



**Annual Report**  
**2007**

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## 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: <a href="mailto:ftb@camnet.com.kh">ftb@camnet.com.kh</a> <a href="http://www.ftbbank.com">www.ftbbank.com</a> SWIFT: FTCKHPP
Registered capital:	13,000,000.00 USD
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 currencies
- 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.

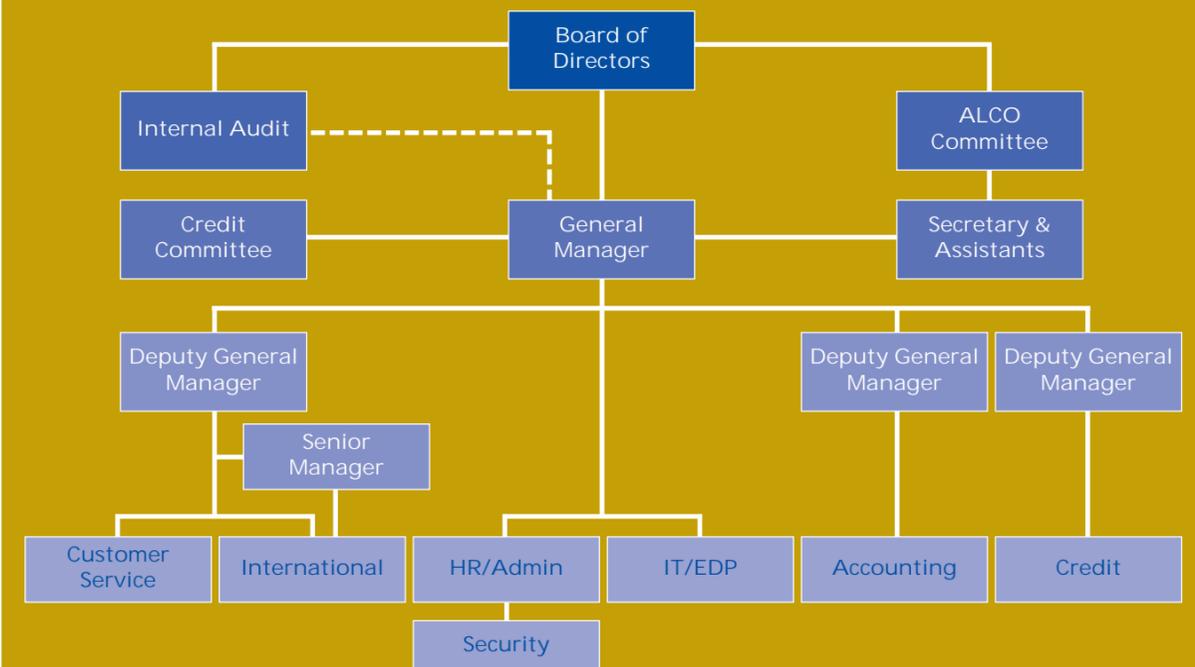
On 1 August 2000, NBC activated this reform and the Foreign Trade Bank of Cambodia's status was changed into that of a state-owned commercial bank, with all the expected features of a Public Economic Enterprise. The aim of this re-structure was to allow the Bank to conduct autonomous business operations 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 seven members on the Board of Directors, the Chairman is from Canadia Bank PLC and Mrs Sok Chan Sona was nominated to the Board as an independent director in 2007.

# Organisation chart



# Four-year financial highlights

## Summary of the balance sheet (US Dollars)

	2007	2006	2005	2004
Total assets	219,994,181	218,848,353	163,504,698	159,847,090
Net loans and advances to customer	65,475,143	42,411,102	30,849,945	32,647,783
Other assets	154,519,038	176,437,251	132,654,753	127,199,307
Total liabilities	191,330,644	197,867,506	144,736,698	141,380,099
Deposits	188,087,859	196,158,405	143,628,259	140,204,038
Other liabilities	3,242,785	1,709,101	1,108,439	1,176,061
Capital	13,000,000	12,159,533	12,159,533	12,416,191
Reserves and retained earnings	15,663,537	8,821,314	6,608,467	6,050,800

## A summary of business results (US Dollars)

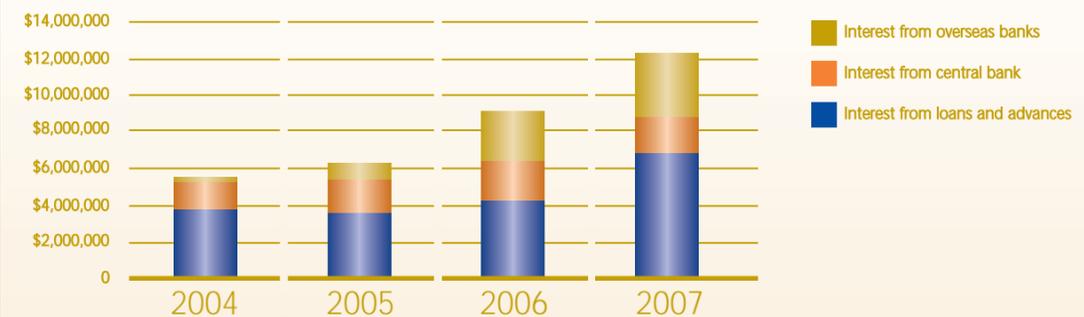
	2007	2006	2005	2004
Net interest (income)	8,932,451	6,162,053	3,881,730	3,061,480
Operating income before provisions	9,215,739	6,546,492	3,717,986	3,675,430
Profit (before income tax)	9,608,363	2,787,840	891,456	1,568,939
Net profit for the year	7,682,690	2,256,909	734,372	1,255,151

## Key ratios

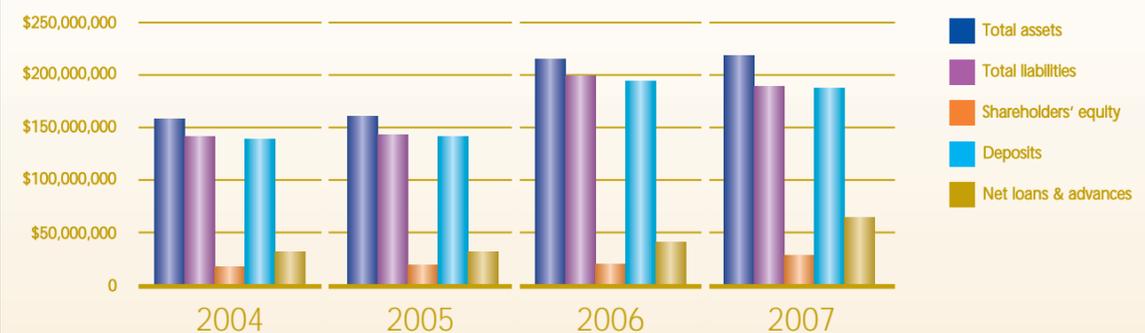
	2007	2006	2005	2004
Return on capital	59.10%	18.56%	6.04%	10.11%
Return on assets	3.49%	1.03%	0.45%	0.79%
Return on shareholder's equity	26.80%	10.76%	3.91%	6.80%
Interest income to total assets	5.61%	4.18%	3.91%	3.51%
Non-performing loans to total loans	13.19%	21.37%	26.24%	41.61%
Total loans (gross) to total deposits	37.11%	25.31%	23.49%	26.54%
Growth in interest income	35.02%	43.09%	14.01%	32.80%
Growth in fees and commission	11.78%	53.45%	(13.69%)	11.91%
Growth in total income	34.27%	42.93%	3.70%	19.36%
Growth in net income after tax	240.41%	207.33%	(41.49%)	79.14%
Growth in total loans (gross)	40.58%	47.16%	(9.31%)	5.22%
Growth in total assets	0.52%	33.85%	2.29%	5.76%

# Business performance

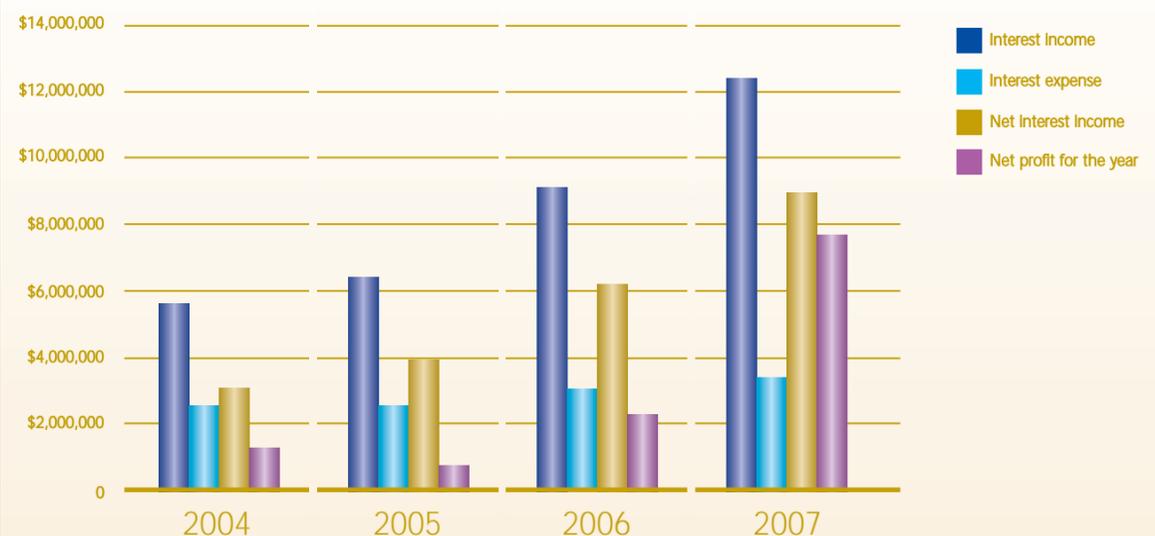
## Interest income (US Dollars)



## 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 FTB's Annual Report for the financial year ended December 31, 2007.

As you know, following privatisation in late 2005, FTB has been operating as a state joint venture commercial bank for two years. Changing our status and commencing operations in an exciting, fast developing, not to mention challenging, financial market, has presented us all with a huge amount of work and many exciting opportunities to develop ourselves and our range of products and services.

The Board of Directors have used the two years since our change in status to cultivate and embrace a new attitude and corporate culture that has allowed us to continue to thrive in Cambodia's ever changing business environment. We also recognise that, during this process of evolution, it is crucial that we maintain our heritage as Cambodia's most experience and established bank, and that we continue to draw on the twenty eight years' of experience we have of delivering a safe and secure banking environment for our customers.

2006 was a 'consolidation' year for all of us at FTB. Having succeeded in the smooth implementation of the new corporate culture with the support and guidance of the Board of Directors and shareholders, the big challenge was to keep the momentum and enthusiasm for change going throughout 2007 and for a long time in the future.

As part of our "Investing in the Future" programme for improvement, all members of our team were expected to demonstrate their commitment to:

- adapt, adopt change and maintain a positive attitude
- commit to our duties and be proud to carry them out well
- Work as part of an FTB 'team' to develop a sense of belonging among all employees
- Focus on providing our customers with the best possible products and services at all times
- Ask how we can make a greater contribution to FTB and our own personal development
- Ask ourselves, in everything we do "is there a better way?"

During the review period our after-tax profits are triple those of 2006! This is a spectacular achievement, especially when one notes that it follows a similar increase during the 2006 review period. These results clearly demonstrate that the whole team FTB has remained committed to the "Investing in the Future" objectives listed above.

In order to reinforce the pride, we at FTB, feel not only in our recent achievements but in all of our achievements during our 28 year history. In 2007, FTB began an advertising campaign that was designed to communicate our strengths to the public and reinforce our pride in the history of FTB as the first and foremost bank in Cambodia. This initiative included the rebranding of all major customer facing literature, the airing of two TV commercials and the placement of a series of press advertisements. These tools are intended to raise FTB's profile in the market, develop recognition of the Bank's brand image and create awareness of our values; both within our own team and with the general public.

We have also successfully completed an overhaul of our Core Banking System which will pave the way for the introduction of a range of new electronic banking services, such as internet banking and ATMs, which we will deliver in 2008.

Our financial performance and achievements during the review period have far exceeded our expectations and are proof that we are on the right track. We are looking forward to the coming year with optimism and are completely confident that we are well positioned to thrive in, and support, Cambodia's continued development.

In the light of these performances, I would like to take this opportunity to express my warmest thanks to all our staff and their managers for their contribution to these results and commitment to their duties and to you, our valued customers, for your continuous support and confidence in our bank. I wish you all every success for the future.

Sincerely yours,

Oknha Pung Kheav Se, Chairman

# General manager's message



- We have maintained a prudent attitude with regard to credit in order to minimise risks and safeguard our customers' deposits. This policy, along with the high level of cash and cash equivalent we have in local and foreign currencies; which form 72.84% of total deposits, will assure that FTB can confidently meet the additional reserve requirements planned by the National Bank for the coming year.

## Investing in the future

In order to continue replicating these phenomenal results in the next review period we will:

- lead the local banking industry by providing our customers with innovative, international standard products and services that are specifically designed for the Cambodian market. These products will include Internet Banking with an online bill paying facility, the installation of ATMs, the introduction of a full range of debit, credit and prepaid bank cards and the opening of a new branch office.
- continue to broaden the use of our capital in order to increase and maximise profitability
- maintain our staff development programme to enhance individual talents and professionalism
- intensify our efforts to deliver reliable, appropriate and secure trade and project finance to Cambodian industry, in order to help facilitate the rapid and sustainable development of the country
- maintain FTB's reputation for security and stability by continuing to acquire new depositors and attract new customers with our extended range of products and services and improved focus on customer service and professionalism
- inform potential new customers about FTB's reputation, resources and experience by implementing appropriate marketing initiatives to improve recognition of FTB's brand and increase our visibility in the marketplace.

FTB has undergone many changes in status over its twenty eight year history. 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 28 years of existence, FTB has remained flexible in order to continue to perform in the ever changing, quickly developing and highly competitive economic and business environment that we find in Cambodia today. Since our change in status in 2005 we have achieved many successes, all of which validate the aims and objectives outlined and adopted by our Board of Directors and shareholders.

## Significant achievements during the year

2007 was one of our busiest years ever, and has proved to be our most successful ever year too; both in terms of development activity and financial performance.

For the second year in a row, the commitment and dedication of the whole FTB team has resulted in us exceeding shareholders' expectations during the review period. Specifically, we delivered four key financial achievements in 2007, when compared with 2006:

- Profit after tax amounted to USD 7,682,690.00; three times that of 2006!
- Shareholders' equity grew by 37% to USD 28,663,537.00
- Loans and advances to customers climbed by 41% to a total of USD 69,806,085.00
- Total assets rose to USD 219,994,181.00

In closing, we would like to present our most sincere and humble gratitude to our Chairman and members of the Board of Directors for their dedication and commitment to ensure that 2007 was such a success.

We also wish to thank and congratulate all FTB employees, officers and managers for their contribution towards to these memorable results. Without such a professional and dedicated team, the Bank would not be as successful as it is today and will not be able to achieve the new successes that we are planning for the coming year.

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 seven members. The current members are listed below:

Oknha Pung Kheav Se	Chairman of the Board of Directors	Joined the Board in 2005
Oknha Lim Bun Sour	Member of Board of Directors	Joined the Board in 2005
Mr. Mey Vann	Member of Board of Directors & representative of MEF	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
Mrs. Sok Chan Sona	Member of Board of Directors - Independent	Joined the Board in 2006

# 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 Manager
H.E. Gui Anvanith	Deputy General Manager
Mr. Tim Bophal	Deputy General Manager
Mr. Phang Samrech	Deputy General Manager
Lokchumteav Ung Polyna	Senior 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	Board Member	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	Senior Manager	Member



From left to right and top to bottom:  
Oknha Pung Kheav Se  
Oknha Lim Bun Sour  
Mr. Mey Vann  
H.E. Gui Anvanith  
Lokchumteav Ouk Maly  
Lokchumteav Ung Polyna  
Mrs Sok Chan Sona

# Management biographies

### 1 Oknha Pung Kheav Se

Oknha 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 Mahasereyvattanan Award from Cambodia's King Norodom Sihanouk in 2002.

### 2 Oknha Lim Bun Sour

Oknha Lim Bun Sour was born in 1965 in Kampong Chhnang 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 and Vice-President of the Chamber of Professional and Micro Enterprises of Cambodia (CPMEC).

### 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 (MBA) 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 Mrs. Sok Chan Sona

Mrs. Sok Chan Sona was born in 1976 in Battambang, Cambodia. She received a Bachelor Degree in Accounting, and a Masters Degree in Finance, from Virginia Commonwealth University in the USA. She brings a wealth of financial expertise to FTB, having worked in both the non-profit and private sectors before joining the Board.

### 8 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.

### 9 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

## Internal audit

The Foreign Trade Bank has 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) is 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 an exhaustive review of risk management procedures in 2005

senior managers finalised a revised set of risk management policies and procedures in 2006 which were rolled out during 2007. The new procedures include:

- A daily review of the liquidity report to ensure tighter controls
- A robust contingency plan for use in the event of liquidity shortfalls
- Ongoing maintenance of a healthy liquidity flow and compliance with Prakas No. B07-00-38 issued by the National Bank of Cambodia
- Where necessary, continuous assessment of, and adjustment to, policies and procedures for the management of interest rate risk using gap analysis
- Limiting foreign exchange activities and the implementation of a procedure to prevent the mismatch of currency assets and liabilities
- Transparent reporting lines to and from all departments, including from the Internal Audit team to the Board of Directors
- Following the new internal audit policies and procedures which adhere to the Bank's internal control systems
- Distribution of an internal manual for the Bank's staff members to use as a guide to routine operating practices and procedures
- Implementing an extensive training

program to enable staff to develop their risk management competencies

## Significant changes during the year

The ongoing challenges and opportunities presented to FTB following its change in status in late 2005, the fast paced change within Cambodia's financial sector and the country's economic development have meant that 2007 was an exciting and very busy year for the bank.

We achieved significant successes during the review period including:

- A 240% increase in net profits which testifies to the effectiveness of the ground work the whole team has put into product and service improvements over the preceding two year period, since our change in status
- The rollout and consolidation of FTB's new visual identity. During the review period all major customer facing literature was rebranded, two TV commercials explaining FTB's long history were aired and a series of press ads were placed to highlight FTB's longevity and successful track record with the objective of setting the scene for future marketing initiatives.
- The refurbishment of FTB's head office
- A continued focus on customer service which has allowed us to drive up standards in this area, resulting in further positive feedback from our customers
- The start of groundwork planning and infrastructure building for a whole new range of products that will be launched in 2008. These will include ATMs, internet banking, a new branch office and a range of credit, debit and prepaid banking cards
- The consolidation of our new core banking system and software applications that are providing faster customer services and facilitating more timely and reliable reporting to managers
- The roll-out of and training on robust operating guidelines for all departments
- The preparation of a project



financing package for a major development project that sees FTB become Cambodia's first ever commercial bank to help privately finance a project of this kind with recourse only to the project itself.

## 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 installation of ATMs, the launch of internet banking services and a range of debit, credit and prepaid banking cards and services
- Managing a high profile marketing campaign to keep the products, services and capabilities of FTB in the minds' of the public and to inform existing and potential customers of FTB's new products and services
- 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, FTB 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, FTB 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 are being 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. In addition, the Human Resource Development Program, in operation since 2004, is helping to deliver a multi-skilled workforce capable of responding effectively to the changes facing the banking industry in Cambodia today.

## Social and community contributions

As usual the Bank has continued its contributions to community and social causes during 2007. 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 such as sponsoring a boat team during the Water Festival.

## 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.



# Director's report

The Board of Directors submits its report and the audited financial statements of Foreign Trade Bank of Cambodia ("the Bank") for the year ended 31 December 2007.

## 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.

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 from that date. The Bank holds a commercial banking license, which was renewed for an indefinite period, on 21 December 2006.

On 31 December 2002, the Ministry of Economy and Finance ("MEF") announced, through a Statement of Intent, 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 MEF reduced its 80% shareholding to 10%. The Bank's Memorandum and Articles of Association were revised twice to reflect the change in shareholders and Board of Directors, first on 23 May 2006 and later on 30 May 2007.

## 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 2007 are set out in the income statement on page 14. No dividend has been paid to shareholders during the year (2006: NIL).

## The board of directors and executive management

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

### Board of Directors

Oknha Pung Kheav Se	Chairman
Oknha Lim Bunsour	Member
Mr Mey Vann	Member
Lokchumteav Ouk Maly	Member
H.E. Gui Anvanith	Member
Lokchumteav Ung Polyna	Member
Mrs Sok Chan Sona	Member-independent

### 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

## Responsibilities of the Directors in Respect of the Financial Statements

The Bank's Board of Directors is responsible for ascertaining that the financial statements are properly drawn up so as to present fairly the financial position of the Bank as at 31 December 2007 and of the results of its operations and its cash flows for the period then ended. In preparing these financial statements, the Board of Directors 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 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.

The Board of Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

In the opinion of the Board of Directors, 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 present fairly the financial position of the Bank as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the guidelines issued by the Central Bank and the Cambodian Accounting Standards, were approved by the Board of Directors.



Lokchumteav Ouk Maly  
General Manager  
Date: 31 March 2008



H.E. Gui Anvanith  
Deputy General Manager  
Date: 31 March 2008

## 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 2007 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 18 to 32.

## Board's Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with guidelines issued by the Central Bank and Cambodian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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 2007, and of its financial performance and its cash flows for the year then ended in accordance with guidelines issued by the Central Bank and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Limited



By Senaka Fernando  
Director

Phnom Penh, Kingdom of Cambodia  
Date: 31 March 2008

# Income statement

For the year ended 31 December 2007

	Note	For the year ended		For the year ended	
		2007	2006	2007	2006
		US\$	US\$	Riel '000*	Riel '000*
Interest income	3	12,347,368	9,144,930	49,426,516	37,100,981
Interest expense	4	(3,414,917)	(2,982,877)	(13,669,913)	(12,101,532)
<b>Net interest income</b>		<b>8,932,451</b>	<b>6,162,053</b>	<b>35,756,603</b>	<b>24,999,449</b>
Fee and commission income	5	2,126,973	1,902,767	8,514,273	7,719,526
Fee and commission expense		(60,912)	(77,958)	(243,831)	(316,276)
<b>Net fee and commission income</b>		<b>2,066,061</b>	<b>1,824,809</b>	<b>8,270,442</b>	<b>7,403,250</b>
Other income	6	635,907	205,632	2,545,536	834,249
General and administrative expenses	7	(2,418,680)	(1,646,002)	(9,681,975)	(6,677,830)
Operating income before extensions of credit		9,215,739	6,546,492	36,890,606	26,559,118
Net recovery of /(provision for) losses on loan and interest	8	392,624	(3,758,652)	1,571,673	(15,248,852)
Profit before income tax		9,608,363	2,787,840	38,462,279	11,310,266
Income tax expense	9	(1,925,673)	(530,931)	(7,708,465)	(2,153,987)
<b>Net profit for the year</b>		<b>7,682,690</b>	<b>2,256,909</b>	<b>30,753,814</b>	<b>9,156,279</b>

\* Unaudited



Lokchumteav Ouk Maly  
General Manager  
Date: 31 March 2008



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 2007

	Note	As at 31 December		As at 31 December	
		2007	2006	2007	2006
		US\$	US\$	Riel '000*	Riel '000*
<b>Assets</b>					
Cash on hand		5,128,836	4,564,005	20,530,730	18,516,168
Balances with the Central Bank	10	89,352,985	97,327,917	357,679,998	394,859,359
Balances with other banks	11	16,168,383	40,263,469	64,722,037	163,348,894
Placements with other banks	12	42,097,184	33,078,302	168,515,026	134,198,671
Loans and advances to customers	13	65,475,143	42,411,102	262,096,996	172,061,841
Property and equipment	14	915,106	339,615	3,663,169	1,377,818
Computer software	15	290,600	59,859	1,163,272	242,848
Other assets	16	565,944	804,084	2,265,473	3,262,168
<b>Total assets</b>		<b>219,994,181</b>	<b>218,848,353</b>	<b>880,636,701</b>	<b>887,867,767</b>
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Deposits of other banks	17	4,291,077	975,160	17,177,179	3,956,224
Deposits of non-bank customers	18	183,796,782	195,183,245	735,738,517	791,858,425
Current tax liability		1,678,368	384,990	6,718,507	1,561,904
Deferred tax liability	19	38,082	38,082	152,442	154,499
Other liabilities	20	1,526,335	1,286,029	6,109,917	5,217,420
<b>Total liabilities</b>		<b>191,330,644</b>	<b>197,867,506</b>	<b>765,896,562</b>	<b>802,748,472</b>
<b>Shareholders' equity</b>					
Share capital	21	13,000,000	12,159,533	52,039,000	49,331,225
Retained earnings		11,387,117	3,704,427	45,582,629	15,028,860
Reserves	22	4,276,420	5,116,887	17,118,510	20,759,210
<b>Total shareholders' equity</b>		<b>28,663,537</b>	<b>20,980,847</b>	<b>114,740,139</b>	<b>85,119,295</b>
<b>Total liabilities and shareholders' equity</b>		<b>219,994,181</b>	<b>218,848,353</b>	<b>880,636,701</b>	<b>887,867,767</b>

\* Unaudited



Lokchumteav Ouk Maly  
General Manager  
Date: 31 March 2008



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 2007

	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 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:								
Bonus to staff		-	-	-	-	-	(36,718)	(36,718)
Bonus to Board of Directors		-	-	-	-	-	(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>
Balance at 1 January 2007		12,159,533	247,529	1,190,006	3,504,660	174,692	3,704,427	20,980,847
Conversion of reserve into capital		840,467	-	-	(840,467)	-	-	-
Net profit for the year		-	-	-	-	-	7,682,690	7,682,690
<b>Balance at 31 December 2007</b>		<b>13,000,000</b>	<b>247,529</b>	<b>1,190,006</b>	<b>2,664,193</b>	<b>174,692</b>	<b>11,387,117</b>	<b>28,663,537</b>
<b>Equivalent in Riel '000 *</b>		<b>52,039,000</b>	<b>990,859</b>	<b>4,763,594</b>	<b>10,664,765</b>	<b>699,292</b>	<b>45,582,629</b>	<b>114,740,139</b>

\* Unaudited

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 2007

	Note	For the year ended		For the year ended	
		2007	2006	2007	2006
		US\$	US\$	Riel '000 *	Riel '000 *
<b>Cash flows from operating activities</b>					
Net cash generated from/(used in) operations	25	(20,893,279)	45,001,560	(83,635,789)	182,571,331
Income tax paid		(665,537)	(231,274)	(2,664,150)	(938,279)
Net cash generated from/(used in) operating activities		<u>(21,558,816)</u>	<u>44,770,286</u>	<u>(86,299,939)</u>	<u>181,633,052</u>
<b>Cash flows from investing activities</b>					
Reserve deposits with the Central Bank		(989,133)	(4,000,000)	(3,959,500)	(16,228,000)
Guarantee deposits with the Central Bank		(16,625)	(16,485)	(66,551)	(66,880)
Other deposits with central bank		-	(1,904)	-	(7,725)
Purchase of property and equipment		(927,489)	(76,513)	(3,712,738)	(310,413)
Investments in government bonds and treasury bills		-	9,727,626	-	39,464,979
Net cash generated from/(used in) investing activities		<u>(1,933,247)</u>	<u>5,632,724</u>	<u>(7,738,789)</u>	<u>22,851,961</u>
Net increase/(decrease) in cash and cash equivalents		(23,492,063)	50,403,010	(94,038,728)	204,485,013
<b>Cash and cash equivalents at beginning of the year</b>		<b>160,501,255</b>	<b>110,098,245</b>	<b>642,486,524</b>	<b>446,668,580</b>
<b>Cash and cash equivalents at end of the year</b>	<b>26</b>	<b>137,009,192</b>	<b>160,501,255</b>	<b>548,447,796</b>	<b>651,153,593</b>

\* Unaudited

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

# Notes to the financial statements

For the year ended 31 December 2007

## 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 with an aim to conduct autonomous business operations.

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. The Bank holds a commercial banking license which was renewed for an indefinite period on 21 December 2006.

On 31 December 2002, the Ministry of Economy and Finance ("MEF") announced, through a Statement of Intent 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 MEF reduced its 80% shareholding to 10%. The Bank's Memorandum and Articles of Association were revised twice to reflect the change in shareholders and Board of Directors, first on 23 May 2006 and later on 30 May 2007.

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

As at 31 December 2007, the Bank had

98 employees (2006: 94 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 the 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 financial statements are prepared using the historical cost convention. 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.

For the sole regulatory purpose of complying with Prakas No. NBC 593-208 dated 22 November 1993 from 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 2007 using the official rate of exchange regulated by the Central Bank as at the reporting date, which was US\$1 equal to Riel 4,003 (2006: US\$1 equal to Riel 4,057). 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

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 financial statements

are presented in US\$, which is widely accepted currency in Cambodia.

Transactions in currencies other than US\$ 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 assets 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:

	2007	2006
KHR	4,003	4,057
GBP	0.500	0.518
CHF	1.1235	1.234
THB	30.125	36.461
CAD	0.979	1.172
JPY	111.915	120.165
AUD	1.137	1.278
EUR	0.678	0.773

### 2.3 Interest income & 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 collectabilities 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 & 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, loan processing fee, 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 from 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 Bank is required to follow the mandatory credit classification and provisioning as required by Prakas B7-02-145 dated 7 June 2002 issued by the Central Bank. The Prakas requires commercial banks to classify their loan portfolio into four classes and the mandatory level of specific provisioning is provided, depending on the classification concerned and regardless of the assets (except cash) pledged as collateral.

	Rate of provision
Standard	0%
Substandard	10%
Doubtful	30%
Loss	100%

### 2.7 Overdue loans

In accordance with Prakas B7-00-51K issued by the Central Bank on 17 February 2000, overdue loans are defined as the total outstanding principal where principal or interest is past due.

### 2.8 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

Building	20 years
Office furniture & equipment	3-5 years
Motor vehicles	5 years

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

### 2.9 Computer software

Acquired computer software licences 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.

### 2.10 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.

### 2.11 Staff provident fund

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

i) 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.

ii) The Bank contributes interest on the cumulative balance of the provident fund computed at 6% per annum. This contribution is charged to the income statement.

The provident 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 provident 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.

### 2.12 Deferred income tax

Deferred income tax is 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 utilised.

### 2.13 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operating decisions.

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 includes any individual who participates in the administration, direction, management or internal control of the Bank.

Transactions with related parties and related account balances are disclosed in note 24 to the financial statements.

### 2.14 Cash & cash equivalents

Cash and cash equivalents include cash on hand, current accounts with central bank, current accounts with other banks, and other placements with original maturity of three months or less.

## Notes to the financial statements (continued)

3 Interest income	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Loans and advances to customers	7,122,941	4,291,692	28,513,132	17,411,395
Placements with the Central Bank	2,220,262	2,056,391	8,887,711	8,342,778
Placements with overseas banks	3,004,165	2,753,435	12,025,673	11,170,686
Government treasury bills	-	43,412	-	176,122
<b>Total</b>	<b>12,347,368</b>	<b>9,144,930</b>	<b>49,426,516</b>	<b>37,100,981</b>
4 Interest expense	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Fixed deposits				
in US\$	2,383,012	2,073,604	9,539,199	8,412,611
in Riel	431,438	409,319	1,727,045	1,660,607
Savings deposits				
in US\$	320,561	291,584	1,283,206	1,182,956
in Riel	263,623	194,900	1,055,281	790,709
Provident fund	16,283	13,470	65,182	54,649
<b>Total</b>	<b>3,414,917</b>	<b>2,982,877</b>	<b>13,669,913</b>	<b>12,101,532</b>
5 Fee and commission income	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Fund remittance fees	725,779	667,730	2,905,293	2,708,981
Loan processing fees	859,457	701,434	3,440,407	2,845,718
Commission from issuing letters of credit and guarantees	276,054	218,606	1,117,053	886,885
SWIFT fees	139,560	150,723	558,659	611,483
Other service charges	123,123	164,274	492,861	666,459
<b>Total</b>	<b>2,126,973</b>	<b>1,902,767</b>	<b>8,514,273</b>	<b>7,719,526</b>
6 Other income	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Exchange gains	601,941	167,002	2,409,569	677,527
Other income	33,966	38,630	135,967	156,722
<b>Total</b>	<b>635,907</b>	<b>205,632</b>	<b>2,545,536</b>	<b>834,249</b>
7 General and administrative expenses	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Staff costs	1,359,501	911,641	5,442,083	3,698,528
Legal and court fees	182,551	70,433	730,753	285,747
Communication expenses	69,353	62,212	277,618	252,394
Depreciation and amortisation	125,339	148,471	501,734	602,346
Rental expense	77,200	74,400	309,032	301,841
Utilities and office expenses	78,477	77,195	314,144	313,180
Marketing costs	106,045	55,076	424,498	223,443
Insurance and security expenses	46,245	26,300	185,120	106,699
Board of Director's meeting fees	9,493	5,916	38,000	24,001
Transportation costs	28,493	26,791	114,058	108,691
Repairs and maintenance costs	48,933	23,637	195,880	95,895
Other expenses	287,050	163,930	1,149,055	665,065
<b>Total</b>	<b>2,418,680</b>	<b>1,646,002</b>	<b>9,681,975</b>	<b>6,677,830</b>

\* Unaudited

8 Net recovery of provision for losses on loan and interest	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Principal:				
Provision for the year (note 13(a))	(5,077,054)	(5,696,576)	(20,323,449)	(23,111,009)
Bad loan recovery (note 13(a))	2,917,347	1,344,739	11,678,143	5,455,606
Recovery principal of bad loans previously written off	2,372,733	961,419	9,498,047	3,900,476
Interest:				
Provision interest for losses on loans and advances	-	(368,234)	-	(1,493,927)
Recovery of interest in suspense	179,598	-	718,932	-
<b>Total</b>	<b>392,624</b>	<b>(3,758,652)</b>	<b>1,571,673</b>	<b>(15,248,852)</b>
9 Taxation	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
(a) Income tax expense				
Current income tax	1,925,673	526,269	7,708,465	2,135,073
Deferred income tax movement	-	4,662	-	18,914
<b>Total</b>	<b>1,925,673</b>	<b>530,931</b>	<b>7,708,465</b>	<b>2,153,987</b>
Reconciliation between income tax expense and accounting profit	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Profit before tax	9,608,363	2,787,840	38,462,279	11,310,267
Tax at 20%	1,921,673	557,568	7,692,457	2,262,053
<i>Tax affect of the amounts which are not deductible/(taxable) in the calculating taxable income</i>				
Non-deductible expenses	4,547	5,679	18,202	23,040
Depreciation	(547)	(32,316)	(2,194)	(131,106)
<b>Income tax expense</b>	<b>1,925,673</b>	<b>530,931</b>	<b>7,708,465</b>	<b>2,153,987</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 different 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	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Term deposits	62,400,000	75,500,000	249,787,200	306,303,500
Reserve account	14,489,133	13,500,000	58,000,000	54,769,500
Current accounts	11,214,788	7,095,479	44,892,798	28,786,359
Statutory deposits	1,249,064	1,232,438	5,000,000	5,000,000
Amount due from the Central Bank	-	142,484	-	578,058
	89,352,985	97,470,401	357,679,998	395,437,417
Provision for losses on amount due from the Central Bank	-	(142,484)	-	(578,058)
<b>Total</b>	<b>89,352,985</b>	<b>97,327,917</b>	<b>357,679,998</b>	<b>394,859,359</b>

\* Unaudited

The Reserve account represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers and settlement accounts of other banks.

Under Prakas No. B7-01-136 on Bank's Capital Guarantee dated 15 October 2001, banks are required to maintain a statutory deposit of 10% of registered capital. During the year, the Bank changed its registered capital from Riel 50,000,000,000 to US\$13,000,000. The Bank still maintains the statutory deposit of Riel 5,000,000,000 equal to US\$1,249,064 (2006: US\$1,232,438). The Bank will increase the statutory deposit in 2008 to comply with the Prakas. The statutory deposit earns interest at Riel refinance rate averaging 3% per annum. 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. The amount was written off in the year.

	2007	2006
Annual interest rates on balances with the Central Bank are summarised as follows:		
Term deposits	3.50%-4.37%	3.33% - 4.06%
Reserve deposits	0%	0%
Current accounts	0%	0%
Statutory deposit	3%	3%

### 11 Balances with other banks

These represent current accounts with other banks outside Cambodia which earn interest at rates ranging from 2.67% to 4.37% per annum (2006: 1.3% to 2.0%).

### 12 Placements with other banks

	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Overnight placements with banks	944,605	5,695,209	3,781,255	23,105,463
Short-term placement with banks	41,152,579	27,383,093	164,733,771	111,093,208
<b>Total</b>	<b>42,097,184</b>	<b>33,078,302</b>	<b>168,515,026</b>	<b>134,198,671</b>

	2007	2006
Annual interest rates on placements with other banks are summarised as follows:		
Overnight placements with banks	3.55%-4.36%	3.84%-4.81%
Short-term placement with banks	4.35%-5.99%	1.89%-5.65%

### 13 Loans and advances to customers

(a) Analysis by type of loan	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Commercial loans:				
Short-term loans	3,219,791	1,998,000	12,888,824	8,105,886
Long-term loans	25,662,950	13,747,252	102,728,788	55,772,600
Overdrafts	39,717,998	33,901,465	158,991,145	137,538,244
Loans to banks and micro-finance	1,205,346	-	4,825,000	-
Consumer loans: Individual loans	-	10,000	-	40,570
	69,806,085	49,656,717	279,433,757	201,457,300
Provisions for losses loans - specific (*)	(4,330,942)	(7,245,615)	(17,336,761)	(29,395,459)
	65,475,143	42,411,102	262,096,996	172,061,841

(\*) Movements on the provisions for loan losses are as follows:

Balance at beginning of the year	7,245,615	2,893,779	29,004,197	11,740,059
Provision for the year	5,077,054	5,696,576	20,323,449	23,111,009
Bad loans written off	(5,074,380)	-	(20,312,742)	-
Bad loans recovered	(2,917,347)	(1,344,740)	(11,678,143)	(5,455,609)

<b>At end of the year</b>	<b>4,330,942</b>	<b>7,245,615</b>	<b>17,336,761</b>	<b>29,395,459</b>
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All term loans were granted to Cambodian borrowers.

(b) Analysis by type of industry	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Services	39,616,441	40,288,755	158,584,613	163,451,481
Building and construction	13,578,003	-	54,352,746	-
Import and export	609,117	1,486,219	2,438,295	6,029,589
Wholesale and retail	9,046,107	4,775,715	36,211,566	19,375,077
Agriculture	119,569	118,132	478,635	479,261
Chemical and medical supplies	1,867,959	2,135,703	7,477,440	8,664,548
Other industries	4,968,889	739,119	19,890,462	2,998,605
Individuals	-	113,074	-	458,739
	69,806,085	49,656,717	279,433,757	201,457,300

\* Unaudited

(c) Analysis by security	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Secured	69,806,085	49,656,717	279,433,757	201,457,300
Unsecured	-	-	-	-
	69,806,085	49,656,717	279,433,757	201,457,300

(d) Analysis by currency	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
US dollar	65,019,981	49,553,643	260,274,984	201,039,129
Khmer Riel	4,786,104	103,074	19,158,773	418,171
	69,806,085	49,656,717	279,433,757	201,457,300

(e) Analysis by classification	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Standard	60,602,102	39,044,714	242,590,214	158,404,404
Substandard	5,414,489	300,034	21,674,199	1,217,237
Doubtful	-	5,016,571	-	20,352,229
Loss	3,789,494	5,295,398	15,169,344	21,483,430
	69,806,085	49,656,717	279,433,757	201,457,300

(f) Analysis by relationship	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Non-related parties	66,262,082	47,696,631	265,247,113	193,505,231
Related parties	3,544,003	1,960,086	14,186,644	7,952,069
	69,806,085	49,656,717	279,433,757	201,457,300

(g) Analysis by residence	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Residents	69,806,085	49,656,717	279,433,757	201,457,300
	69,806,085	49,656,717	279,433,757	201,457,300

### (h) Interest rate

These loans and advances to customers earn interest at annual rates ranging from:

	2007	2006
Loans and advances in Riel	10.0% - 18.0%	10.0% - 14.4%
Loans and advances in US\$	10.0% - 18.0%	10.0% - 18.0%

## 14 Property and equipment

	Land US\$	Buildings US\$	Furniture & equipment US\$	Motor vehicles US\$	WIP US\$	Total US\$
<i>As at 1 January 2006</i>						
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>-</b>	<b>283,582</b>
<i>Year ended 31 December 2006</i>						
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>-</b>	<b>339,615</b>

\* Unaudited

## Notes to the financial statements (continued)

### At 31 December 2006

Cost	222,775	63,718	379,395	78,846	-	744,734
Accumulated depreciation	-	-	(350,187)	(54,932)	-	(405,119)
<b>Net book amount</b>	<b>222,775</b>	<b>63,718</b>	<b>29,208</b>	<b>23,914</b>	<b>-</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>-</b>	<b>1,377,818</b>

### Year ended 31 December 2007

Opening net book amount	222,775	63,718	29,208	23,914	-	339,615
Exchange differences	3,005	859	192	1	-	4,057
Additions	-	-	79,284	36,000	514,604	629,888
Depreciation charge	-	-	(50,909)	(7,545)	-	(58,454)
<b>Closing net book value</b>	<b>225,780</b>	<b>64,577</b>	<b>57,775</b>	<b>52,370</b>	<b>514,604</b>	<b>915,106</b>

### At 31 December 2007

Cost	225,780	64,577	458,871	114,847	514,604	1,378,679
Accumulated depreciation	-	-	(401,096)	(62,477)	-	(463,573)
<b>Net book amount</b>	<b>225,780</b>	<b>64,577</b>	<b>57,775</b>	<b>52,370</b>	<b>514,604</b>	<b>915,106</b>
<b>Equivalent in Riel '000 *</b>	<b>903,797</b>	<b>258,502</b>	<b>231,273</b>	<b>209,637</b>	<b>2,059,960</b>	<b>3,663,169</b>

## 15 Computer software

### At 1 January 2006

	Computer software US\$	WIP US\$	Total US\$
Cost	340,749	-	340,749
Accumulated amortisation	(159,206)	-	(159,206)
<b>Net book amount</b>	<b>181,543</b>	<b>-</b>	<b>181,543</b>

### Year ended 31 December 2006

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

### At 31 December 2006

Cost	343,211	-	343,211
Accumulated amortisation	(283,352)	-	(283,352)
<b>Net book amount</b>	<b>59,859</b>	<b>-</b>	<b>59,859</b>
<b>Equivalent Riel '000 *</b>	<b>242,848</b>	<b>-</b>	<b>242,848</b>

### Year ended 31 December 2007

Opening net book amount	59,859	-	59,859
Exchange differences	25	-	25
Additions	272,121	25,480	297,601
Amortisation charge	(66,885)	-	(66,885)
<b>Closing net book value</b>	<b>265,120</b>	<b>25,480</b>	<b>290,600</b>

### At 31 December 2007

Cost	615,357	25,480	640,837
Accumulated amortisation	(350,237)	-	(350,237)
<b>Net book amount</b>	<b>265,120</b>	<b>25,480</b>	<b>290,600</b>
<b>Equivalent Riel '000 *</b>	<b>1,061,276</b>	<b>101,996</b>	<b>1,163,272</b>

\* Unaudited

## 16 Other assets

	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Foreign cheques, travelers cheques and credit card balances for collection:				
In transit	24,305	6,851	97,293	27,795
On hand	20,112	159,761	80,508	648,150
Accrued interest income	308,620	742,075	1,235,406	3,010,597
Advances and prepayments	212,907	263,631	852,266	1,069,552
<b>Total</b>	<b>565,944</b>	<b>1,172,318</b>	<b>2,265,473</b>	<b>4,756,094</b>
Provision for accrued interest income on non-performing loans	-	(368,234)	-	(1,493,926)
<b>Total</b>	<b>565,944</b>	<b>804,084</b>	<b>2,265,473</b>	<b>3,262,168</b>

## 17 Deposits of other banks

	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Deposits of resident local banks	4,143,017	429,835	16,584,499	1,743,841
Deposits of resident non-local banks	148,060	545,325	592,680	2,212,383
<b>Total</b>	<b>4,291,077</b>	<b>975,160</b>	<b>17,177,179</b>	<b>3,956,224</b>

Current accounts are none interest bearing. Term deposit accounts of other banks earn interest rate at 5% (2006: no term deposit of other banks).

## 18 Deposits of non-bank customers

(a) Analysis by type of deposit	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Current accounts	49,696,655	71,143,636	198,935,710	288,629,731
Savings deposits	68,698,304	58,577,066	274,999,312	237,647,157
Term deposits	61,764,117	61,825,012	247,241,759	250,824,074
Margin deposits	2,514,755	1,468,286	10,066,563	5,956,836
Other deposit accounts	1,122,951	2,169,245	4,495,173	8,800,627
<b>Total</b>	<b>183,796,782</b>	<b>195,183,245</b>	<b>735,738,517</b>	<b>791,858,425</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.

(b) Analysis by type of customer	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Individuals	90,245,403	86,853,248	361,252,347	352,363,627
Private sector and NGOs	50,817,929	62,179,900	203,424,170	252,263,853
State-owned companies	42,733,450	46,150,097	171,062,000	187,230,945
<b>Total</b>	<b>183,796,782</b>	<b>195,183,245</b>	<b>735,738,517</b>	<b>791,858,425</b>

(c) Analysis by resident status	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Residents	181,724,097	193,456,898	727,441,561	784,854,635
Non-residents	2,072,685	1,726,347	8,296,956	7,003,790
<b>Total</b>	<b>183,796,782</b>	<b>195,183,245</b>	<b>735,738,517</b>	<b>791,858,425</b>

(d) Analysis by relationship	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
External parties	183,198,093	194,832,610	733,341,966	790,435,899
Staff	598,689	350,635	2,396,551	1,422,526
<b>Total</b>	<b>183,796,782</b>	<b>195,183,245</b>	<b>735,738,517</b>	<b>791,858,425</b>

\* Unaudited

## Notes to the financial statements (continued)

(e) Interest rates		2007	2006
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%

19 Deferred tax liability	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
As at 1 January 2007	38,082	33,420	152,442	135,585
(Utilised)/addition	-	4,662	-	18,914
<b>As at 31 December 2007</b>	<b>38,082</b>	<b>38,082</b>	<b>152,442</b>	<b>154,499</b>

20 Other liabilities	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Accrued interest payable	965,607	937,351	3,865,325	3,802,833
Provident fund liability (*)	315,757	234,523	1,263,975	951,460
Provision for staff benefit	98,957	-	396,125	-
Accrued taxation	34,434	69,777	137,839	283,085
Other liabilities	111,580	44,378	446,653	180,042
<b>Total</b>	<b>1,526,335</b>	<b>1,286,029</b>	<b>6,109,917</b>	<b>5,217,420</b>

(\*) The details of movements of the provident fund liability are as follows:

	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Balance as at 1 January	234,523	176,692	938,796	716,839
Exchange difference	-	1,517	-	6,156
Additions for the year:				
Staff contribution 5%	35,834	27,322	143,443	110,845
Bank's contribution 5%	35,834	27,322	143,443	110,845
Interest	16,283	13,470	65,179	54,648
Payments to retired employees	(6,717)	(11,800)	(26,886)	(47,873)
<b>Balance as at 31 December</b>	<b>315,757</b>	<b>234,523</b>	<b>1,263,975</b>	<b>951,460</b>

## 21 Share capital

The total authorised number of share capital is 5,000 shares (2006: 5,000 shares) with a par value of US\$2,600 per share (2006: Riel 10,000,000 per share). All issued shares are ordinary shares and are fully paid.

	%	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Analysis of shareholders as at 31 December 2007 is as follows:					
Canada Bank	46%	5,980,000	5,593,385	23,937,940	22,692,363
ING Holding Co. Ltd.	44%	5,720,000	5,350,195	22,897,160	21,705,741
Ministry of Economy and Finance	10%	1,300,000	1,215,953	5,203,900	4,933,121
<b>Total consideration received</b>	<b>100%</b>	<b>13,000,000</b>	<b>12,159,533</b>	<b>52,039,000</b>	<b>49,331,225</b>

For previous years, the Bank's registered capital was Khmer Riel amounting to Riel 50,000,000,000. During the year, the Bank changed its register capital to US\$13,000,000. To comply with the Central Bank's minimum capital requirement, the Bank transferred its translation reserve amounting to \$840,467 to the capital account and the transfer was approved by the Central Bank.

\* Unaudited

## 22 Reserves

The detail of reserve are as follows:

	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Capital reserve	247,529	247,529	990,859	1,004,225
Reserve for banking risks	1,190,006	1,190,006	4,763,594	4,827,854
Translation reserve	2,664,193	3,504,660	10,664,765	14,218,406
General reserve	174,692	174,692	699,292	708,725
<b>Total</b>	<b>4,276,420</b>	<b>5,116,887</b>	<b>17,118,510</b>	<b>20,759,210</b>

### Capital reserve

The capital reserve represents funds which were set aside for future increases in capital. These funds were allocated from net profit after tax at an amount equal to 10% of net profit for the years prior to 1 January 2006. Under the Bank's revised Memorandum and Articles of Association, the allocations to the capital reserve are no longer available.

### 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

This reserve represents the unrealised currency gains or losses prior to 1 January 2006 that arose from the translation of assets and liabilities denominated in currencies other than US\$ at the exchange rates on the balance sheet dates and which were initially recognised in or charged to the income statement and subsequently allocated to this reserve account as an appropriation of retained earnings for the year. The Bank stopped allocating unrealised foreign currency gains or losses to the reserve from 1 January 2006, the year of privatisation of the Bank. During the year the Bank changed its registered capital from Riel 50,000,000,000 to US\$13,000,000. Therefore, the Bank transferred US\$840,467 of the translation reserve to share capital and the transfer was approved by the Central Bank.

### General reserve

The general reserve was previously 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 are no longer available under the Bank's Memorandum and Articles of Association dated 23 May 2006 and the amendment on 30 May 2007.

## 23 Commitments & contingencies

### (i) Loan commitment, guarantee and other financial liabilities

At 31 December 2006 and 2007, the Bank had the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Letters of credit	6,592,492	7,045,780	26,389,745	28,584,730
Letters of guarantees	3,287,115	3,849,902	13,158,321	15,619,052
Unused portion of approved credit facilities	8,297,869	11,242,109	33,216,370	45,609,236
<b>Total</b>	<b>18,177,476</b>	<b>22,137,791</b>	<b>72,764,436</b>	<b>89,813,018</b>

### (ii) Capital commitments

At 31 December 2007, the Bank had capital commitments in respect of new office buildings, new computing software and other related services.

	2007 US\$	2006 US\$	2007 Riel '000 *	2006 Riel '000 *
Authorised and contracted for:				
Not later than one year	682,076	123,116	2,730,350	499,481
Later than one year and not later than three years	-	49,414	-	200,473
<b>Total</b>	<b>682,076</b>	<b>172,530</b>	<b>2,730,350</b>	<b>699,954</b>

\* Unaudited

## Notes to the financial statements (continued)

### (iii) Lease commitment

Where the Bank is the lessee, the future minimum lease payments under non-cancelable operating leases of its branches in Phnom Penh and provinces are as follows:

	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Not later than one year	14,600	60,000	58,444	243,420
Later than one year and not later than three years	18,900	5,000	75,657	20,285
Over three years	-	-	-	-
<b>Total</b>	<b>33,500</b>	<b>65,000</b>	<b>134,101</b>	<b>263,705</b>

### 24 Related party transactions

Canada Bank Plc. and ING Holding Co., Ltd. owns 46% and 44% the Bank's share respectively. The remaining 10% is owned by the Ministry of Economy and Finance

During the year ended 31 December 2007, the following transactions with related parties occurred:

(a) Loans and advances to directors' and key management's relatives	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Loan and Advance balance	3,544,003	1,960,086	14,186,644	7,952,069
Interest charge	465,086	234,546	1,861,739	951,553

Loans and advances to directors' and key managements' relative carry interest rate at 10% per annum (2006: 12%). Full provision (2006: Nil) for doubtful debts have been raised in relation to outstanding loans and advances to related parties.

(b) Deposits from related parties	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Directors' deposit accounts	74,976	51,005	300,129	206,927
Interest paid	587	192	2,350	789
Deposits from Canada Bank Plc.	188,582	755	754,894	3,063

The savings deposits from director bear interest at 0.75% (2006: 0.75%). Correspondence account of Canada Bank Plc is non-interest bearing.

(c) Payment to Board of Directors	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Board of Director's meeting fee	9,493	5,916	38,000	24,002
Directors' remuneration	468,145	340,419	1,873,984	1,381,080

### 25 Cash used in operations

	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Cash flows from operating activities:				
Income before tax	9,608,363	2,787,840	38,462,279	11,310,266
Adjustments for:				
Net recovery of provision for losses on loans and interest	(392,624)	3,758,652	(1,571,673)	15,248,853
Provision for losses on security principal - Government Bond	49,080	-	196,464	-
Provision for losses on amount due from the Central Bank	-	13,955	-	56,615
Exchange difference	-	(6,307)	-	(25,587)
Depreciation and amortisation	125,339	148,471	501,732	602,347
<b>Cash inflow from operating income before changes in working capital</b>	<b>9,390,158</b>	<b>6,702,611</b>	<b>37,588,802</b>	<b>27,192,494</b>
Changes in working capitals				
Payment of bonus to staff and Board of Directors	-	(44,062)	-	(178,760)
Loans and advances to customers	(22,671,417)	(14,642,710)	(90,753,682)	(59,405,474)
Deferred tax movements	-	4,662	-	18,914
Other assets	238,140	154,571	953,274	627,095
Deposits of other banks	3,315,917	242,377	13,273,614	983,323
Deposits of non-bank customers	(11,386,463)	52,287,766	(45,580,012)	212,131,467
Other liabilities	220,386	296,345	882,215	1,202,272
<b>Net cash generated from operations</b>	<b>(20,893,279)</b>	<b>45,001,560</b>	<b>(83,635,789)</b>	<b>182,571,331</b>

\* Unaudited

### 26 Cash and cash equivalents

	2007 US\$	2006 US\$	2007 Riel '000*	2006 Riel '000*
Cash on hand	5,128,836	4,564,005	20,530,730	18,516,168
Short term deposits and current accounts with the Central Bank	73,614,788	82,595,479	294,679,998	335,089,860
Balances with other banks	16,168,383	40,263,469	64,722,037	163,348,894
Placement accounts with other banks	42,097,185	33,078,302	168,515,031	134,198,671
	<b>137,009,192</b>	<b>160,501,255</b>	<b>548,447,796</b>	<b>651,153,593</b>

### 27 Segment information

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

### 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 rates and currencies, all of which are exposed to general and specific market movements.

##### (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 includes 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 date to contractual maturity is provided in note 30 to the financial statements.

\* Unaudited

## Notes to the financial statements (continued)

## 29 Currency analysis

## 31 December 2007

	US\$ US\$	Riel US\$	GBP US\$	CHF US\$	JPY US\$	AUD US\$	EUR US\$	Other US\$	Total US\$
<b>Assets</b>									
Cash on hand	3,710,601	1,418,235	-	-	-	-	-	-	5,128,836
Balances with the Central Bank	62,593,060	26,759,925	-	-	-	-	-	-	89,352,985
Balances with other banks	14,395,016	-	286,640	87,958	180,904	43,098	1,174,565	202	16,168,383
Placement with other banks	42,097,184	-	-	-	-	-	-	-	42,097,184
Loans and advances to customers - net	60,689,039	4,786,104	-	-	-	-	18,275	-	65,475,143
Other assets	469,664	78,005	-	-	-	-	-	-	565,944
<b>Total assets</b>	<b>183,954,564</b>	<b>33,042,269</b>	<b>286,640</b>	<b>87,958</b>	<b>180,904</b>	<b>43,098</b>	<b>1,192,840</b>	<b>202</b>	<b>218,788,475</b>
<b>Liabilities</b>									
Deposits of other banks	4,196,170	94,907	-	-	-	-	-	-	4,291,077
Deposits of non-bank customers	147,506,347	36,151,281	3,424	1,531	-	107,734	287	26,178	183,796,782
Current tax liability	1,678,368	-	-	-	-	-	-	-	1,678,368
Deferred tax liability	-	38,082	-	-	-	-	-	-	38,082
Other liabilities	1,386,709	139,626	-	-	-	-	-	-	1,526,335
<b>Total liabilities</b>	<b>154,767,594</b>	<b>36,423,896</b>	<b>3,424</b>	<b>1,531</b>	-	<b>107,734</b>	<b>287</b>	<b>26,178</b>	<b>191,330,644</b>
<b>Net balance sheet position</b>	<b>29,186,970</b>	<b>(3,381,627)</b>	<b>283,216</b>	<b>86,427</b>	<b>180,904</b>	<b>(64,636)</b>	<b>1,192,553</b>	<b>(25,976)</b>	<b>27,457,831</b>
<b>Equivalent Riel '000 *</b>	<b>116,835,441</b>	<b>(13,536,653)</b>	<b>1,133,714</b>	<b>345,967</b>	<b>724,159</b>	<b>(258,738)</b>	<b>4,773,790</b>	<b>(103,983)</b>	<b>109,913,697</b>

## 31 December 2006

<b>Assets</b>									
Cash on hand	3,955,574	608,431	-	-	-	-	-	-	4,564,005
Balances with the Central Bank	94,211,406	3,116,511	-	-	-	-	-	-	97,327,917
Balances with other banks	37,381,273	-	218,464	80,752	(98,385)	119,249	2,561,945	171	40,263,469
Placement with other banks	33,078,302	-	-	-	-	-	-	-	33,078,302
Loans and advances to customers - net	42,308,028	103,074	-	-	-	-	16,040	-	42,411,102
Other assets	720,108	67,936	-	-	-	-	-	-	804,084
<b>Total assets</b>	<b>211,654,691</b>	<b>3,895,952</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>218,448,879</b>
<b>Liabilities</b>									
Deposits of other banks	917,189	57,971	-	-	-	-	-	-	975,160
Deposits of non-bank customers	167,560,107	27,411,272	1,378	1,422	-	96,275	90,667	22,124	195,183,245
Current tax liability	-	384,990	-	-	-	-	-	-	384,990
Deferred tax liability	-	38,082	-	-	-	-	-	-	38,082
Other liabilities	1,143,609	142,420	-	-	-	-	-	-	1,286,029
<b>Total liabilities</b>	<b>169,620,905</b>	<b>28,034,735</b>	<b>1,378</b>	<b>1,422</b>	-	<b>96,275</b>	<b>90,667</b>	<b>22,124</b>	<b>197,867,506</b>
<b>Net balance sheet position</b>	<b>42,033,786</b>	<b>(24,138,783)</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>20,581,373</b>
<b>Equivalent Riel '000 *</b>	<b>170,531,070</b>	<b>(97,931,043)</b>	<b>880,718</b>	<b>321,842</b>	<b>(399,148)</b>	<b>93,206</b>	<b>10,091,049</b>	<b>(89,064)</b>	<b>83,498,630</b>

\* Unaudited

## 30 Liquidity risk

## 31 December 2007

	Up to 1 month US\$	1-3 months US\$	4-12 months US\$	1-3 years US\$	3-5 years US\$	No fixed terms US\$	Total US\$
<b>Assets</b>							
Cash on hand	5,128,836	-	-	-	-	-	5,128,836
Balances with the Central Bank	88,103,922	-	-	-	-	1,249,063	89,352,985
Balance with other banks	16,168,383	-	-	-	-	-	16,168,383
Placement with other banks	42,097,184	-	-	-	-	-	42,097,184
Loan and advances to customers - net	4,860,430	7,459,691	12,570,096	35,741,886	4,843,040	-	65,475,143
Other assets	526,492	-	-	-	-	39,452	565,944
<b>Total assets</b>	<b>156,885,247</b>	<b>7,459,691</b>	<b>12,570,096</b>	<b>35,741,886</b>	<b>4,843,040</b>	<b>1,288,515</b>	<b>218,788,475</b>
<b>Liabilities</b>							
Deposits of other banks	1,091,077	500,000	2,700,000	-	-	-	4,291,077
Deposits of non-bank customers	130,146,513	18,009,831	35,491,957	148,481	-	-	183,796,782
Current tax liability	1,678,368	-	-	-	-	-	1,678,368
Deferred tax liability	-	-	-	-	-	38,082	38,082
Other liabilities	1,111,621	-	-	-	414,714	-	1,526,335
<b>Total liabilities</b>	<b>134,027,579</b>	<b>18,509,831</b>	<b>38,191,957</b>	<b>148,481</b>	<b>414,714</b>	<b>38,082</b>	<b>191,330,644</b>
<b>Net liquidity surplus (gap)</b>	<b>22,857,668</b>	<b>(11,050,140)</b>	<b>(25,621,861)</b>	<b>35,593,405</b>	<b>4,428,326</b>	<b>1,250,433</b>	<b>27,457,831</b>
<b>Equivalent Riel '000 *</b>	<b>91,499,245</b>	<b>(44,233,710)</b>	<b>(102,564,310)</b>	<b>142,480,400</b>	<b>17,726,589</b>	<b>5,005,483</b>	<b>109,913,697</b>

## 31 December 2006

<b>Assets</b>							
Cash on hand	4,564,005	-	-	-	-	-	4,564,005
Balance with the Central Bank	72,595,479	10,000,000	-	-	-	14,732,438	97,327,917
Balances with other banks	40,263,469	-	-	-	-	-	40,263,469
Placements with other banks	33,078,302	-	-	-	-	-	33,078,302
Loans and advances to customers - net	1,374,795	6,308,655	11,411,140	19,926,530	3,359,079	30,903	42,411,102
Other assets	462,442	30,945	242,393	22,798	-	45,506	804,084
<b>Total assets</b>	<b>152,338,492</b>	<b>16,339,600</b>	<b>11,663,533</b>	<b>19,949,328</b>	<b>3,359,079</b>	<b>14,808,847</b>	<b>218,448,879</b>
<b>Liabilities</b>							
Deposits of other banks	975,160	-	-	-	-	-	975,160
Deposits of non-bank customers	144,774,034	18,760,034	29,571,656	20,000	-	2,057,521	195,183,245
Current tax liability	-	384,990	-	-	-	-	384,990
Deferred tax liability	-	-	-	-	-	38,082	38,082
Other liabilities	403,583	291,385	315,297	-	-	275,764	1,286,029
<b>Total liabilities</b>	<b>146,152,777</b>	<b>19,436,409</b>	<b>29,886,953</b>	<b>20,000</b>	-	<b>2,371,367</b>	<b>197,867,506</b>
<b>Net liquidity surplus / (gap)</b>	<b>6,185,715</b>	<b>(3,096,809)</b>	<b>(18,233,420)</b>	<b>19,929,328</b>	<b>3,359,079</b>	<b>12,437,480</b>	<b>20,581,373</b>
<b>Equivalent Riel '000 *</b>	<b>25,095,446</b>	<b>(12,563,754)</b>	<b>(73,972,985)</b>	<b>80,853,284</b>	<b>13,627,784</b>	<b>50,458,855</b>	<b>83,498,630</b>

\* Unaudited

## Notes to the financial statements (continued)

	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\$
<b>31 December 2007</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	5,128,836	5,128,836
Balances with the Central Bank	-	62,400,000	-	-	1,249,063	25,703,922	89,352,985
Balance with other banks	15,937,276	-	-	-	-	231,107	16,168,383
Placement with other banks	42,097,184	-	-	-	-	-	42,097,184
Loan and advances to customers - net	4,860,430	7,459,691	12,570,096	35,741,886	4,843,040	-	65,475,143
Other assets	-	-	-	-	-	565,944	565,944
<b>Total assets</b>	<b>62,894,890</b>	<b>69,859,691</b>	<b>12,570,096</b>	<b>35,741,886</b>	<b>6,092,103</b>	<b>31,629,809</b>	<b>218,788,475</b>
<b>Liabilities</b>							
Deposits of other banks	500,000	500,000	2,700,000	-	-	591,077	4,291,077
Deposits of non-bank customers	78,458,273	16,624,882	35,378,980	-	-	53,334,647	183,796,782
Current tax liability	-	-	-	-	-	1,678,368	1,678,368
Deferred tax liability	-	-	-	-	-	38,082	38,082
Other liabilities	-	-	-	-	-	1,526,335	1,526,335
<b>Total liabilities</b>	<b>78,958,273</b>	<b>17,124,882</b>	<b>38,078,980</b>	-	-	<b>57,168,509</b>	<b>191,330,644</b>
<b>Interest sensitivity gap</b>	<b>(16,063,383)</b>	<b>52,734,809</b>	<b>(25,508,884)</b>	<b>35,741,886</b>	<b>6,092,103</b>	<b>(25,538,700)</b>	<b>27,457,831</b>
<b>Equivalent Riel '000 *</b>	<b>(64,301,722)</b>	<b>211,097,440</b>	<b>(102,112,063)</b>	<b>143,074,770</b>	<b>24,386,688</b>	<b>(102,231,416)</b>	<b>109,913,697</b>
<b>31 December 2006</b>							
<b>Assets</b>							
Cash on hand	-	-	-	-	-	4,564,005	4,564,005
Balances with the Central Bank	-	10,000,000	-	-	1,232,438	20,595,479	97,327,917
Balances with other banks	65,500,000	-	-	-	-	564,044	40,263,469
Placements with other banks	39,699,425	-	-	-	-	-	33,078,302
Loans and advances to customers - net	33,078,302	6,308,655	11,411,140	19,926,531	3,389,981	-	42,411,102
Other assets	1,374,795	-	-	-	-	804,084	804,084
<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>26,527,612</b>	<b>218,448,879</b>
<b>Liabilities</b>							
Deposits of other banks	-	-	-	-	-	975,160	975,160
Deposits of non-bank customers	73,212,012	17,942,727	29,247,338	-	-	74,781,168	195,183,245
Current tax liability	-	-	-	-	-	384,990	384,990
Deferred tax liability	-	-	-	-	-	38,082	38,082
Other liabilities	-	-	-	-	234,522	1,051,507	1,286,029
<b>Total liabilities</b>	<b>73,212,012</b>	<b>17,942,727</b>	<b>29,247,338</b>	-	<b>234,522</b>	<b>77,230,907</b>	<b>197,867,506</b>
<b>Interest sensitivity gap</b>	<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>(50,703,295)</b>	<b>20,581,373</b>
<b>Equivalent Riel '000 *</b>	<b>269,549,149</b>	<b>(6,629,430)</b>	<b>(72,361,455)</b>	<b>80,841,936</b>	<b>17,801,698</b>	<b>(205,703,268)</b>	<b>83,498,630</b>

\* Unaudited

## Standard Settlement Instructions (SSI)

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

## Standard Settlement Instructions (SSI)

Country of correspondents	Name and address of bank	Currency
SINGAPORE	<b>Standard Chartered Bank Singapore</b> 6 Battery Road, Branch 6747 7000, Singapore 049909 Swift code: SCBLSGSG	USD
SINGAPORE	<b>Natexis Banques Populaires Singapore</b> 50 Raffles Place, #41- 01 Land Tower, Singapore 048623 Swift code: BFCESGSG	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: PNBUS3NNYC	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: BFTVNVX	USD





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