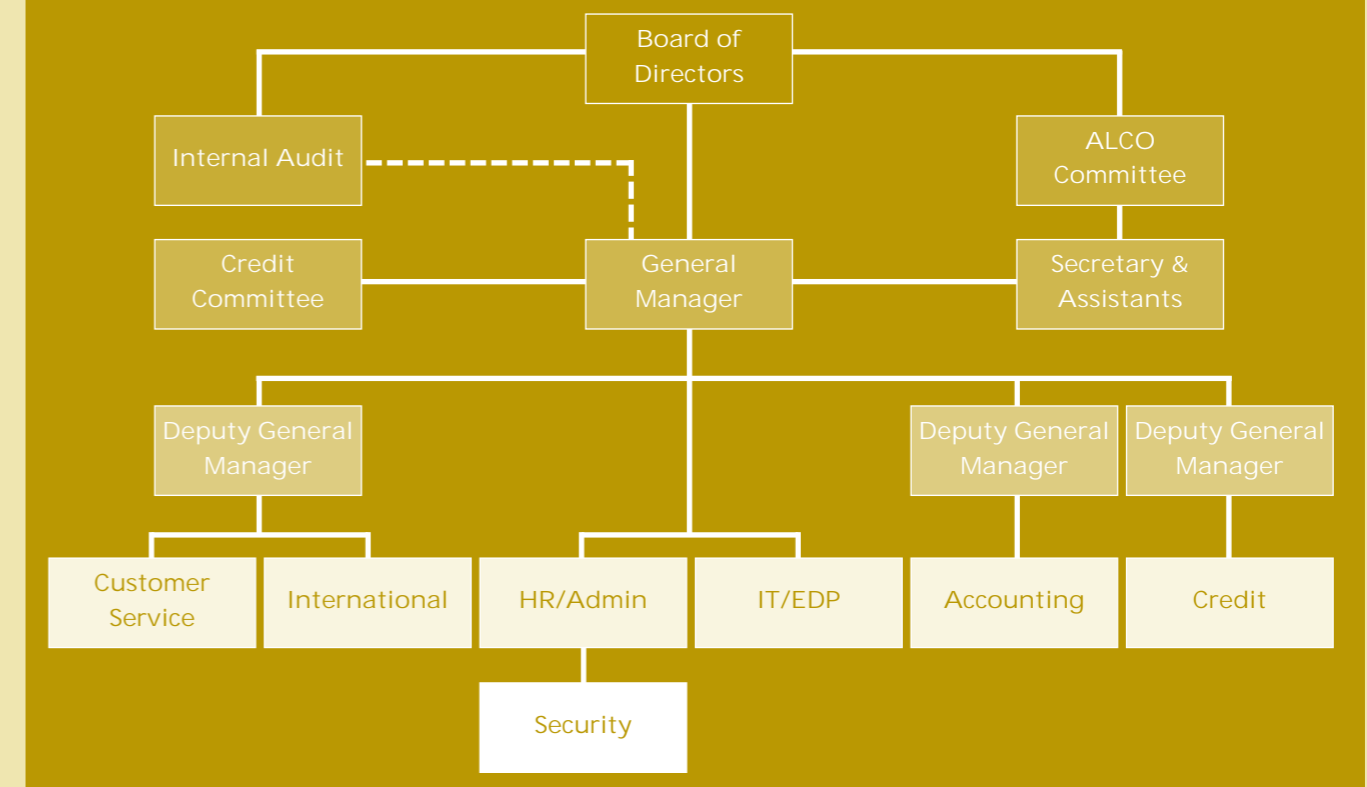
On 1 August 2000, NBC activated this reform and the Foreign Trade Bank of Cambodia's status was changed into that of a state-owned commercial bank, with all the expected features of a Public Economic Enterprise. The aim of this re-structure was to allow the Bank to conduct autonomous business operations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

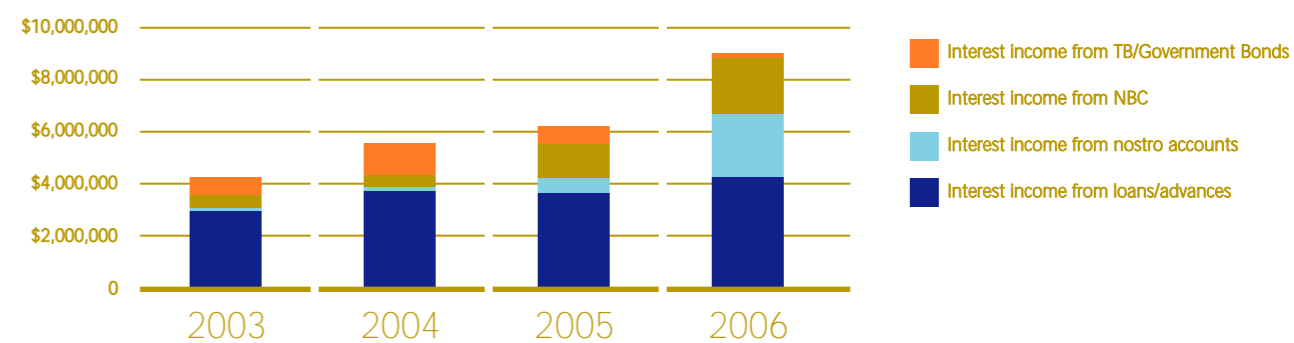
	2006	2005	2004	2003
Total assets	218,848,353	163,504,698	159,847,090	151,141,959
Net loans and advances to customer	42,411,102	30,849,945	32,647,783	31,283,789
Other assets	176,437,251	132,654,753	127,199,307	119,858,170
Total liabilities	197,867,506	144,736,698	141,380,099	133,313,156
Deposits	196,158,405	143,628,259	140,204,038	131,862,754
Other liabilities	1,709,101	1,108,439	1,176,061	1,450,402
Capital	12,159,533	12,159,533	12,416,191	12,575,453
Reserves and retained earnings	8,821,314	6,608,467	6,050,800	5,253,350

### A summary of business results (US Dollars)

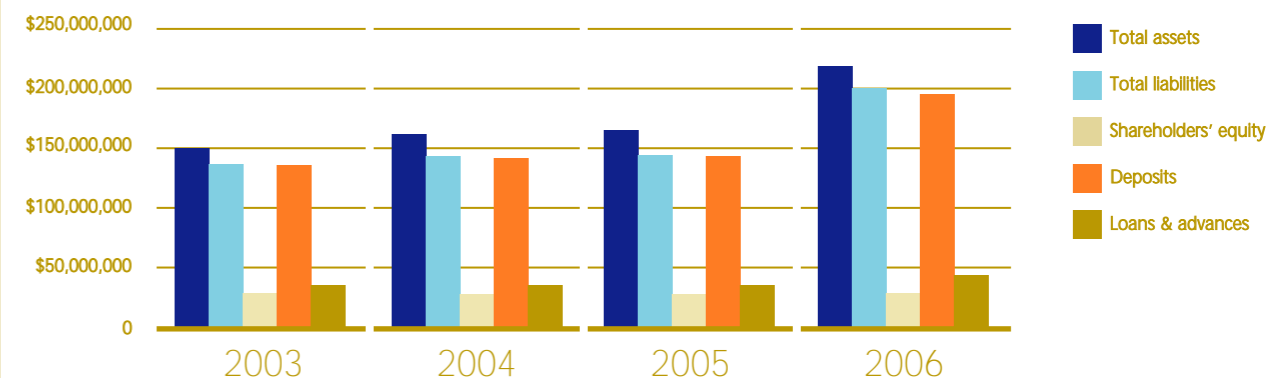
	2006	2005	2004	2003
Net interest (income)	6,162,053	3,881,730	3,061,480	994,733
Operating income before provisions	6,546,492	3,717,986	3,675,430	2,000,346
Profit (before income tax)	2,787,840	891,456	1,568,939	875,840
Net profit for the year	2,256,909	734,372	1,255,151	700,672

## Business performance

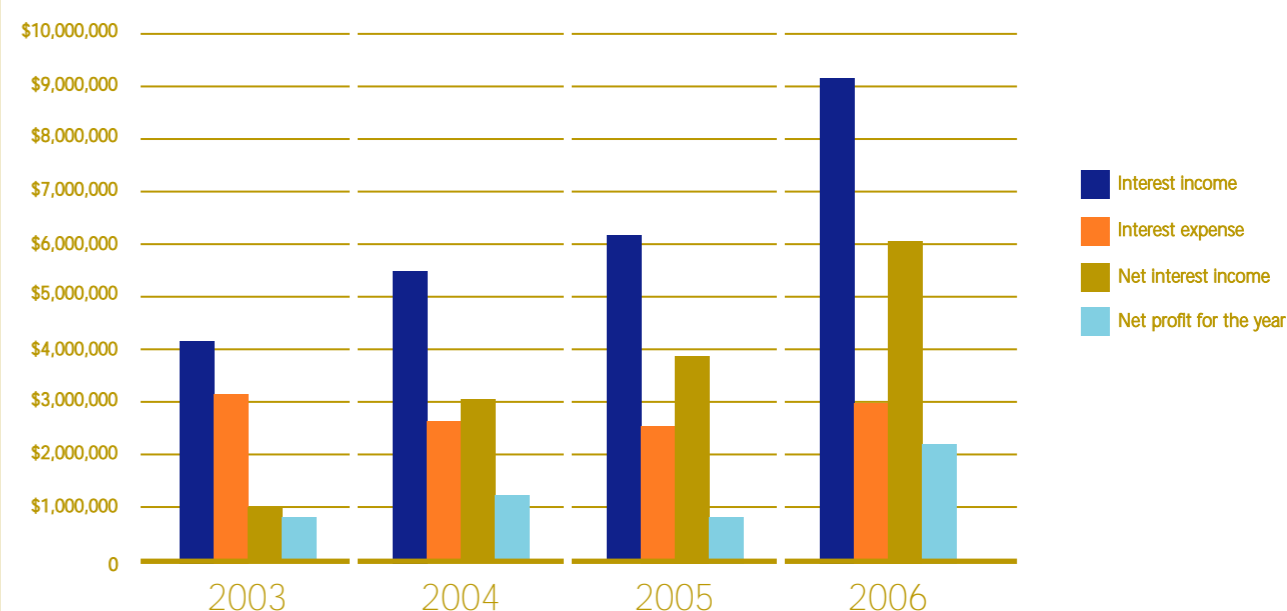
### Interest income (US Dollars)



### 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 FTB, it is my privilege to present to you the Bank's Annual Report for the financial year ended December 31, 2006.

As you know, following privatisation in late 2005, FTB is operating as a state joint venture commercial bank. Changing our status and commencing operations as a commercial bank has presented us with many challenges, but with an even greater number of exciting opportunities; after all, we are operating in an ever more challenging and competitive environment.

The Board of Directors have used this change in status as an opportunity to "cultivate" a new mentality and corporate culture that embraces the new, whilst maintaining our heritage as Cambodia's oldest bank, with more than twenty six years of experience. Included in this 'change' was the design of a new logo. We were careful to retain a profile of the Bayon temple from the old logo but the new image is rendered in a clean and more modern style. The logo is part of a wider 'brand' that captures the combination of experience and modern thinking that epitomises our strengths and reinforces pride in the history of FTB as the first and foremost bank in Cambodia. The new logo was presented to the public at a special launching event on December 14, 2006 and was in full use from January 1, 2007.

2006 was a transitional year for the Bank. We succeeded in the smooth implementation of the new corporate culture that the Board of Directors and shareholders wished to adopt. As part of this transition, FTB has developed the slogan "Investing in the Future" to describe the positive change in culture that will affect everyone associated with the Bank: employees, shareholders and customers.

Key internal attributes of our new culture include:

- Willingness to adapt, adopt change and develop and maintain a positive attitude
- Committing ourselves to our duties at the Bank and taking pride in carrying them out well
- Working as part of a bank 'team' to develop a sense of belonging among all employees
- Focusing on providing our customers with the best possible products and services at all times
- Asking how we can make a greater contribution to the Bank and our own personal development
- Asking ourselves, in everything we do: from the biggest decision to the smallest task, "is there a better way to do this?"

The "Investing in the future" slogan serves as a constant reinforcement of the new values the Bank has adopted and as a reminder of the goals and objectives outlined in our mission statement and vision.



The transition has been a complete success and has led to remarkable results. Profit, after tax, is triple that of 2005! These results have far exceeded our expectations and are proof that the strategy of the Board of Directors and shareholders was absolutely right and that the transition was a risk worth taking. We look forward to the coming year with optimism.

In closing, I would like to take this opportunity to express my warmest thanks to you, our valued customers for your continuous support and confidence in our bank and wish you all every success for the future.

Sincerely yours,



Mr. Pung Kheav Se  
Chairman

# General Manager's message

FTB celebrated its 27th birthday in 2006 and has undergone a series of changes in status over the years. From its beginnings as a state owned banking monopoly it has evolved, through many periods of economic reform, into a joint venture between the state and private partners and is operating in the environment of free enterprise that is emerging in Cambodia.

During more than 26 years of existence, the Bank has implemented many reforms in order to adapt to the country's ever changing and developing economic and business environment. Each stage in our development has led to new successes which, in turn, validate the accuracy of the decisions and policies adopted by our shareholders.

## Significant changes during the year

The new opportunities and challenges that we faced in 2006 made it the most exciting in the history of the Bank. Chief among our achievements was the design of a new logo and corporate identity which reflects our new corporate culture. The logo represents our pride in our heritage as Cambodia's first and foremost bank, combined with modernity, openness to globalisation and a readiness to take on the changes required to thrive in a fast changing world.

It has only been possible to meet the challenging goals set by the Bank's shareholders because of the tireless efforts and contributions of the whole FTB team; from the Board of Directors, to the management and staff.

In 2006, there were four key financial achievements, when compared with 2005:

- Profit after tax amounted to USD 2,256,909.00 - three times that of 2005!
- Deposits grew by 37 % to USD 196,158,405.00
- Loans and advances to customers grew by 47 % to USD 49,656,717.00
- Total assets grew by 34 % to USD 218,848,353.00

## Stepping up to the future

In order to continue replicating these outstandingly successful results, which were beyond our expectations, we will:

- set up a strategic marketing team to develop promotional activities and distribution channels
- undertake a complete review of pricing policies to ensure they are in line with current market trends
- extend our range of services to offer the best and widest possible choice for our customers
- broaden the use of our capital in order to increase and maximise profitability
- implement a long-term staff development programme to enhance individual talents and professionalism
- maintain the Bank's stability and competitiveness within the banking sector by developing operations.



In closing, we would like to present our most sincere and humble gratitude to our Chairman, Vice Chairman and members of the Board of Directors who have worked so hard to ensure that 2006 was such a success.

We also wish to acknowledge the efforts, achievements and contributions that our staff has made towards to these memorable results. Without such a professional and dedicated team, the Bank would not be as successful as it is today. Our warmest appreciation also goes to our valued customers for their continuing support and confidence in us; we hope to have the honour and pleasure of serving you long into the future.

Yours sincerely,



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



Left to right:  
Oknha Lim Bun Sour,  
Mr. Pung Kheav Se,  
Mr. Mey Vann



Left to right:  
His Excellency Gui Anvanith,  
Lokchumteav Ouk Maly,  
Lokchumteav Ung Polyna

# 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 recognised 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 Commerce, a member of the Board of Directors of Public Enterprises Telecom Cambodia "TC" and Chairman of Camintel S.A.

### 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.



# Board of Directors' report



- 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

The change in the Bank's status, and the challenges and opportunities this presented, made 2006 the most exciting year in the history of the bank. We achieved significant successes during the review period including:

- A complete 'rebranding' of the Bank's image, including a new logo. The new look was launched to the public in December 2006 and was formerly effective from 1 January 2007. In addition to providing a more modern face for FTB, it will keep us focused on our goals and objectives and reinforce what the 'new and improved' FTB represents to our customers
- A renewed focus on customers service which has allowed us to drive up standards in this area, resulting in positive feedback from our customers
- The revision of our banking fees to bring them in line with market trends
- The introduction of a new core banking system and software applications which will not only allow us to provide faster customer services, but will also facilitate more timely and reliable reporting to managers
- The finalisation of robust operating guidelines for all departments.

## Internal audit

The Foreign Trade Bank has established an 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, the department assures that procedures and processes are followed in respect of transparency, good governance and professionalism. The department also makes recommendations for operational improvements where necessary.

## Risk management

FTB'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.

Following the identification of the need for improvements in the area of risk management in 2005, senior managers finalised a revised set of risk management policies and procedures in 2006 which focused 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



## 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:

- The implementation of the Bank's new core banking system, including the installation of ATMs, the introduction of new software and the setup of internet banking services
- The refurbishment and modernisation of the Bank's head office building to make it more attractive and user friendly
- The creation of a new branch to make our banking facilities more accessible and convenient to customers living in the southern part of the city.

## 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 2006. 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
- Fixed Assets, Prakas No. B7-01-186



# Financial auditor's report 2006

## 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 2006.

### 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 2006 are set out in the income statement on page 6.

### 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 2006 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.

### Approval of the financial statements

The accompanying financial statements, which give a true and fair view of the financial position of the Bank as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and the Cambodian Accounting Standards, were approved by the Board of Directors.

On behalf of the Executive Management

Lokchumteav Ouk Maly  
General Manager  
Phnom Penh, Kingdom of Cambodia  
Date: 11 April 2007

Gui Anvanith, Deputy General Manager

## Independent Auditor's report to 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 financial statements of Foreign Trade Bank of Cambodia ("the Bank") which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes on pages 14 to 32.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Limited

By Senaka Fernando  
Senior Manager

Phnom Penh, Kingdom of Cambodia  
Date: 11 April 2007

# Income statement

For the year ended 31 December 2006

	Note	For the year ended		For the year ended	
		2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Interest income	3	9,144,930	6,390,896	37,100,981	26,279,364
Interest expense	4	(2,982,877)	(2,509,166)	(12,101,532)	(10,317,691)
<b>Net interest income</b>		<b>6,162,053</b>	<b>3,881,730</b>	<b>24,999,449</b>	<b>15,961,673</b>
Fee and commission income	5	1,902,767	1,239,954	7,719,526	5,098,691
Fee and commission expense		(77,958)	(72,988)	(316,276)	(300,127)
<b>Net fee and commission income</b>		<b>1,824,809</b>	<b>1,166,966</b>	<b>7,403,250</b>	<b>4,798,564</b>
Other incomes	6	205,632	242,597	834,249	997,559
General and administrative expenses	7	(1,646,002)	(1,573,307)	(6,677,830)	(6,469,438)
Operating income before extensions of credit		6,546,492	3,717,986	26,559,118	15,288,358
Provision for losses on loans and advances	8	(3,758,652)	(2,826,530)	(15,248,852)	(11,622,691)
Profit before income tax		2,787,840	891,456	11,310,266	3,665,667
Income tax expense	9	(530,931)	(157,084)	(2,153,987)	(645,929)
<b>Net profit for the year</b>		<b>2,256,909</b>	<b>734,372</b>	<b>9,156,279</b>	<b>3,019,738</b>

\* Audited in USD only



Lokchumteav Ouk Maly  
General Manager  
Date: 11 April 2007



H.E. Gui Anvanith  
Deputy General Manager

The accompanying notes on pages 18 to 32 form an integral part of these financial statements

# Balance Sheet

as at 31 December 2006

	Note	As at 31 December		As at 31 December	
		2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
<b>Assets</b>					
Cash on hand		4,564,005	6,215,685	18,516,168	25,558,895
Balances with the Central Bank	10	97,327,917	47,840,388	394,859,359	196,719,676
Balances with other banks	11	40,263,469	21,449,570	163,348,894	88,200,628
Placements with other banks	12	33,078,302	41,461,053	134,198,671	170,487,852
Investments in government bonds and treasury bills	13	-	13,587,178	-	55,870,477
Loans and advances to customers	14	42,411,102	30,849,945	172,061,841	126,854,972
Property and equipment	15	339,615	283,582	1,377,818	1,166,091
Computer software	16	59,859	181,543	242,848	746,505
Other assets	17	804,084	1,635,754	3,262,168	6,726,221
<b>Total assets</b>		<b>218,848,353</b>	<b>163,504,698</b>	<b>887,867,767</b>	<b>672,331,317</b>
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Deposits of other banks	18	975,160	732,783	3,956,224	3,013,202
Deposits of non-bank customers	19	195,183,245	142,895,479	791,858,425	587,586,196
Provision for taxation		384,990	85,332	1,561,904	350,884
Deferred tax liability	20	38,082	33,420	154,499	137,425
Other liabilities	21	1,286,029	989,684	5,217,420	4,069,594
<b>Total liabilities</b>		<b>197,867,506</b>	<b>144,736,698</b>	<b>802,748,472</b>	<b>595,157,301</b>
<b>Shareholders' equity</b>					
Share capital		12,159,533	12,159,533	49,331,225	50,000,000
Retained earnings		3,704,427	1,491,580	15,028,860	6,133,374
Other reserves	22	5,116,887	5,116,887	20,759,210	21,040,642
<b>Total shareholders' equity</b>		<b>20,980,847</b>	<b>18,768,000</b>	<b>85,119,295</b>	<b>77,174,016</b>
<b>Total liabilities and shareholders' equity</b>		<b>218,848,353</b>	<b>163,504,698</b>	<b>887,867,767</b>	<b>672,331,317</b>

\* Audited in USD only



Lokchumteav Ouk Maly  
General Manager  
Date: 11 April 2007



H.E. Gui Anvanith  
Deputy General Manager

The accompanying notes on pages 18 to 32 form an integral part of these financial statements



## Statement of changes in shareholders' equity

For the year ended 31 December 2006

	Notes	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 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	22	-	-	-	-	-	(95,607)	
Capital reserve	22	-	95,607	-	-	-	(51,628)	
General reserve	22	-	-	-	-	51,628	(43,023)	(43,023)
Bonus to staff		-	-	-	-	-	(8,604)	(8,604)
Bonus to Board of Directors		-	-	-	-	-	(20,181)	(20,181)
Currency translation differences		(256,658)	(3,207)	(25,118)	(73,974)	(2,598)		(381,736)
<b>Balance at 31 December 2005</b>		<b>12,159,533</b>	<b>247,529</b>	<b>1,190,006</b>	<b>3,504,660</b>	<b>174,692</b>	<b>1,491,580</b>	<b>18,768,000</b>
<b>Equivalent in Riel '000 *</b>		<b>50,000,000</b>	<b>1,017,841</b>	<b>4,893,306</b>	<b>14,411,160</b>	<b>718,335</b>	<b>6,133,374</b>	<b>77,174,016</b>
Balance at 1 January 2006		12,159,533	247,529	1,190,006	3,504,660	174,692	1,491,580	18,768,000
Net profit for the year		-	-	-	-	-	2,256,909	2,256,909
Appropriation of retained earnings:								
Translation reserve		-	-	-	-	-	-	-
Capital reserve		-	-	-	-	-	-	-
General reserve		-	-	-	-	-	-	-
Bonus to staff		-	-	-	-	-	(36,718)	(36,718)
Bonus to BoD		-	-	-	-	-	(7,344)	(7,344)
<b>Balance at 31 December 2006</b>		<b>12,159,533</b>	<b>247,529</b>	<b>1,190,006</b>	<b>3,504,660</b>	<b>174,692</b>	<b>3,704,427</b>	<b>20,980,847</b>
<b>Equivalent in Riel '000 *</b>		<b>49,331,225</b>	<b>1,004,225</b>	<b>4,827,854</b>	<b>14,218,406</b>	<b>708,725</b>	<b>15,028,860</b>	<b>85,119,295</b>

\* Audited in USD only

The accompanying notes on pages 18 to 32 form an integral part of these financial statements

## Cash flow statement

For the year ended 31 December 2006

	Note	For the year ended		For the year ended	
		2006	2005	2006	2005
		US\$	US\$	Riel '000 *	Riel '000 *
<b>Cash flows from operating activities</b>					
Net cash generated from/(used in) operations	26	45,001,560	10,039,756	182,571,331	41,283,476
Income tax paid		(231,274)	(316,221)	(938,279)	(1,300,301)
Net cash generated from/(used in) operating activities		<u>44,770,286</u>	<u>9,723,535</u>	<u>181,633,052</u>	<u>39,983,175</u>
<b>Cash flows from investing activities</b>					
Reserve deposits with the Central Bank		(4,000,000)	(196,376)	(16,228,000)	(807,498)
Increase in guarantee deposits with the Central Bank		(16,485)	-	(66,880)	-
Increase in other deposits		(1,904)	-	(7,725)	-
Purchase of property and equipment		(76,513)	(17,194)	(310,413)	(70,702)
Decrease in investments in government bonds and treasury bills		9,727,626	-	39,464,979	-
Net cash used in investing activities		<u>5,632,724</u>	<u>(213,570)</u>	<u>22,851,961</u>	<u>(878,200)</u>
Net increase in cash and cash equivalents		50,403,010	9,509,965	204,485,013	39,104,975
Exchange difference		-	(2,123,173)	-	(8,730,487)
<b>Cash and cash equivalents at beginning of the year</b>		<b>110,098,245</b>	<b>102,711,453</b>	<b>446,668,580</b>	<b>422,349,495</b>
<b>Cash and cash equivalents at end of the year</b>	<b>24</b>	<b><u>160,501,255</u></b>	<b><u>110,098,245</u></b>	<b><u>651,153,593</u></b>	<b><u>452,723,983</u></b>

\* Audited in USD only

The accompanying notes on pages 18 to 32 form an integral part of these financial statements



A villa development funded with a loan from FTB

# Notes to the financial statements

For the year ended 31 December 2006

## 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.

In January 2001, the Bank obtained its banking licence 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 licence 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 ("MEF") 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 Canada Bank and ING Holding Company. The Central Bank sold its 20% shareholding in the Bank and MEF 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 2006, the Bank had 94 employees (2005: 97 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. The financial statements have been prepared under the historical cost convention.

For the sole regulatory purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the National Bank of Cambodia, a translation to Khmer Riel is provided for the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements as of and for the year ended 31 December 2006 using the official rate of exchange regulated by the National Bank of Cambodia as at the reporting date which was a US\$1 to Riel 4,057 (2005: US\$1 to Riel

4,112). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate.

### 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\$ was 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 principal rates used to translate monetary assets and liabilities at the balance sheet date are:

	31 December	
	2006	2005
US\$	4,057	4,112
GBP	7,837	7,092
FRF	-	554
CHF	3,353	3,128
DEM	-	1,861
THB	114	100
CAD	3,531	3,533
JPY	34	34
AUD	3,175	3,011
EUR	5,251	4,871

### 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 recognised. 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 recognised on an accruals basis.

### 2.4 Fee and commission income

Fee and commission income is recognised 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 recognised 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, 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. Gains and losses on disposals are recognised 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 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 the income statement.
- The Bank contributes interest on the cumulative balance of the pension fund computed at 6% per annum. This contribution is charged to the income statement.

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.

The Bank does not provide for the lump sum component payable upon termination of employment. The bank has a general reserve (note 22) that can be utilised to meet these lump sum payments.

### 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 recognised 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

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 dated 23 May 2006, 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	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Loans and advances to customers	4,291,692	3,635,458	17,411,395	14,949,001
Government treasury bills	43,412	508,618	176,122	2,091,437
Placements with the Central Bank	2,056,391	1,116,308	8,342,778	4,590,258
Government bonds	-	267,510	-	1,100,000
Placements with overseas banks	2,753,435	863,002	11,170,686	3,548,668
<b>Total</b>	<b>9,144,930</b>	<b>6,390,896</b>	<b>37,100,981</b>	<b>26,279,364</b>

4 Interest expense	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Fixed deposits				
in US\$	2,073,604	1,479,309	8,412,611	6,082,919
in Riel	409,319	596,026	1,660,607	2,450,859
Savings deposits				
in US\$	291,584	276,704	1,182,956	1,137,807
in Riel	194,900	138,597	790,709	569,911
Pension fund	13,470	18,530	54,649	76,195
<b>Total</b>	<b>2,982,877</b>	<b>2,509,166</b>	<b>12,101,532</b>	<b>10,317,691</b>

5 Fee and commission income	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Fund remittance fees	667,730	490,029	2,708,981	2,014,999
Loan processing fees	701,434	298,659	2,845,718	1,228,086
Commission from issuing letters of credit and guarantees	218,606	196,659	886,885	808,662
SWIFT fees	150,723	151,460	611,483	622,804
Other service charges	164,274	103,147	666,459	424,140
<b>Total</b>	<b>1,902,767</b>	<b>1,239,954</b>	<b>7,719,526</b>	<b>5,098,691</b>

6 Other income	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Gain/(Loss) on money exchange	167,002	(14,954)	677,527	(61,491)
Gain on revaluation - net	-	167,103	-	687,128
Other income	38,630	90,448	156,722	371,922
<b>Total</b>	<b>205,632</b>	<b>242,597</b>	<b>834,249</b>	<b>997,559</b>

7 General and administrative expenses	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Staff costs	911,641	606,341	3,698,528	2,493,274
Legal and court fees	70,433	245,274	285,747	1,008,567
Communication expenses	62,212	71,733	252,394	294,966
Depreciation and amortisation	148,471	123,496	602,346	507,816
Rental expense	74,400	74,400	301,841	305,933
Utilities and office expenses	77,195	72,077	313,180	296,381
Marketing costs	55,076	66,051	223,443	271,603
The Central Bank's fee charged on transferred shares	-	59,582	-	245,001
Insurance and security expenses	26,300	44,466	106,699	182,844
Board of Director's meeting fees	5,916	23,739	24,001	97,615
Transportation costs	26,791	22,660	108,691	93,178
Repairs and maintenance costs	23,637	17,120	95,895	70,397
Other expenses	163,930	146,368	665,065	601,864
<b>Total</b>	<b>1,646,002</b>	<b>1,573,307</b>	<b>6,677,830</b>	<b>6,469,438</b>

\* Audited in USD only

8 Provision for losses on loans and advances	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Provision for losses on loans and advances (note 14(e))	(5,696,576)	(4,804,267)	(23,111,007)	(19,755,144)
Provision for accrued interest income on non-performing loans	(368,234)	-	(1,493,927)	-
Recovery of bad loans previously written off	961,419	1,433,447	3,900,476	5,894,331
Recovery of loans that have been previously provided for (note 14(e))	1,344,739	544,290	5,455,606	2,238,122
<b>Total</b>	<b>(3,758,652)</b>	<b>(2,826,530)</b>	<b>(15,248,852)</b>	<b>(11,622,691)</b>

9 Taxation	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
(a) Income tax expense				
Current income tax	526,269	178,291	2,135,073	733,133
Deferred income tax movement	4,662	(21,207)	18,914	(87,203)
<b>Total</b>	<b>530,931</b>	<b>157,084</b>	<b>2,153,987</b>	<b>645,930</b>

Reconciliation between income tax expense and accounting profit	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
<b>Profit before tax</b>	<b>2,787,840</b>	<b>891,455</b>	<b>11,310,267</b>	<b>3,665,664</b>
Tax at 20%	557,568	178,291	2,262,053	733,133
Add/(deduct):				
Non-deductible expenses for tax purposes	5,679	-	23,040	-
Recognition of prior year deferred tax on property and equipment	(32,316)	-	(131,106)	-
Net unrealised foreign exchange gain for the year	-	33,420	-	137,423
Net unrealised foreign exchange gain in prior year that was realised in current year	-	(54,627)	-	(224,626)
<b>Income tax expense</b>	<b>530,931</b>	<b>157,084</b>	<b>2,153,987</b>	<b>645,930</b>

#### (b) 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.

10 Balances with Central Bank	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Term deposits	75,500,000	25,100,000	306,303,500	103,211,200
Reserve account	13,500,000	9,500,000	54,769,500	39,064,000
Current accounts	7,095,479	12,012,386	28,786,359	49,394,931
Statutory deposits	1,232,438	1,215,953	5,000,000	4,999,999
Amount due from the Central Bank	142,484	140,578	578,058	578,057
	97,470,401	47,968,917	395,437,417	197,248,187
Provision for losses on amount due from the Central Bank	(142,484)	(128,529)	(578,058)	(528,511)
<b>Total</b>	<b>97,327,917</b>	<b>47,840,388</b>	<b>394,859,359</b>	<b>196,719,676</b>

\* Audited in USD only

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 2,468,405 thousand as at 31 December 2006 (2005: Riel 10,473,507 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 voluntarily cease its operations in Cambodia.

## Notes to the financial statements (continued)

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. 100% of the outstanding amount of US\$142,484 has been provided as at 31 December 2006.

	2006	2005
Annual interest rates on balances with the Central Bank are summarised as follows:		
Short term deposits	3.33% - 4.06%	1.80% - 3.28%
Reserve deposits	0%	0%
Current accounts	0%	0%
Statutory deposit	1.04% - 1.39%	1.04% - 1.39%

### 11 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 2006 (2005: 1.3% to 2.0%).

### 12 Placements with other banks

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Overnight placements with banks	5,695,209	23,114,413	23,105,463	95,046,465
Short-term placement with banks	27,383,093	18,346,640	111,093,208	75,441,387
<b>Total</b>	<b>33,078,302</b>	<b>41,461,053</b>	<b>134,198,671</b>	<b>170,487,852</b>

	2006	2005
Annual interest rates on placements with other banks are summarised as follows:		
Overnight placements with banks	3.84%-4.81%	1.40%-3.60%
Short-term placement with banks	1.89%-5.65%	0.24%-4.28%

### 13 Investments in Government Bonds & Treasury Bills

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Government bonds	-	9,727,626	-	40,000,000
Treasury bills	-	3,859,552	-	15,870,477
<b>Total</b>	<b>-</b>	<b>13,587,178</b>	<b>-</b>	<b>55,870,477</b>

The MEF 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 by the Central Bank in 2002. The 4,000 Government Bonds issued to the Bank were bought back by the MEF on 4 January 2006 as part of the sales agreement relating to the privatisation of the Bank on 28 October 2005.

The treasury bills held by the Bank during 2005 were outstanding discounted bills issued by the MEF with a maturity term of 3 months and earned interest at a rate of 6% per annum. On June 2006, the Central Bank announced that no further treasury bills would be issued by the MEF to commercial banks or other financial institutions.

### 14 Loans and advances to customers

(a) Analysis by type of loan	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Commercial loans:				
Short-term loans	1,998,000	4,103,000	8,105,886	16,871,536
Long-term loans	13,747,252	8,019,102	55,772,600	32,974,547
Overdrafts	33,901,465	21,591,622	137,538,244	88,784,750
Consumer loans: Individual loans	10,000	30,000	40,570	123,360
	49,656,717	33,743,724	201,457,300	138,754,193
Provisions for losses on loans and advances	7,245,615	2,893,779	29,395,459	11,899,221
<b>Total</b>	<b>42,411,102</b>	<b>30,849,945</b>	<b>172,061,841</b>	<b>126,854,972</b>

All term loans were granted to Cambodian borrowers.

\* Audited in USD only

(b) Analysis by type of industry	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Services	40,288,755	22,519,230	163,451,481	92,599,074
Import and export	1,486,219	2,245,675	6,029,589	9,234,214
Wholesale and retail	4,775,715	2,895,710	19,375,077	11,907,161
Agriculture	118,132	2,682,811	479,261	11,031,717
Chemical and medical supplies	2,135,703	1,821,298	8,664,548	7,489,178
Other industries	739,119	1,441,685	2,998,605	5,928,211
Individual	113,074	137,315	458,739	564,638
	49,656,717	33,743,724	201,457,300	138,754,193

(c) Analysis by security	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Secured	49,656,717	33,743,724	201,457,300	138,754,193
Unsecured	-	-	-	-
	49,656,717	33,743,724	201,457,300	138,754,193

(d) Analysis by classification	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Standard	39,044,714	24,889,702	158,404,404	102,346,454
Substandard	300,034	1,004,708	1,217,237	4,131,360
Doubtful	5,016,571	7,849,314	20,352,229	32,276,379
Loss	5,295,398	-	21,483,430	-
	49,656,717	33,743,724	201,457,300	138,754,193

(e) Provision for losses on loans and advances	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
The movements in the provisions for losses on loans and advances are as follows:				
Balance at beginning of the year	2,893,779	4,465,265	11,740,059	18,361,168
Provision for the year	5,696,576	4,804,267	23,111,009	19,755,144
Bad loans written off	-	(6,008,984)	-	(24,708,943)
Bad loans recovered	(1,344,740)	(544,290)	(5,455,609)	(2,238,121)
Currency translation difference	-	177,521	-	729,973
	7,245,615	2,893,779	29,395,459	11,899,221

### (f) Interest rate

These loans and advances to customers earn interest at annual rates ranging from:	2006	2005
Loans and advances in Riel	10.0% - 14.4%	10.4% - 16.8%
Loans and advances in US\$	10.0% - 18.0%	10.0% - 36.0%

\* Audited in USD only

### 15 Property and equipment

	Land US\$	Buildings US\$	Furniture & equipment US\$	Motor vehicles US\$	Total US\$
As at 1 January 2005					
Cost	224,434	64,192	328,380	53,339	670,345
Accumulated depreciation	-	-	(280,113)	(53,339)	(333,452)
<b>Net book amount</b>	<b>224,434</b>	<b>64,192</b>	<b>48,267</b>	<b>-</b>	<b>336,893</b>



## Notes to the financial statements (continued)

### Year ended 31 December 2005

Opening net book amount	224,434	64,192	48,267	-	336,893
Exchange differences	(4,639)	(1,326)	3,605	-	(2,360)
Additions	-	-	17,194	-	17,194
Disposals	-	-	(440)	-	(440)
Depreciation charge	-	-	(67,705)	-	(67,705)
<b>Closing net book value</b>	<b>219,795</b>	<b>62,866</b>	<b>921</b>	<b>-</b>	<b>283,582</b>

### At 31 December 2005

Cost	219,795	62,866	329,479	52,236	664,376
Accumulated depreciation	-	-	(328,558)	(52,236)	(380,794)
<b>Net book amount</b>	<b>219,795</b>	<b>62,866</b>	<b>921</b>	<b>-</b>	<b>283,582</b>
<b>Equivalent in Riel '000 *</b>	<b>903,797</b>	<b>258,503</b>	<b>3,791</b>	<b>-</b>	<b>1,166,091</b>

### Year ended 31 December 2006

Opening net book amount	219,795	62,866	921	-	283,582
Exchange differences	2,980	852	13	-	3,845
Additions	-	-	49,903	26,610	76,513
Depreciation charge	-	-	(21,629)	(2,696)	(24,325)
<b>Closing net book value</b>	<b>222,775</b>	<b>63,718</b>	<b>29,208</b>	<b>23,914</b>	<b>339,615</b>

### At 31 December 2006

Cost	222,775	63,718	309,570	79,553	675,616
Accumulated depreciation	-	-	(280,362)	(55,639)	(336,001)
<b>Net book amount</b>	<b>222,775</b>	<b>63,718</b>	<b>29,208</b>	<b>23,914</b>	<b>339,615</b>
<b>Equivalent in Riel '000 *</b>	<b>903,798</b>	<b>258,504</b>	<b>118,497</b>	<b>97,019</b>	<b>1,377,818</b>

## 16 Computer software

### At 1 January 2005

Cost	347,941
Accumulated amortisation	(100,897)
<b>Net book amount</b>	<b>247,044</b>

### Computer software US\$

### Year ended 31 December 2005

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

### At 31 December 2005

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

### Year ended 31 December 2006

Opening net book amount	181,543
Exchange differences	2,462
Additions	-
Amortisation charge	(124,146)
<b>Closing net book value</b>	<b>59,859</b>

\* Audited in USD only

### At 31 December 2006

Cost	345,368
Accumulated amortisation	(285,509)
<b>Net book amount</b>	<b>59,859</b>
<b>Equivalent Riel '000 *</b>	<b>242,848</b>

\* Audited in USD only

## 17 Other assets

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Foreign cheques, travelers cheques and credit card balances for collection:				
In transit	6,851	763,161	27,795	3,138,120
On hand	159,761	51,377	648,150	211,262
Accrued interest income	742,075	663,126	3,010,597	2,726,774
Advances and prepayments	263,631	158,090	1,069,552	650,065
<b>Total</b>	<b>1,172,318</b>	<b>1,635,754</b>	<b>4,756,094</b>	<b>6,726,221</b>
Provision for accrued interest income on non-performing loans	(368,234)	-	(1,493,926)	-
<b>Total</b>	<b>804,084</b>	<b>1,635,754</b>	<b>3,262,168</b>	<b>6,726,221</b>

## 18 Deposits of other banks

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Deposits of resident local banks	429,835	380,312	1,743,841	1,563,844
Deposits of resident non-local banks	545,325	352,471	2,212,383	1,449,358
<b>Total</b>	<b>975,160</b>	<b>732,783</b>	<b>3,956,224</b>	<b>3,013,202</b>

These deposits do not earn interest.

## 19 Deposits of non-bank customers

### (a) Analysis by type of deposit

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Current accounts	71,143,636	46,586,593	288,629,731	191,564,070
Savings deposits	58,577,066	49,746,807	237,647,157	204,558,870
Term deposits	61,825,012	43,660,172	250,824,074	179,530,627
Margin deposits	1,468,286	1,877,135	5,956,836	7,718,779
Other deposit accounts	2,169,245	1,024,772	8,800,627	4,213,850
<b>Total</b>	<b>195,183,245</b>	<b>142,895,479</b>	<b>791,858,425</b>	<b>587,586,196</b>

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

Other deposit accounts mainly comprise customer accounts in transit and certified cheques for settlement guarantees amounting to US\$511,774 and US\$330,448 respectively (2005: US\$580,027 and US\$254,006, respectively).

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
(b) Analysis by type of customer				
Individuals	86,853,248	67,823,800	352,363,627	278,891,467
Private sector and NGOs	62,179,900	41,684,633	252,263,853	171,407,211
State-owned companies	46,150,097	33,387,043	187,230,945	137,287,518
<b>Total</b>	<b>195,183,245</b>	<b>142,895,476</b>	<b>791,858,425</b>	<b>587,586,196</b>

\* Audited in USD only

## Notes to the financial statements (continued)

(c) Analysis by resident status	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Residents	193,456,898	140,594,649	784,854,635	578,125,196
Non-residents	1,726,347	2,300,827	7,003,790	9,461,000
<b>Total</b>	<b>195,183,245</b>	<b>142,895,476</b>	<b>791,858,425</b>	<b>587,586,196</b>

(d) Analysis by relationship	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
External parties	194,832,610	142,712,595	790,435,899	586,834,189
Staff	350,635	182,881	1,422,526	752,007
<b>Total</b>	<b>195,183,245</b>	<b>142,895,476</b>	<b>791,858,425</b>	<b>587,586,196</b>

(e) Interest rates		2006	2005
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%
Margin Deposits		0%	0%

20 Deferred tax liability	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
As at 1 January 2006	33,420	-	135,585	-
(Utilised)/addition	4,662	33,420	18,914	137,425
<b>As at 31 December 2006</b>	<b>38,082</b>	<b>33,420</b>	<b>154,499</b>	<b>137,425</b>

21 Other liabilities	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Accrual interest payable	937,351	652,684	3,802,833	2,683,837
Pension fund liability	234,523	176,691	951,460	726,557
Accrued taxes	69,777	61,341	283,085	252,239
Other liabilities	44,378	98,968	180,042	406,961
<b>Total</b>	<b>1,286,029</b>	<b>989,684</b>	<b>5,217,420</b>	<b>4,069,594</b>

The details of movements of the pension fund liability are as follows:	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Balance as at 1 January	176,692	133,684	726,557	538,347
Exchange difference	1,517	(2,763)	(3,563)	-
Additions for the year:				
Staff contribution 5%	27,322	17,934	110,845	73,743
Bank's contribution 5%	27,322	17,934	110,845	73,743
Interest	13,470	18,530	54,648	76,194
Payments to retired employees	(11,800)	(8,628)	(47,872)	(35,474)
<b>Balance as at 31 December</b>	<b>234,523</b>	<b>176,691</b>	<b>951,460</b>	<b>726,553</b>

\* Audited in USD 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.

	2006 % of ownership	Riel '000 *	2005 % of ownership	Riel '000 *
Analysis of shareholders as at 31 December 2006 is as follows:				
Canada Bank	46%	23,000,000	46%	23,000,000
ING Holding Company Ltd.	44%	22,000,000	44%	22,000,000
Ministry of Economy and Finance	10%	5,000,000	10%	5,000,000
<b>Total consideration received</b>	<b>100%</b>	<b>50,000,000</b>	<b>100%</b>	<b>50,000,000</b>
<i>Equivalent in US\$</i>		<b>12,159,533</b>		<b>12,159,533</b>
<b>Translated into Riel at year end rate</b>		<b>49,331,225</b>		<b>50,000,000</b>

The Bank maintains a paid-up capital balance of Riel 50,000,000 thousand in accordance with the Central Bank's minimum capital requirements outlined in Prakas No.B7-00-39. In 2005, the Bank changed its functional currency from Riel to US\$ (note 2.2 (a)). As a result of this change in functional currency, the Bank converted its paid-up capital balance of Riel 50,000,000 thousand to US\$ at the exchange rate that was applicable on the date of change in functional currency which was US\$1: Riel 4,112. Exchange rate gains/losses made in relation to the translation of paid-up capital were recognised in the income statement.

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Capital reserve	247,529	247,529	1,004,225	1,017,841
Reserve for banking risks	1,190,006	1,190,006	4,827,854	4,893,306
Translation reserve	3,504,660	3,504,660	14,218,406	14,411,160
General reserve	174,692	174,692	708,725	718,335
<b>Total</b>	<b>5,116,887</b>	<b>5,116,887</b>	<b>20,759,210</b>	<b>21,040,642</b>

\* Audited in USD only

### Reserves

#### Capital reserve

The capital reserve represents funds 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. 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 dated 23 May 2006.



## Notes to the financial statements (continued)

### 23 Commitments & contingencies

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Letters of credit	7,045,780	6,927,598	28,584,730	28,486,281
Letters of guarantees	3,849,902	2,803,093	15,619,052	11,526,317
Unused portion of approved credit facilities	11,242,109	4,629,864	45,609,236	19,038,001
Bill collections	-	291,754	-	1,199,696
<b>Total</b>	<b>22,137,791</b>	<b>14,652,309</b>	<b>89,813,018</b>	<b>60,250,295</b>

### 24 Cash & cash equivalents

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Cash on hand	4,564,005	6,215,685	18,516,168	25,558,896
Term deposits and current accounts with the Central Bank	82,595,479	37,112,386	335,089,860	152,606,131
Balances with other banks	40,263,469	21,449,569	163,348,894	88,200,628
Placement accounts with other banks	33,078,302	41,461,053	134,198,671	170,487,850
Investments in treasury bills	-	3,859,552	-	15,870,478
<b>Total</b>	<b>160,501,255</b>	<b>110,098,245</b>	<b>651,153,593</b>	<b>452,723,983</b>

### 25 Related party transactions

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
During the year ended 31 December 2006, following transactions with related parties have occurred:				
Payment to the Central Bank:				
Office rental fee	-	68,200	-	280,438
Banking licence fee	-	17,023	-	70,000
Loan to related party	1,960,086	-	7,952,068	-
Payment to Board of Directors:				
Distribution of previous year net income	-	8,605	-	35,382
Board of Director's meeting fee	5,916	23,739	24,001	97,616
Directors' remuneration	340,419	22,827	1,381,080	93,864
<b>Total</b>	<b>2,306,421</b>	<b>140,394</b>	<b>9,357,149</b>	<b>577,300</b>

### 26 Cash used in operations

	2006 US\$	2005 US\$	2006 Riel '000 *	2005 Riel '000 *
Cash flows from operating activities:				
Income before tax	2,787,840	891,456	11,310,267	3,665,667
<i>Adjustments for:</i>				
Provision for losses on loans and advances	3,758,652	4,804,267	15,248,852	19,755,146
Provision for losses on amount due from NBC	13,955	-	56,615	-
Depreciation and amortisation	148,471	123,496	602,347	507,816
Loss on disposal of tangible assets	-	440	-	1,809
Cash inflow from operating income before changes in working capitals	<b>6,708,918</b>	<b>5,819,659</b>	<b>27,218,081</b>	<b>23,930,438</b>
<i>Changes in working capitals</i>				
Payment of bonus to staff and Board of Directors	(44,062)	(51,628)	(178,760)	(212,294)
Increase in loans and advances to customers	(14,642,710)	(3,681,297)	(59,405,474)	(15,137,493)
Increase in deferred tax	4,662	-	18,914	-
Decrease in other assets	154,571	1,514,790	627,095	6,228,816
Increase in deposits of other banks	242,377	(184,666)	983,323	(759,347)
Increase in deposits of non-bank customers	52,287,766	6,507,073	212,131,467	26,757,084
Increase in other liabilities	296,345	115,825	1,202,272	476,272
Exchange difference	(6,307)	-	(25,587)	-
<b>Net cash generated from operations</b>	<b>45,001,560</b>	<b>10,039,756</b>	<b>182,571,331</b>	<b>41,283,476</b>

### 27 Segment information

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

\* Audited in USD only

### 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 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.



A power sub-station funded with a loan from FTB

## 29 Currency analysis

31 December 2006

## Assets

	US\$ US\$	Riel US\$	GBP US\$	CHF US\$	JPY US\$	AUD US\$	EUR US\$	Other US\$	Total US\$	Total Riel '000*
Cash on hand	3,955,574	608,431	-	-	-	-	-	-	4,564,005	18,516,168
Balances with the Central Bank	94,211,406	3,116,511	-	-	-	-	-	-	97,327,917	394,859,359
Balance with other banks	37,381,273	-	218,464	80,752	(98,385)	119,249	2,561,945	171	40,263,469	163,348,894
Placement with other banks	33,078,302	-	-	-	-	-	-	-	33,078,302	134,198,671
Investments in government bonds and treasury bills	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	42,308,028	103,074	-	-	-	-	-	-	42,411,102	172,061,841
Property and equipment	27,121	312,494	-	-	-	-	-	-	339,615	1,377,818
Computer software	-	59,859	-	-	-	-	-	-	59,859	242,848
Other assets	720,108	67,936	-	-	-	-	16,040	-	804,084	3,262,168
<b>Total assets</b>	<b>211,681,812</b>	<b>4,268,305</b>	<b>218,464</b>	<b>80,752</b>	<b>(98,385)</b>	<b>119,249</b>	<b>2,577,985</b>	<b>171</b>	<b>218,848,353</b>	<b>887,867,767</b>

## Liabilities

Deposits of other banks	917,189	57,971	-	-	-	-	-	-	975,160	3,956,224
Deposits of non-bank customers	167,560,107	27,411,272	1,378	1,422	-	96,275	90,667	22,124	195,183,245	791,858,425
Provision for taxation	-	384,990	-	-	-	-	-	-	384,990	1,561,904
Deferred tax liability	-	38,082	-	-	-	-	-	-	38,082	154,499
Other liabilities	1,143,609	142,420	-	-	-	-	-	-	1,286,029	5,217,420
<b>Total liabilities</b>	<b>169,620,905</b>	<b>27,934,735</b>	<b>1,378</b>	<b>1,422</b>	<b>-</b>	<b>96,275</b>	<b>90,667</b>	<b>22,124</b>	<b>197,867,506</b>	<b>802,748,472</b>

## Net on balance sheet position

	<b>42,060,907</b>	<b>(23,666,430)</b>	<b>217,086</b>	<b>79,330</b>	<b>(98,385)</b>	<b>22,974</b>	<b>2,487,318</b>	<b>(21,953)</b>	<b>21,080,847</b>	<b>85,119,295</b>
31 December 2005	143,206,685	19,153,413	129,995	5,900	17,901	37,152	953,505	147	163,504,698	672,331,317
Total assets	119,669,009	24,920,264	3,946	1,296	-	88,927	26,365	26,891	144,736,698	595,157,301
<b>Net on balance sheet position</b>	<b>23,537,676</b>	<b>(5,766,851)</b>	<b>126,049</b>	<b>4,604</b>	<b>17,901</b>	<b>(51,775)</b>	<b>927,140</b>	<b>(26,744)</b>	<b>18,768,000</b>	<b>77,174,016</b>

\* Audited in USD only

## 30 Maturity of assets &amp; liabilities

31 December 2006

## Assets

	Up to 1 month US\$	1-3 months US\$	4-12 months US\$	1-3 years US\$	3-5 years US\$	No fixed term US\$	Total US\$	Total Riel '000*
Cash on hand	4,564,005	-	-	-	-	-	4,564,005	18,516,168
Balances with the Central Bank	72,595,479	10,000,000	-	-	-	14,732,438	97,327,917	394,859,359
Balances with other banks	40,263,469	-	-	-	-	-	40,263,469	163,348,894
Placements with other banks	33,078,302	-	-	-	-	-	33,078,302	134,198,671
Investments in government bonds and treasury bills	-	-	-	-	-	-	-	-
Loan and advances to customers	1,374,795	6,308,655	11,411,140	19,926,530	3,359,079	30,903	42,411,102	172,061,841
Property and equipment	-	-	-	53,123	-	286,492	339,615	1,377,818
Computer software	-	59,859	-	-	-	-	59,859	242,848
Other assets	462,442	30,945	242,393	22,798	-	45,506	804,084	3,262,168
<b>Total assets</b>	<b>152,338,492</b>	<b>16,399,459</b>	<b>11,653,533</b>	<b>20,002,451</b>	<b>3,359,079</b>	<b>15,095,339</b>	<b>218,848,353</b>	<b>887,867,767</b>

## Liabilities

Deposits of other banks	975,160	-	-	-	-	-	975,160	3,956,224
Deposits of non-bank customers	144,774,034	18,760,034	29,571,656	20,000	-	2,057,521	195,183,245	791,858,425
Provision for taxation	-	384,990	-	-	-	-	384,990	1,561,904
Deferred tax liability	-	-	-	-	-	38,082	38,082	154,499
Other liabilities	403,583	291,385	315,297	-	-	275,764	1,286,029	5,217,420
<b>Total liabilities</b>	<b>146,152,777</b>	<b>19,436,409</b>	<b>29,886,953</b>	<b>20,000</b>	<b>-</b>	<b>2,371,367</b>	<b>197,867,506</b>	<b>802,748,472</b>
<b>Net liquidity gap</b>	<b>6,185,715</b>	<b>(3,036,950)</b>	<b>(18,233,420)</b>	<b>19,982,451</b>	<b>3,359,079</b>	<b>12,723,972</b>	<b>20,980,847</b>	<b>85,119,295</b>

31 December 2005

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
Total liabilities	108,238,244	10,871,130	25,451,622	-	-	175,702	144,736,698	595,157,301
<b>Net liquidity gap</b>	<b>12,488,578</b>	<b>(8,420,035)</b>	<b>(10,802,776)</b>	<b>21,915,027</b>	<b>355,543</b>	<b>3,231,663</b>	<b>18,768,000</b>	<b>77,174,016</b>

\* Audited in USD only

## Notes to the financial statements (continued)



### 31 Interest rate risk

31 December 2006

#### Assets

	Up to 1 month US\$	1-3 months US\$	4-12 months US\$	1-3 years US\$	3-5 years US\$	Non interest bearing US\$	Total US\$	Total Riel '000*
Cash on hand	65,500,000	10,000,000	-	-	-	4,564,005	4,564,005	18,516,168
Balances with the Central Bank	39,699,425	-	-	1,232,438	-	20,595,479	97,327,917	394,859,359
Balance with other banks	33,078,302	-	-	-	-	564,044	40,263,469	163,348,894
Investments in government bonds and treasury bills	1,374,795	6,308,655	11,411,140	19,926,531	3,389,981	-	42,411,102	172,061,841
Property and equipment	-	-	-	-	-	339,615	339,615	1,377,818
Computer software	-	-	-	-	-	59,859	59,859	242,848
Other assets	-	-	-	-	-	804,084	804,084	3,262,168
<b>Total assets</b>	<b>139,652,522</b>	<b>16,308,655</b>	<b>11,411,140</b>	<b>19,926,531</b>	<b>4,622,419</b>	<b>26,927,086</b>	<b>218,848,353</b>	<b>887,867,767</b>

#### Liabilities

Deposits of other banks	73,212,012	17,942,727	29,247,338	-	-	975,160	975,160	3,956,224
Deposits of non-bank customers	-	-	-	-	-	74,781,168	195,183,245	797,858,425
Provision for taxation	-	-	-	-	-	384,990	384,990	1,561,904
Deferred tax liability	-	-	-	-	-	38,082	38,082	154,499
Other liabilities	-	-	-	-	234,522	1,051,507	1,286,029	5,217,420
<b>Total liabilities</b>	<b>73,212,012</b>	<b>17,942,727</b>	<b>29,247,338</b>	<b>-</b>	<b>234,522</b>	<b>77,230,907</b>	<b>197,867,506</b>	<b>802,748,472</b>

#### Net liquidity gap

	<b>66,440,510</b>	<b>(1,634,072)</b>	<b>(17,836,198)</b>	<b>19,926,531</b>	<b>4,387,897</b>	<b>(50,303,821)</b>	<b>20,980,847</b>	<b>85,119,295</b>
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31 December 2005

#### Assets

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

#### Liabilities

Deposits of other banks	57,773,125	10,460,812	25,173,188	-	-	732,783	732,783	3,013,202
Deposits of non-bank customers	-	-	-	-	-	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
<b>Total liabilities</b>	<b>57,773,125</b>	<b>10,460,812</b>	<b>25,173,188</b>	<b>-</b>	<b>-</b>	<b>51,329,573</b>	<b>144,736,698</b>	<b>595,157,301</b>

#### Total interest sensitivity gap

	<b>21,980,918</b>	<b>(8,207,907)</b>	<b>(10,576,158)</b>	<b>21,851,454</b>	<b>3,258,697</b>	<b>(9,539,004)</b>	<b>18,768,000</b>	<b>77,174,016</b>
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\* Audited in USD only

## 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)

SINGAPORE	<b>Standard Chartered Bank Singapore</b> 6 Battery Road, Branch 6747 7000, Singapore 049909 Swift code: SCBLSGSG	USD
SINGAPORE	<b>Natexis Banque Populaires Singapore</b> 50 Raffles Place, #41- 01 Land Tower, Singapore 048623 Swift code: BFCEGSG	USD
THAILAND	<b>Bangkok Bank PLC</b> 333 Silom Road, Bangkok 10500, Thailand Swift code: BKKBTHBK	USD
USA	<b>Standard Chartered Bank</b> 1 Madison Avenue, New York, NY 10010, USA Swift code: SCBLUS33	USD
USA	<b>JP Morgan Chase Bank New York</b> Church Street Station, P.O. Box 932, New York, NY 10008-0932, USA Swift code: CHASUS33	USD
USA	<b>HSBC BANK USA N.A.</b> 452, Fifth Avenue, New York, NY 10018-2706 Swift code: MRMDUS33	USD
USA	<b>Wachovia Bank, N.A.</b> NY International Branch 11 Penn Plaza, 4th Floor, New York, NY 10001, USA Swift code: PNBPU3NNYC	USD
USA	<b>Citibank N.A.</b> 1 Penns Way, Newcastle, DE 19720, USA Swift code: CITIUS33	USD
VIETNAM	<b>Bank for Foreign Trade of Vietnam</b> 198 Tran Quang Khai, Hanoi, Vietnam Swift code: BFTVVNVX	USD





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