



The bank you can trust !



The Largest Bank Network in Cambodia



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Financial Highlights



	31/12/03 US\$ '000	31/12/02 US\$ '000	31/12/01 US\$ '000	31/12/00 US\$ '000 (4 months)	Change ¹ (%)
Assets	48,240	30,970	27,341	22,295	56
Loans (Net of Provisions)	39,908	26,965	20,115	16,040	48
Liabilities	32,306	25,833	22,653	17,982	25
Deposits	13,161	5,679	1,950	0	132
Issued and Paid-up Capital ²	13,000	4,000	4,000	4,000	
Number of shares ³	13,000	400	400	400	
Total Income	11,758	8,266	9,015	2,821	42
Profit Before Tax	2,461	748	594	390	229
Net Profit After Tax	1,974	589	475	312	235
Earnings per share	US\$ 0.1518	US\$ 0.1473	US\$ 0.1188	US\$ 0.0781	3
Dividend	US\$ 0.0607	US\$ 0.0442	US\$ 0.0350	US\$ 0.0234	37
Financial Ratio (%)					
Return on Assets	4.1%	1.9%	1.7%	1.4%	
Return on Equity	12.4%	11.5%	10.1%	7.2%	
Capital Adequacy Ratio	56.0%	57.2%	71.7%	87.8%	
Number of branches/offices	97	75	66	48	29
Number of staff	1,284	864	662	468	49

¹ From 31/12/02 to 31/12/03

² Increased from US\$4 million to US\$13 million on 13th November, 2003

³ Each US\$10 share was split into 10 US\$1 shares on 13th November, 2003

Chairman's Report

The Economic performance in Cambodia during early 2003 was adversely affected by riots in January and the outbreak of Severe Acute Respiratory Syndrome (SARS). Overall economic growth has not been broad-based, but is concentrated mainly in garment exports and tourism. Elimination of garment quotas under WTO rules in 2005 will put part of this growth at risk.

The economy is estimated to have grown at a rate of 5% in 2003 and 5.8% is expected for 2004 even though the country faces numerous challenges. Rural economic development remains key to the current strategy and continues to receive priority. A foundation for sustainable rural economic development was laid with the introduction of elected Commune Councils in February 2002. To support the Commune Councils, the Government provided facilities, communication and transportation equipment, capacity development, a mass media campaign, mapping facilities and established a new civil registration system. The project will contribute to further develop local capacities to plan and implement programs and projects to stimulate economic activity in rural areas. Agriculture remains the most important sector of the economy.

In 2003 the Asian Development Bank introduced the proposed Agriculture Sector Development Program, which will deepen the reform program, support privatization of state owned enterprises, improve public expenditure for support service at the local level, and facilitate commercialization and diversification in the sector. Rural transport and irrigation systems are essential for rural economic development.

Cambodia remains a highly dollarized economy with the US dollar continuing to circulate freely in settlement of domestic transactions.

The inflation was lower than the government's target ceiling of 5%.

ACLEDA Bank performed well in 2003. Profit after taxes increased sharply so that the year end return on equity rose from 11.5% to 12.3% in spite of the capital increase in November, demonstrating the effectiveness of our business model in delivering returns to stakeholders. The directors were pleased to recommend an increase in the dividend per share from US cents 4.42 to US cents 6.07.

Transformation

The most momentous event of 2003 was, of course, ACLEDA's conversion from a 'Specialized Bank' to a full commercial bank. As mentioned elsewhere this entailed an increase in our paid-up capital from US\$4 million to US\$13 million. At the same time we took advantage of the opportunity to split each US\$10 share into 10 new shares of US\$1 to make share ownership more accessible in the future to the many individuals who make up a large part of the 51% majority Cambodian ownership of the bank.

The new license allows us to broaden our horizons and offer a wider range of products and services as our traditional clients move up the economic ladder as well as gain access to new segments of the market. In the current economic climate we face risk in every direction and customers from the small individual depositor with his hard earned pay-check to the larger commercial enterprise with funds moving through the retail network are increasingly questioning their bank's strength and ability to protect their assets. Furthermore, as we become an increasingly active participant in the inter-bank money markets we must be conscious of the need to maintain a robust balance sheet. With this increase ACLEDA Bank now has one of the strongest financial structures in the country with capital adequacy well in excess of both NBC and international norms.

Good Corporate Governance

In 2003, we have taken steps to formulate and put in place a code of good governance and disclosure standards. We believe a strong focus on good corporate governance and transparency makes ACLEDA Bank more attractive to investors and other financial counterparties thus creating a more sustainable business.

Internal controls have also been strengthened for effective risk management to further complement sound financial administration. At the same time the building of close and cordial customer relationships continues to be our focus. These ongoing initiatives are the driving forces that will ensure the Bank a smooth and sustainable progress in the future.

Strategic expansion

We are continually evaluating opportunities for expansion of our office network into new provinces. In early 2004, we opened new sub-branches in Kratie, Preah Vihear, Koh Kong and Pailin and in the first quarter of this year we will establish new outlets in Kep and Otdar Meanchey. We have been developing a small but significant portfolio of SME loans since the beginning of 2003 and this will continue to grow.

In 2004, the Bank is committed to further improving its operating results. On the revenue side this will be achieved by exploiting the prospects offered by our new license to deepen key relationships with existing Corporate and SME customers and target new prospects by the introduction of additional products and services.



We shall seek opportunities to build our brand and leverage our branch network. On the cost side we will aim to bring down our cost-to-income ratio through more effective deployment of capital investment, strengthening of our credit workout capability and improvements to our cost controls. The bank will continue to invest in intensive training and, where necessary, the re-skilling of staff to meet the new technological challenges while the reinforcement of our risk management proficiency will continue to receive the highest priority.

Importance of our staff

The continuing strong performance of the loan portfolio both quantitatively and qualitatively, the remarkable growth in deposits and the healthy increase in returns to shareholders are the product of the bank's increased responsiveness to customers and the community which itself signifies the hard work and commitment of our 1,284 staff. On behalf of the Board and shareholders, I thank them for their outstanding contribution to the bank's performance throughout 2003.

The Board focus in 2003

The Board of ACLEDA Bank met 4 times face-to-face and in addition passed 17 resolutions by email, with additional specific activities carried out by the Board committees. This year the main issue was the transformation of ACLEDA Bank from a Specialized Bank into a Commercial Bank. ACLEDA Bank obtained a full commercial bank license as of the 1st December 2003. Some of the key issues to engage the Board included:

- Strategic growth opportunities and their roles in ACLEDA Bank's future success;
- Strengthening operating management including i) improved governance associated with technology changes and the restyling of Audit Committee into Audit and Risk Committee to oversee the Bank's overall risk management function and ii) renaming Compliance Committee into Compliance and Ethics Committee to emphasise its role in upholding the Bank's moral standards, and;
- Our approach to sustainability and how ACLEDA Bank balances its obligations to shareholders, customers, staff and community.

In conclusion, on behalf of the Board I wish to thank our shareholders, customers, investors, and the general public, for their continued trust and support. To the management and staff, I would like to express our appreciation for your dedication and hard work during the year and extend our best wishes for the year to come.

Chea Sok
Chairman

General Manager's Report

"Let me categorically re-affirm that microfinance and small-scale credit is and will remain our core business." In Channy, General Manager

A Full Banking License

Last year I reported to you that 2003 would be one of immense change for our bank: a year in which we would complete the evolution of ACLEDA into a full banking operation able to provide a comprehensive financial service to all segments of the market. I am pleased to confirm that with the granting of a commercial banking license on 1st December last year the foundations have been firmly laid to build ACLEDA Bank into the leading micro, retail and commercial bank in the country.

Achievements

During 2003:

- Total Assets increased by 56% to US\$48.2 million.
- Loans outstanding grew by 48% reaching US\$39.9 million.
- Deposits surged by 132% to US\$13.2 million.
- Net Profit After Tax rose by 235% to US\$1,973,880.
- Our network in 15 provinces expanded to 97 branches and offices, set up a new service infrastructure and extended full banking services to all District Offices providing a more comprehensive coverage in the countryside.
- The IT network was upgraded to provide more detailed management information at District Level.
- Consumer Loans were introduced.
- ACLEDA became a member of S.W.I.F.T. enabling us to connect to the global banking system.
- We established our first international correspondent banking relations with Hong Kong and Shanghai Banking Corporation (HSBC), ABN-AMRO Bank, and Standard Chartered Bank.

Amongst the bank's financial results for 2003 there are three particular achievements of which we in ACLEDA can all take pride:

Firstly, as the health of our loan portfolio is fundamental to the success of our business, I am pleased to report that non-performing loans declined from 1.68% at the end of 2002 to 1.00% at the end of 2003 for loans in Riel and from 1.72% to 0.67% for loans in US dollars. At the same time ACLEDA Bank is not only fully compliant with the National Bank's provisioning rules but actually exceeds the regulatory requirements by maintaining an additional General Provision. Management believes that this approach – while conservative when strictly compared to past experience – is nevertheless justified by the additional risk we face at a time of such enormous change.

Secondly, it is satisfying to be able to report the increasing contribution of non-interest income to the results from almost nothing two years ago to 9% of total income by the end of 2003: a trend which is continuing strongly into 2004. This reflects the growth in cash management services and other non-lending activities and it is particularly encouraging that this percentage should have increased at a time when the traditional sources of income also performed so strongly. It continues to be a key management objective to diversify the revenue stream and to move away from undue reliance on capital-intensive activities.

Thirdly, money transfer services have continued to increase dramatically jumping from 6,109 transactions a year in 2002 to 17,793 transactions – an annual growth of 191% – and by amount from US\$28,073,966 to US\$68,476,128 (144% per annum). This gives great encouragement for the prospects for our direct international funds transfer service, which was launched in late January 2004.

Managing Growth – Risk Management and Human Resources

We in ACLEDA are all well aware that rapid expansion of the organisation brings with it increased risk and puts enormous strain on the bank's resources – especially management and staff. As part of the policy to increase risk awareness as well as learn from the experience of others, ACLEDA Bank has joined the Risk Management Association – a leading US based industry asso-

ciation – which will give us access to benchmark learning tools and international best practice. Significant progress has already been made in identifying areas of high risk in certain of our newer operations and management considers that membership of this organisation is rapidly proving its worth.

Two new management units have been established: Customer Deposits and Financial Institutions, to cope up with the particular needs of these fast growing businesses and to provide the detailed attention necessary to ensure that customer service standards are maintained. These, together with the Credit, Finance, Internal Audit, IT, Legal, Marketing and External Affairs and Treasury Departments have performed well in successfully steering the bank through the transformation.

The rapid increase in the number of staff to meet the growth needs of the bank has made heavy demands on the Human Resources Department. The establishment of a Small and Medium Size (SME) component within our credit operation required the recruitment and training of additional high calibre personnel. Total staff increased by 48.6% from January to December 2003, and by another 12.5% in the first month of this year and ACLEDA is now the largest recruiter of university graduates in Cambodia. The bank sets great store by the quality of its training both for novices as well as regular refresher programs for all senior staff. During 2003 alone 494 training programs – both internal and external – were delivered to 1,284 or 99% of the total staff. Each member of the staff attended on average five courses during the year.

2004 and the Future - Significant Opportunities for ACLEDA Bank

I have often been asked whether the rapid move into commercial banking signifies a change in our strategic direction away from microfinance. Let me categorically re-affirm that microfinance and small-scale credit is and will remain our core business – as a glance at our annual accounts will confirm. Nevertheless ACLEDA Bank's dominant position in provincial and especially rural areas together with its powerful on-line IT systems gives the bank a competitive edge and provides significant opportunities in broader fields. This is compatible with our aim to become Cambodia's leading bank for the people and our new products and services will both complement and provide depth to our traditional business of supporting wealth creation in the community at large.

Our focus will be on four distinct business lines in which ACLEDA Bank can capture and sustain competitive advantage:

- Micro and small scale credit (our traditional business);
- Small to medium enterprise banking including credit and other services such as foreign exchange and trade finance;
- Retail Banking (deposits and credit) – to the general public;
- Cash management services (transfers, collections, payrolls, etc.) – to all sectors including commercial, national and multi-national companies, financial institutions, government and development agencies.

The bank either already has, or is fast achieving, a dominant position in each of these segments. The challenge for 2004 is to make full use of a firm institutional foundation to achieve market leadership in all our chosen sectors. To achieve this the bank will invest in:

- HR training and development
- Developing the IT system and bringing more District Offices on-line
- Expanding the network from 15 to 21 provinces

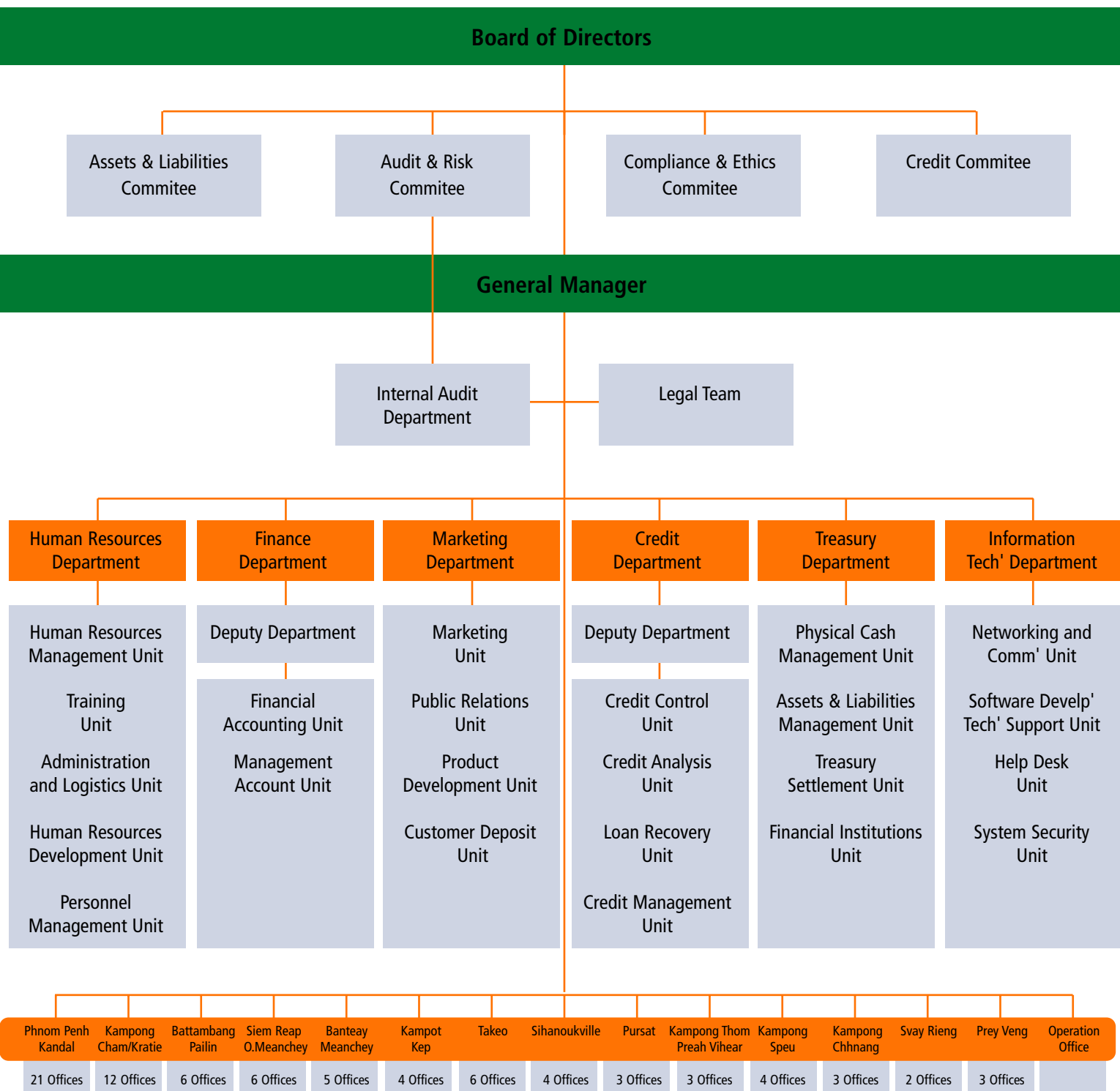
I would like to take this opportunity to express my warmest thanks to our shareholders, the Board of Directors, my colleagues in ACLEDA Bank and, above all, our customers. Without them we would not exist.

I must also mention with profound gratitude the Governor and his staff at the National Bank of Cambodia for making our path to full commercial bank so smooth. The onus is now on us to justify their confidence. I do not think they will be disappointed.



In Channy
General Manager

Organizational Chart



Cambodia Map

Nationwide Branch Network



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Domestic and Foreign Correspondents

Cambodia

Phnom Penh

- Cambodia Mekong Bank
- Cambodian Public Bank
- Vattanac Bank

Foreign

Asia

- Bank of Asia, Bangkok
- Standard Chartered Bank, Hong Kong
- Standard Chartered Bank, Singapore

Europe

- ABN-Amro Bank, Amsterdam

USA

- Far East National Bank, Los Angeles
- ABN-Amro Bank, New York
- HSBC, New York
- Standard Chartered Bank, New York



Cambodia Key Economic Indicators 2003

Forecast of Cambodia's Key Economic Indicators¹

	1999	2000	2001	2002	2003e	2004f
1. GDP						
GDP % change	6.9	7.7	6.3	5.5	5.0	5.8
Per capita GDP (in U.S. dollar)	264.0	261.0	259.0	273.0	284.0	N/A
2. Inflation						
Inflation (final quarter basis)	-0.5	-0.8	-0.6	3.3	1.2	2.9
3. Government budget (In percent of GDP)						
Revenue	10.2	10.4	10.7	11.2	10.4	11.9
Expenditure	14.1	15.3	16.3	17.9	18.1	18.3
4. Money and Credit (12 month percentage change)						
M2	17.3	26.9	20.4	31.1	14.0	20.0
Credit Private sector	16.6	17.7	4.2	13.1	25.6	N/A
5. Balance of Payment						
Export	998.0	1,401.1	1,571.2	1,750.1	2,127.2	2,194.0
Import	-1,358.0	-1,939.0	-2,094.0	-2,313.5	-2,775.5	-2,768.0
Trade Balance	-360.0	-538.2	-522.8	-563.5	-648.3	-574.0
Current account (excl.off.transfer)	-366.0	-416.6	-344.1	-356.9	-551.6	-437.0
Current account (incl.off.transfer)	-90.0	-123.0	-52.0	-86.0	-130.0	-100.0
Exchange Rate	3,775.0	3,910.0	3,900.0	3,935.0	3,980.0	4,218.0
(Riel per Dollar end period)						

¹ source: IMF, National Bank of Cambodia



The Cambodian Economy In 2003¹

Macroeconomic stability

2003 is the fifth year of macroeconomic stability since 1999. The maintenance of macroeconomic stability and the implementation of reforms in various sectors will be the major factors contributing to an improved investment climate and sustainable economic growth.

Real sector

In 2003, agricultural productivity increased while crop prices remained firm encouraging the farmers.

The garment industry has been the main engine of growth and contributed 36% of GDP. Tourism will continue to contribute 10% of GDP.

Economic growth was marginally lower at 5% due to the impact of SARS and the uncertain international political and economic situation, compared with 5.5% in 2002 and 6.3% in 2001.

Inflation

Inflation slowed down from 3.3% in 2002 to 1.2% in 2003. Over 5 years the average rate of inflation is 1%.

Exchange Rate

The exchange rate remained relatively stable throughout 2003, depreciating by less than 2%. During the first quarter the exchange rate fluctuated by only 0.12% from 1 USD=3945 KHR to 3950 KHR and at the end of 2003 1 USD=3981 KHR. This compares with a depreciation of 1.6% in 2001 and 1.1% in 2000.

Monetary and Banking

Currency in circulation grew by 18% at the end of 2003 compared with 31.7% in 2002 and 16.8% in 2001. The broad money supply increased by 14% compared with 30.1% in 2002 and 20.4% in 2001. This was driven by an increase in foreign currency deposits of 14% while net foreign assets rose 7.9% and net domestic assets expanded by 12.7%.

Credit to the private sector increased by 25.6% to an amount of USD (US\$335 million) compared with 13.1% in 2002.

Balance of Payments

Preliminary estimates give the current account (excluding official transfers) deficit at US\$551.6 million in 2003 55% higher than in 2002, the overall budget balance deficit was 7.4% of GDP. Exports reached US\$2,127.2 million of which local products attained US\$2,008 million, surging 23% compared with 2002. At the same time, imports rose from US\$2,313.5 million in 2002 to US\$2,775.5 million in 2003 of which consumables accounted for US\$2,684.0 million, an increase of 20.4% compared to 2002.

...and Trends for 2004

Cambodia's real GDP growth is expected to pick up to about 5.8%, while inflation is projected to remain below 4%.

Broad money (M2) growth is targeted at 20% while money in circulation is estimated will expand by 17% and foreign currency deposits by 18%.

To further strengthen the financial and banking system in order to increase public confidence and mobilize savings for investment, the National Bank of Cambodia has set the following targets for 2004:

- Strengthen on-site supervision of the commercial banks, complete implementation of the uniform chart of accounts, plan for developing the rediscount and refinancing facility and improve regulation of Treasury Bill operations;
- Strengthen microfinance institutions, which in return promote and support the Government's implementation of its poverty reduction strategy for 2003-2005.

The Financial Sector Blueprint for 2001-2010, a long-term vision and strategy adopted by the Royal Government on 24th August 2001, sets out the following seven policy measures which strive to develop:

Firstly, a competitive, integrated, and efficient banking system with a sound legal framework and strong regulation and supervision. The main objective is to create a strong and healthy banking system capable of effectively mobilizing domestic and external savings to provide financing to support the growth of the private sector, a reliable payment system and a banking safety net;

Secondly, a viable, pro-poor and effective rural finance system for providing affordable financial services to enable the poor to expand production, enhance rural income and improve their livelihoods;

Thirdly, an insurance sector that protects businesses and individuals from catastrophic events and a pension system that provides a secure retirement, both of which provide capital for long-term investment in the real sector;

Fourthly, diversification of non-banking financial products and institutions in order to create a more balanced financial structure, increase the depth of the financial market and promote competition. These include leasing, money market and capital markets intermediaries;

Fifthly, a money market that provides banks, companies and individuals with the means for effective liquidity management;

Sixthly, an efficient and transparent capital market with a critical mass of issuers to mobilize funds for long-term investment, and;

Seventhly, a legal infrastructure and accounting system that promotes the rule of law in commercial and financial transactions and supports good governance by promoting transparency, accountability, and predictability.

¹ Source: National Bank of Cambodia, IMF

Shareholders

ACLEDA NGO

The Association of Cambodian Local Economic Development Agencies (ACLEDA) NGO was established as an independent Cambodian Non-Government Organization in 1993 for small and micro enterprise development, which aims to raise the standards of living of the poor by promoting economic activities ranging from self-employment and small to medium size business.

Following the transformation into a licensed specialized bank, ACLEDA Bank was established in October 2000, and the original ACLEDA was officially renamed the ACLEDA NGO. ACLEDA NGO's main objective is to enhance and guarantee sustainable access for small and micro businesses to the financial services through ACLEDA Bank.

ACLEDA NGO's main activities are:

- To channel bulk funds to ACLEDA Bank for the purpose of providing credit for the lower segment of the market and Cambodian entrepreneurs.
- To act as the principal shareholder of ACLEDA Bank

ASA, Inc

The ACLEDA Staff Association, Inc (ASA, Inc) was formed to serve as a holding company and vehicle through which the staff of ACLEDA Bank can participate in the long-term growth and increase in value of the stock in ACLEDA Bank by owning a beneficial interest in the shares of ACLEDA Bank.

Deutsche Investitions- und Entwicklungsgesellschaft (DEG)

DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne, Germany, a member of KfW-Group (Kreditanstalt für Wiederaufbau, Frankfurt) is a specialist in long-term project and corporate financing for 40 years. DEG advises private companies, structures and finances their investments in Africa, Asia, and Latin America as well as in Central, Eastern and Southeast Europe. As one of the largest European development finance institutions, DEG has thus far co-operated with more than 950 companies world-wide and by financing euro 4.2 billion has attained an investment volume of more than euro 30 billion.

DEG invests in profitable projects that are ecologically and socially sustainable in all sectors of the economy open to private entrepreneurial initiative: in agriculture and manufacturing, in services and in the sector infrastructure. DEG's aim is to establish and expand private sector structures in developing and transition countries, thus providing impulses for sustainable growth of business and improving people's living standards.

THE NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)

FMO supports businesses and financial institutions in developing countries with capital and know how. It does so by arranging loans, equity investments, guarantees and other investment promotion activities. Since it was founded in 1970 FMO's basis principle has been that economic growth is the necessary precondition for sustainable development and effective poverty reduction. A strong private sector is essential if these goals are to be achieved. With an investment portfolio of Euro 1,9 billion and a staff of more than 200, FMO is one of largest bilateral development banks. FMO is a sound financial institution with a "Triple A" rating from Standard & Poor's. FMO's headquarter is in The Hague, Netherlands.

THE INTERNATIONAL FINANCE CORPORATION (IFC)

The International Finance Corporation (IFC) is a member of the World Bank Group and is headquartered in Washington, DC. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of people in its developing member countries.

IFC has 176 member countries, which collectively determine its policies and approve investments.

IFC's authorized capital is US\$2.45 billion.

The President of the World Bank Group, James D. Wolfensohn, also serves as IFC's president. IFC's Executive Vice President, Peter Woicke, is responsible for the overall management of day-to-day operations.

Although IFC coordinates its activities in many areas with the other institutions in the World Bank Group, IFC generally operates independently as it is legally and financially autonomous with its own Articles of Agreement, share capital, management and staff.

IFC's mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, and provides technical assistance and advice to governments and businesses. Since its founding in 1956 through FY 03, IFC has committed more than \$37 billion of its own funds and arranged \$22 billion in syndication for 2,990 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY03 was \$16.8 billion for its own account and \$ 6.6 billion held for participants in loan syndications.

TRIODOS-DOEN FOUNDATION

Triodos-Doen Foundation was founded by Triodos Bank and DOEN Foundation in 1994. Both these organizations are committed to financing projects and businesses with social, environmental and cultural added value. Triodos-Doen is one of the first private funds, investing in microfinance institutions worldwide. Triodos-Doen is managed by Triodos International Fund Management BV, part of the Triodos Bank Group from the Netherlands. Triodos Bank is an independent international financial institution, which seeks substance to ethical and social banking with the support of depositors and investors who wish to encourage the development of responsible business working for social renewal.

Triodos-Doen is involved in over 26 microfinance institutions in Asia, Latin America, Africa and Eastern Europe and has a total portfolio of EUR 23 million. Other investments in microfinance banks, besides ACLEDA Bank, include K-REP Bank in Kenya, KMB Bank in Russia, Banco Solidario in Ecuador, Mibanco in Peru, FIE in Bolivia and Akiba Commercial Bank in Tanzania.

TRIODOS FAIR SHARE FUND

Triodos Fair Share Fund, part of the Triodos Bank Group from the Netherlands, is worldwide one of the first and very few social-ethical funds, in which private investors can participate directly. The fund initially concentrates on the private investors market in the Netherlands. The fund was launched in December 2002 and invests in microfinance institutions. The fund also offers trade finance facilities for certified organic and fair-trade products. It is Triodos Fair Share Fund's objective to give poor people in developing countries access to financial facilities by contributing to a sustainable financial infrastructure. Triodos Fair Share Fund is proud to have made its first equity investment in ACLEDA Bank.



Board of Directors

Mr. Chea Sok, Chairman.

Cambodian, joined the Board October, 2000. Born in 1943, he obtained Licence-es-Science Commercials in 1967. He joined Banque Khmere pour le Commerce (Commercial Bank) in 1965 as Branch Manager in Sihanoukville, Deputy BM Phnom Penh and Battambang till 1975. Branch Manager of National Bank of Battambang 1979-1990. From 1990-1999: Deputy Governor, Director of the Bank Supervision & Examination Department, Director of the Economic Research Department, General Director of the National Bank of Cambodia (Central Bank). From 1992, he attended numerous courses and seminars on Macro-Economic Management and Micro-finance in several countries and in Cambodia. Retired in 1999.

Board Committees: Compliance and Ethics (Chair), Assets and Liabilities, Audit and Risk, Credit

Mr. John Brinsden, OBE, Vice-chairman.

British, born in 1942, he has lived in Asia for 36 years. Formerly Resident Director, Mekong Sub-region, for the Standard Chartered Bank, he retired in 1999 after 38 years with them and assumed his present role on joining the Board of ACLEDA Bank Limited in October, 2000. He has particular responsibility for advising the bank on commercial banking and international relations. Associate of the Chartered Institute of Bankers of England since 1964. Married to Chuang Pi-Feng, Taiwanese, he now spends most of his time between Western Australia and Cambodia but also regularly visits other Asian destinations as well as Europe and the Americas.

Board Committees: Assets and Liabilities (Chair), Audit and Risk (Chair), Credit Committee.

Mr. Deepak C. Khanna, Director.

An Indian national, joined the Board February, 2003. He is currently IFC's Country Manager for Vietnam, Laos and Cambodia with responsibility for developing and implementing the Corporation's strategy for the Mekong region. Prior to his current assignment, as IFC's Country Manager for the Republic of Korea, he facilitated the origination and delivery of a high-impact investment program, which made an important contribution to Korea's recovery from the Asian financial crisis. Mr. Khanna has both industry and financial markets experience and holds a MBA degree from the George Washington University as well as a Master's degree in Business Economics from the University of Delhi. He also serves as an IFC nominated Director on the Boards of certain investee companies.

Mr. Emile Groot, Director,

Dutch, joined the Board in October, 2000. Obtained a MSc in Economics at the University of Tilburg, Netherlands (1974). He started his career as a lecturer with UNESCO at the Instituto Politecnico Nacional in Mexico City. In Mexico he also worked for the ILO/Geneva at the Instituto Nacional de Trabajo and later on as a private consultant. He continued his work for the Ministry of Development Cooperation/The Hague at the Fondo Nicaraguense de Inversiones in Managua for two years. Mr. Groot joined FMO in 1985. Currently he is in charge of FMO's Micro and Small Enterprise Programme. Besides managing FMO's Small Scale Enterprise Fund (US\$ 100 million) he represents FMO in several Boards in (Micro and SME) Financial Institutions and Funds in Latin America, Asia, Africa and Eastern Europe. His specialised knowledge of the Micro and SME-sector is widely used by FMO for the promotion and finance of this important sector of the economy in emerging markets.

Ms. Femke Bos, Director,

Dutch, born in 1969. Ms Femke Bos works as a Senior Investment Officer for Triodos Bank N.V., in The Netherlands. She is responsible for investments in micro finance institutions and small micro finance banks in South-East Asia and the MENA region. After obtaining her Master's degree in Law in 1994 at the University of Amsterdam in the Netherlands, she started her career as a lawyer for a real estate development agency in The Hague and worked subsequently for a large international employment agency in Amsterdam. She shifted her career to banking in 1997, joining the ABN AMRO Bank's Management Trainee program. After this traineeship she worked as an Account Manager Corporate Clients and subsequently as Senior Account Manager Corporate Clients where she managed a group of 18 Account Managers and assistants. During this period she gained large experience in retail banking and commercial lending.

Board Committees: Credit (Chair).





Mr. Peter Kooi, Director. Dutch, joined the Board October, 2000. Peter Kooi studied corporate finance and sociology at the Erasmus University in Rotterdam, the Netherlands. He advised ACLEDA, as a microfinance consultant over a period of seven years in its course from a development programme into a commercial bank. From 1999, Peter Kooi worked as a short-term microfinance consultant for microfinance institutions and projects located mainly in Africa and Asia. Since September 2002, Peter has been working as Director of the Microfinance Unit of UNCDF in New York.

Board Committees: Credit.

Mr. Lonh Thol, Director. Cambodian, joined the Board October, 2000. Born in 1961. After studying Management Marketing he joined ILO in 1992 and moved to ACLEDA in 1993 where he now works in the Administration Department. Married to Kong Ry, Cambodian with 4 children.

Mrs. Sok Vanny, Director. Cambodian, joined the Board October, 2000. Born in 1966, she studied accounting 1986-1992 and obtained a Bachelor Degree of Economic Sciences. She joined ACLEDA NGO in 1993 and now works in the Finance Department of ACLEDA Bank.

Mrs. Jutta Wagenseil, Director. German, joined the Board July, 2001. Born in 1953, she has more than 20 years of business experience in the Far East. She obtained a Master's Degree of Economics and Business Administration at Justus-Liebig-University, Giessen, Germany in 1978. She then participated in a Trainee Program of the reputed German Development Institute, Berlin, Germany. In 1979 she joined Klöckner Industrie-Anlagen GmbH, Duisburg, Germany (1979-1988) where she worked on Heavy Industry Projects with a regional emphasis on Southeast Asia. She left the company as Deputy Head of the Department for Economic Studies and Project Development. In 1988 she joined Deutsche Investitions und Entwicklungsgesellschaft mbH working in the Business Cooperation Program (1988-1991) and in the Regional Department East and Southeast Asia (1991-2000). Since 2000 she has been working in DEG's Portfolio Management as Vice President and Senior Investment Manager responsible for DEG's portfolio in Thailand, Vietnam and Cambodia.

Report of Board of Directors Committees

CORPORATE GOVERNANCE

Good Governance and transparency in all its activities are important to ACLEDA Bank. The Bank recognises international principles of good governance and through this wishes to promote and strengthen the trust of the shareholders, customers, staff and the public in national and international markets. The Board of Directors is acutely aware of the responsibilities it has for stewardship and accountability not only to the shareholders but also to our other stakeholders. (ACLEDA Bank defines 'stakeholder' as all people, groups and organisations with which it has a business or other relationship). The Board of Directors works closely with management to ensure that all stakeholders, shareholders and monetary authorities are provided with quality information in a timely and transparent manner.

SHAREHOLDERS' MEETING

The Annual General Meeting of Shareholders was held on May 16, 2003 at the Bank's Head Office. Notice of Meeting together with the Annual Report, the Meeting Agenda and the Board's recommendations were delivered to the shareholders in advance according to the Bank's Articles of Association and regulations. Additional action was taken by the Shareholders during the year as provided for by Article 15 of the Articles of Association.

A complete set of minutes of the Shareholders' Meetings is kept and accurately records the vote on each agenda item.

The key matters approved were:

- The Annual Report for the year 2002.
- The audited Financial Statements for the year 2002
- The payment of a dividend for 2002 of 44.2 cent US\$ per share
- The re-appointment of PricewaterhouseCoopers as the external auditors for 2003.
- The Capital Expenditure Plan for 2003.
- The Board resolution recommending the transformation of ACLEDA Bank Limited from a Specialized into a Commercial Bank, the application for the appropriate license and the incumbent capital increase from US\$4 million to US\$13 million.
- The required amendments in the Articles of Association.

BOARD OF DIRECTORS

The Board of Directors assumes responsibility for corporate governance and for promoting the success of the bank by directing and supervising the business and the affairs of the Bank. It ensures that the necessary Human Resources are in place, establishes with management the strategies and financial objectives to be implemented by the management, and monitors the performance of management directly and through the Board's Committees.

Board composition

The composition of the Board of Directors is in compliance with ACLEDA Bank's Article of Association, which stipulates that the Board shall consist of 9 members. The details of their experience, qualifications, and special responsibilities are set out on pages 12-13. The membership of the Board Committees is set out on pages 14-16.

Board Meetings

The Board met face-to-face four times in the course of 2003 and passed 18 resolutions by email. Each meeting normally lasts one whole day. The Company Secretary is responsible for taking notes at each meeting and preparing draft written minutes for approval by the Chairman, which are circulated to the Board members before the next Board meeting for review and adoption.

Directors' Report

The Board of Directors is responsible for the consolidated financial statements of the Bank and its branches and financial information stated in the Annual Report. The Bank's financial statements were prepared in conformity with International Financial Reporting Standards.

The Board appoints the Audit and Risk Committee to oversee the quality of the financial reports and the internal controls of the Bank, and to ensure that the appropriate risk management processes are in place.

Principal activities in 2003:

- Reviewed the Bank's quarterly financial reports and received progress reports on all products.
- The transformation of ACLEDA Specialized Bank into a fully Licensed Commercial Bank in conjunction with the capital increase and stock split.
- Received and reviewed the external auditors' special Management Letters.
- The implementation of the Chart of Accounts enforced by the National Bank of Cambodia.
- Approved the bank's membership of S.W.I.F.T. and connection to its network.
- Approved the appointment of HSBC, ABN-Amro Bank and Standard Chartered Bank as the first international correspondent banks.
- Reviewed the Business Continuity Plan and the strengthening of the risk management function (including membership of Risk Management Association)
- Approved the introduction of new products and services and the Account Relationship Manager concept.
- Approved the budget and strategic plan for 2004.
- Approved the amendments to the terms of reference and titles from the Audit Committee to Audit and Risk committee and from Compliance Committee to Compliance and Ethics Committee
- Monitored and assessed management's performance in achieving the growth strategy and budget approved in 2003.

Committees of the Board of Directors

The Board Committees supervise the management of the bank in certain specific areas and prepare recommendations to the Board of Directors:

There are at present four Board Committees:

- Assets and Liabilities Committee (ALCO)
- Audit and Risk Committee (ARCO)
- Compliance and Ethics Committee
- Credit Committee

Assets and Liabilities Committee (ALCO)

Scope and purpose:

Monitor balance sheet management to ensure appropriate levels of liquidity whilst maximising returns and ensuring that the bank is not exposed to undue levels of risk in interest rate, period and foreign exchange mismatches.

Members:

1. Board Member (Chair) –	Mr. John Brinsden
2. Board Member –	Mr. Chea Sok
3. General Manager (ex officio) –	Mr. In Channy
4. Manager, Finance Dept. (ex officio) –	Mr. Chhay Soeun
5. Manager, Treasury Dept. (ex officio) –	Mr. Cheam Teang
6. Manager, Marketing and External Affairs Dept. (ex officio) –	Mdm. So Phonnyary,
7. Manager, Credit Department (ex officio) –	Mr. In Siphann
8. Manager, Customer Deposit Unit (ex officio) –	Mr. Loeung Sopheap

Highlights of 2003:

- ALCO met twelve times during 2003 with a 100% attendance record achieved by all permanent members or their deputies.
- In contrast with the previous year, in which the bank enjoyed a constant liquidity surplus, a factor throughout 2003 was the relentless pressure to fund asset growth, which expanded faster than the deposit base. Whilst the domestic interbank market, in which ACLEDA is now a leading participant, took up much of the slack the bank still relied heavily on international wholesale lenders which because of less predictable lead times resulted in greater volatility in the liquidity position demanding constant vigilance, and occasional intervention, by ALCO.
- To support the funding drive, the new senior position of Manager, Customer Deposit Unit, has been created and the incumbent becomes ex-officio a member of ALCO. Deposit taking is being progressively extended to the District Branches.
- New products introduced during the year were screened for balance sheet impact.
- Tight control over the F/X book neutralised the effect of the Riel's modest decline.
- The establishment of a Riel Treasury Bill market in the middle of the year offers the bank opportunities to expand its local currency business.
- Improvements in key information reporting and analysis have brought considerable benefits to interest rate sensitivity projections, product pricing and liquidity forecasting.
- The Funding Strategy underwent a major revision to accommodate the changed circumstances of becoming a commercial bank.
- A task force led by the Finance Manager has been formed to monitor progress towards Basel II and ensure that the bank is positioned to meet the capital adequacy requirements.

Audit and Risk Committee (ARCO)

Scope and purpose:

- To monitor the integrity of the financial statements of the bank;
- To review the bank's internal financial control and risk management systems;
- To monitor and review the effectiveness of the bank's internal audit function;
- To make recommendations to the board in relation to the appointment and remuneration of the external auditor and to approve the terms of engagement of the external auditor following appointment by the shareholders in general meeting;
- To monitor and review the external auditor's independence, objectivity and effectiveness;
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, and;
- To make recommendations to the board on action to be taken where ARCO's monitoring and review processes reveal cause for concern or need for improvement.

Members:

1. Board Member (Chair) –	Mr. John Brinsden
2. Board Member –	Mr. Chea Sok
3. General Manager (ex officio) –	Mr. In Channy
4. Manager, Finance Dept. (ex officio) –	Mr. Chhay Soeun
5. Manager, Audit Dept. (ex officio) –	Mdm. Kim Sotheavy
6. Manager, IT Dept. (ex. officio) –	Mr. Terry Mach

All members of the Committee, whether executive or non-executive, have the appropriate financial and accounting expertise, whether by qualification or gained through solid professional experience. No member received any additional compensation by reason of his or her specific membership of the Committee.

Highlights of 2003:

- The Committee's title has been changed to 'Audit and Risk Committee' ('ARCO') and its Terms of Reference and the Audit Policy have been updated to reflect the increased importance ascribed to risk management.
- The Committee met four times during the year, in February, May, September and December with full membership turnout at every meeting. The external auditors, PriceWaterhouseCoopers, participated in the February and December meetings to present their findings, discuss the audit plan and to answer questions.
- New products introduced during the year were screened for internal audit and risk implications.
- Specialist training in auditing S.W.I.F.T. was provided in Singapore to a member of the audit team.
- The external auditors' 2002 Management Letter addressed the specific issues of MIS functionality, security and audit as well as the development of Business Continuity Plans. Whilst their report was generally favourable a number of useful recommendations were adopted and they have been requested to undertake a follow-up in their 2003 Management Letter.

- The EDP audit unit mentioned in last year's report is now fully staffed up and functioning having received intensive in-house training from external providers. A comprehensive EDP Audit Manual, which sets out in detail the audit processes for the MIS has been compiled.
- The bank's risk management has been strengthened by the construction of a 'risk map' to identify major risk categories and define responsibilities, the conducting of a 'risk game' for the staff, which will be followed up in 2004 with real exercises, and the establishment of a comprehensive Business Continuity Plan. ACLEDA is also participating in the Risk Management Association's ('RMA') Part II program for Key Risk Indicators.
- The National Bank of Cambodia's comprehensive new Chart of Accounts was finally implemented by the end of the year and has received clearance from the regulators.

In the opinion of the Committee the internal controls and audit processes are adequate to safeguard the bank and, in recommending the re-appointment of PriceWaterhouseCoopers as external auditors for 2004, we are satisfied that they have demonstrated the necessary independence and professional expertise. During the year in question they had no other relationship with the bank by way of consultancy or any other fee earning arrangement, which in the opinion of the Committee might have given rise to any conflict of interest.

Compliance and Ethics Committee

Scope and purpose:

- i Monitor all affairs of the bank to ensure compliance with all relevant laws and regulations, and that appropriate policies and checks are in place to provide the highest standards of corporate governance and ethical behaviour.
- ii Foster a corporate culture of integrity, morality and probity in dealing with all customers and counter-parties, regulators, members of the public and with other colleagues and cultivate an attitude of 'zero tolerance' towards less-than-best standards of corporate behaviour.

Members:

- | | |
|---|-------------------|
| 1. Chairman of the Board (Chair) – | Mr. Chea Sok |
| 2. General Manager (ex officio) – | Mr. In Channy |
| 3. Manager, Finance Dept. (ex officio) – | Mr. Chhay Soeun |
| 4. Manager, Legal Dept./Company Secretary (ex officio) – | Mr. Prom Visoth |
| 5. Manager, Marketing and External Affairs Dept. (ex officio) – | Mdm. So Phonnary |
| 6. Manager, Audit Dept. (ex officio) – | Mdm. Kim Sotheavy |
| 7. Manager, Treasury Dept. – | Mr. Cheam Teang |

Principal Activities during 2003:

Compliance Committee met four times with 100% attendance. The main issues were:

- i reviewing conduct to ensure compliance with current law, Prakas, relevant new regulations of National Bank of Cambodia and new Chart of Accounts standards, new loan classification, money laundering policy and procedures, evolution of economic, monetary of banking system, inflation and reporting to NBC
- ii Reviewing the ethical policies including the bank's statement of values "trust, honesty and integrity" to all our stakeholders and for our staff, our mottos of "fair, safe, challenging and rewarding work" and "good service to customers".

Credit Committee

Scope and purpose:

- i Review and advise the main Board on credit policy including requests from management for exceptions and amendments.
- ii Monitor portfolio quality and compliance with approved credit policies and applicable laws and regulations.

Members:

- | | |
|--|---------------------|
| 1. Board Member (Chair) – | Mrs. Femke Bos |
| 2. Board Member – | Mr. John Brinsden |
| 3. Board Member – | Mr. Peter Kooi |
| 4. Board Member – | Mr. Chea Sok |
| 5. General Manager (ex officio) – | Mr. In Channy |
| 6. Manager, Finance Dept. (ex officio) – | Mr. Chhay Soeun |
| 7. Manager, Credit Department (ex officio) – | Mr. In Siphann |
| 8. Phnom Penh/Kandal Provincial Branch Manager – | Mr. Nay Sok Samnang |
| 9. Other Branch Managers (by rotation) | |

Principal Activities during 2003:

The Committee met four times during the year. The main issues resolved were:

- i Improved credit management: tighter controls on lending procedures, implementation of sub-limits on the more risky products and better training of credit officers which has resulted in a substantial improvement in portfolio quality;
- ii Strengthening of specialised Loan Recovery Teams which has brought about a marked increase in the recoupment of problem loans;
- iii Revised reporting system to provide better segmentation by product and more timely identification of potential problems;
- iv Implemented NBC's mandatory provisioning methodology and revised internal General Provisioning policy to ensure that overall loan loss reserves still conform to the bank's own (more demanding) criteria, and;
- v Approved the pilot scheme for the introduction of a new loan product, the Personal Loan;
- vi The introduction of the concept of Account Relationship Managers for larger corporate clients;
- vii Commencement of the revision of the credit policies in the light of the transformation into a full commercial bank. This process will be continued in the year 2004.

Environment, Social and Community Report

ACLEDA Bank's background as a microfinance NGO, working with many of the top international development agencies, make us especially conscious of our duty to maintain the highest standards of environmental, social and community responsibility.

Environment

Environment Policy

ACLEDA Bank fully subscribes to international conventions, which prohibit the provision of credit to, or otherwise support, any of the following activities:

- i Production or activities involving harmful or exploitative forms of forced labour or child labour;
- ii Production or trade in weapons and munitions;
- iii Gambling, casinos, brothels;
- iv Trade in wildlife or wildlife products regulated under the law;
- v Production or trade in radioactive materials;
- vi Production, trade, storage, or transport of significant volumes of hazardous chemicals;
- vii Trade in wildlife or wildlife products regulated under CITES¹ of which the bank has been officially, specifically and unequivocally informed;
- viii Production and trade in any other products subject to international phase-outs or bans of which the Institution has been officially, specifically and unequivocally informed;
- ix Production or services, which cause recognized and serious damage to the natural environment and are forbidden under the laws of Cambodia for that reason.
- x Any other activities, which are not legal under Cambodian law.

Changing Our Environmental Impact

ACLEDA Bank believes that it has an obligation to shareholders and the community at large to operate as efficiently as possible to reduce its environmental impact. ACLEDA Bank has recently undertaken a number of new initiatives to improve its environmental performance by i) the appointment of an Environmental Officer to coordinate all activities and develop systems in relation to environmental management; ii) reviewing the existing environmental lending policies; and iii) the establishment of staff programs to encourage environmental awareness and participation in the bank's programs for, for example, the re-cycling of stationary, preventing energy waste and the safe disposal of hazardous materials such as ink cartridges, batteries and obsolete electronic equipment.

Social

ACLEDA Bank practices equal opportunity in all its dealings with the public at large, its customers in particular and its staff recruitment and development. More than 67% of its borrowing customers are female whilst for our staff, apart from those jobs which involve a higher physical risk (e.g. guards and messengers) appointment to all positions at every level is based entirely on merit regardless of gender.

ACLEDA Bank conscientiously sets an example in good employment practices. It provides medical, pension and other welfare benefits, such as personal loan schemes, for all staff that have completed probation. In 2000, ACLEDA Bank pioneered a formal Employee Share Ownership Program – believed to be the first in Cambodia – by which all permanent members of the staff have the right to participate in the bank's success by freely buying and selling beneficial rights to its shares through ASA Inc (see 'Shareholders', above).

In 2003 99% of the staff underwent on average more than five training or 'refresher' courses. Moreover, during the same period the bank provided 448 internships to external students from other domestic and international microfinance and related organisations as well as local academic institutions.

The bank has in place social policies covering i) Code of Conduct, ii) Human Resources Management, iii) Health & Safety, iv) External Relations, v) Freedom of Association and the Right to Collective Bargaining.

ACLEDA Bank practices a 'zero tolerance' policy on corruption both internally and externally and transgressions are dealt with summarily.

Community

ACLEDA firmly believes in its responsibility to support the community in which it lives – our 'good health' and prosperity are mutually interdependent. It believes that it can best achieve this by ensuring that its activities conform to the needs of the community by a) providing appropriate products and services carefully selected and developed for the particular needs of Cambodian society, b) expanding outreach: opening up banking services to new communities in new locations by expanding our network in the provinces and extending on-line banking services to mobilise savings, and, c) focusing on particular activities which improve local living standards. Two examples worth quoting are: i) ACLEDA Bank is providing loans to over 189 micro-generating entrepreneurs to enable them to bring power supplies to remote districts and villages, and, ii) the continuing extension to more and more districts of the transfer services, such as Western Union, which assists families to support each other by sending funds home. This last is now available in 48 provincial and district branches compared with 28 in 2002.

¹Convention on International Trade in Endangered Species of Wildlife and Flora, based in Geneva. (Cambodia was re-accepted as a conforming country in December, 2002.)

Executive Management

Mr. In Channy, General Manager.

Born in 1960, studied Business Administration at Gwynedd Mercy College, USA in 1990. He obtained a Bachelor Degree in Education at the Faculty of Advanced Education in Thailand, in 1992. From 1993 he attended numerous courses on management and microfinance in Cambodia and several other countries.

In 1998 he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He was one the founders of ACLEDA in 1993 and has been its General Manager since its establishment.



Mr. Chhay Soeun, Finance Manager.

Born in 1954, graduated from high school in 1973 and from the Supreme Technology Institute in 1974. He studied Accounting at the Economic School in Phnom Penh in 1980. From 1993 he attended numerous courses on management and microfinance in Cambodia and several other countries. From 1997 he completed a range of advanced courses in finance at the Regent College in Phnom Penh. In 1998 he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He also obtained a diploma in accounting in 2002. He was one the founders of ACLEDA in 1993 and has been its Finance Manager since 1994.



Mrs. So Phonnary, Marketing Manager.

Born in 1963, obtained a Bachelor Degree in Economic Science at the Economic Institute in Phnom Penh in 1989. From 1993 she attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998 she completed a course in microfinance at Colorado University, USA. She also obtained a diploma in accounting in 1998. From 1993 she worked in ACLEDA as business trainer and credit officer. In 1995 she was promoted to Provincial Branch Manager. She has been its Marketing and Product Development Manager since 1996.



Mr. Cheam Teang, Treasury Manager.

Born in 1955, graduated from High School in 1973, studied teaching mathematics at the Pedagogy School in Phnom Penh from 1974 to 1975. He studied Accounting at the Economic School in Phnom Penh in 1980. From 1993 he attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998 he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. He was one the founders of ACLEDA in 1993 and worked as Provincial Branch Manager till 1998 when he was promoted to Operations Manager. He has been Treasury Department Manager since 2000.



Mr. Chan Serey, Human Resource Manager.

Born in 1956, obtained an Associate Degree in Education in Thailand in 1992. From 1994 he attended numerous courses on management and microfinance in Cambodia and several other countries. In 1998 he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. From 1994 he worked in ACLEDA as business trainer and credit officer. In 1996 he was promoted to Deputy Provincial Branch Manager and became a Branch Manager in 1997. He had been Credit Department Manager since 2000 before taking over his present role in 2002.



Mr. Mach Terry, Manager of the Information Technology Department,

born in 1965. He completed his higher school certificate in 1986 in Australia. He was awarded a degree in Bachelor of Science in 1989 by Monash University in Australia majoring in Computer Science and Statistics. He then proceeded to do a Graduate Diploma in Business Systems and was awarded the diploma in 1990 by the same university. He worked for several different organizations including the Commonwealth Bank of Australia, Monash University, UNHCR in Cambodia, Word Vision Cambodia, International Labour Organization, and finally, ACLEDA NGO as a consultant before assuming his present full time management position with ACLEDA Bank in 2000.

Mr. Prom Visoth, Legal Team Leader and Company Secretary.

Born in 1975, obtained a Bachelor Degree in Accounting at the Faculty of Business in 1997 and a Bachelor Degree in Private Law at the Faculty of Law and Economic Science in 2000 in Phnom Penh, Cambodia. He attended numerous courses on management and accounting in Cambodia. From 1998 he worked in ACLEDA as Accountant. In 1999 he was promoted to the technical staff of Credit Department and was promoted to Provincial Branch Manager in 2000. He has been Legal Team Leader and Company Secretary since 2001.

Mrs. Kim Sotheavy, Internal Audit Department Manager.

Born in 1965, obtained a Bachelor Degree in Economic Science at the Economic Institute in Phnom Penh in 1991. She attended numerous courses on management and accounting in Cambodia. She has worked in ACLEDA from 1994 as accountant. She was appointed to internal audit as Team Leader in 1999 and was promoted to Manager in 2002.

Mr. In Siphann, Credit Department Manager.

Born in 1957, he studied management and accounting at the Economic School in Phnom Penh in 1980 and obtained a Diploma in General Business Management in 1988. Since 1997 he has attended numerous courses on management, accounting and microfinance in Cambodia and several other countries. In 1999 he completed an executive course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA. From 1994 he has worked in ACLEDA as Small Enterprise Promotion Officer. He became an accountant in 1997 and was promoted to Deputy Branch Manager within the same year. In 1998 he was promoted to Branch Manager and then became Credit Department Manager in June 2002.

Report of the Board of Directors

The Board of Directors of ACLEDA Bank Plc. ("the Bank") presents its report and the Bank's financial statements for the year ended 31 December 2003.

THE BANK

Prior to 1 December 2003, ACLEDA Bank Plc. is a public limited company formed under the laws of the Kingdom of Cambodia to operate as a specialised bank with Head Office located in Phnom Penh and 14 branches in the Kingdom of Cambodia. On 1 December 2003, the National Bank of Cambodia ("the NBC") issued a license for the Bank to become a private commercial bank for a period of three years commencing 1 December 2003. The registered office of the Bank is located at No 28 Mao Tse Tung Boulevard, Sangkat Beung Trabek, Khan Chamcarmon, Phnom Penh, Kingdom of Cambodia. The Bank may open additional offices in Cambodia and in other countries, and may change the location of its main registered office upon registering the change with the Ministry of Commerce and receiving approval from the NBC.

RESULTS AND DIVIDENDS

Net profit after tax for the year ended 31 December 2003 amounted to US\$ 1,973,880 (2002: US\$ 589,268).

On 27 May 2003, dividends amounting to US\$ 176,800 (2002: US\$ 140,000) was declared from the Bank's net income for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Bank operates under regulation by the NBC with special focus on providing lending and other banking services for the lower segments of the market, and to engage in all other activities which the Board believes support this objective.

THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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

- Mr. Chea Sok (Chairman)
- Mr. John Brinsden (Vice-Chairman)
- Mr. Peter Kooi
- Ms. Jutta Wagenseil
- Mr. Emile Hubert Joseph Groot
- Mr. Deepak C. Khanna (appointed on 25 February 2003)
- Ms. Femke Bos
- Mr. Lonh Thol
- Ms. Sok Vanny

No members held any interest in the equity of the Bank. No arrangements existed to which the Bank is a party with the object of enabling the members to obtain an interest in the Bank or in any body corporate. No member has a benefit, other than remuneration, by reason of a contract made by the Bank or related party.

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

- Mr. In Channy, General Manager
- Mr. Chhay Soeun, Finance Department Manager
- Mrs. So Phonnary, Marketing Department Manager
- Mr. Cheam Teang, Treasury Department Manager
- Mr. Chan Serey, Human Resources Department Manager
- Mr. Mach Terry, IT Department Manager
- Mr. Prom Visoth, Legal Team Leader and Company Secretary
- Mrs. Kim Sotheavy, Internal Audit Department Manager
- Mr. In Siphann, Credit Department Manager

AUDITORS

The auditors, PricewaterhouseCoopers (Cambodia) Limited, have expressed their willingness to accept re-appointment.

Statement of the Executive Management

The Executive Management of the ACLEDA Bank Plc. declares that the financial statements and notes set out on pages 24 to 44:

- a) comply with applicable International Financial Reporting Standards;
- b) give a true and fair view of the Bank's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

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



Mr. In Channy
General Manager
Phnom Penh, Kingdom of Cambodia
22 March 2004



Approval of the Financial Statements

The accompanying financial statements, which give a true and fair view of the financial position of the Bank as at 31 December 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, were approved by the Board of Directors.

On behalf of the Board of Directors



Mr. Chea Sok

Chairman

Phnom Penh, Kingdom of Cambodia

22 March 2004



Independent Report

of the Auditors to the Board of Directors

Introduction

We have audited the accompanying balance sheet of ACLEDA Bank Plc. (the "Bank"), as at 31 December 2003 and the related statements of income and cash flows for the year then ended, together with the notes thereto on pages 24 to 44 ("the financial statements") expressed in United States dollars. The financial statements are the responsibility of the Bank's management. Our responsibility is to conduct audit procedures with a view to enabling us to express an opinion on the financial statements. This report, including the opinion, has been prepared for and only for the Bank's Board of Directors and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements set out on pages 24 to 44 give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2.1 to the financial statements. Each balance of the financial statements was translated into Khmer Riel at the official rate of exchange as at the reporting date as regulated by the NBC, in accordance with Announcement No. B795-139-AN issued on 5 December 1995 by the NBC. The financial statements which were expressed in Khmer Riel do not form part of the audited financial statements and, we therefore, do not express an opinion on the financial statements expressed in Khmer Riel.

PricewaterhouseCoopers

(Cambodia) Limited



PricewaterhouseCoopers (Cambodia) Limited

Phnom Penh, Kingdom of Cambodia

22 March 2004



Income Statement

For the Financial Year ended 31 Dec. 2003

	Note	For the year ended 31 December 2003		For the year ended 31 December 2002	
		US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Interest income	3	10,818,543	43,014,527	7,676,049	30,166,873
Interest expense	4	(1,190,289)	(4,732,589)	(973,753)	(3,826,849)
NET INTEREST INCOME		9,628,254	38,281,938	6,702,296	26,340,024
Fees and commission income	5	328,107	1,304,553	131,357	516,234
Other operating income	6	602,598	2,395,930	454,145	1,784,790
Foreign exchange gain - net		8,876	35,290	13,916	54,690
NET OPERATING INCOME		10,567,835	42,017,711	7,301,714	28,695,738
OPERATING EXPENSES					
General and administrative expenses	7	(6,903,955)	(27,450,126)	(5,157,927)	(20,270,653)
Depreciation and amortisation	13	(737,578)	(2,932,610)	(660,004)	(2,593,816)
TOTAL OPERATING EXPENSES		(7,641,533)	(30,382,736)	(5,817,933)	(22,864,469)
OPERATING PROFIT BEFORE EXTENSIONS OF CREDIT		2,926,302	11,634,975	1,483,781	5,831,269
Provision for losses on loans and advances	11(e)	(465,519)	(1,850,904)	(735,866)	(2,891,954)
PROFIT BEFORE INCOME TAX		2,460,783	9,784,071	747,915	2,939,306
Income tax expense	8	(486,903)	(1,935,926)	(158,647)	(623,481)
NET PROFIT FOR THE YEAR		1,973,880	7,848,145	589,268	2,315,823



Mr. In Channy
General Manager
ACLEDA Bank Plc.



Mr. Chhay Soeun
Finance Manager

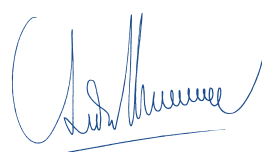
Balance Sheet

as at 31 December 2003

		31 December 2003		31 December 2002	
	Note	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
ASSETS					
Cash on hand		2,982,753	11,859,426	1,436,055	5,643,696
Settlement accounts with other banks	9	152,569	606,614	43,534	171,089
Balances with the National Bank of Cambodia	10	2,137,658	8,499,328	353,021	1,387,373
Loans and advances to customers	11	39,907,534	158,672,355	26,965,145	105,973,019
Prepayments and accrued income	12	954,141	3,793,664	552,537	2,171,470
Tangible fixed assets	13	1,002,760	3,986,974	790,684	3,107,388
Intangible fixed assets	13	580,323	2,307,364	676,002	2,656,688
Other assets	14	522,733	2,078,386	153,117	601,750
TOTAL ASSETS		48,240,471	191,804,111	30,970,095	121,712,473
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	15	13,160,685	52,326,884	5,678,730	22,317,409
Accruals and other liabilities	16	1,772,756	7,048,478	926,849	3,642,517
Borrowings	17	2,250,000	8,946,000	-	-
Senior debt	18	6,099,044	24,249,799	6,210,688	24,408,004
Subordinated debt	19	8,723,125	34,683,145	12,217,758	48,015,789
Staff pension liability	20	163,179	648,799	700,824	2,754,238
Provision for health insurance		137,109	545,146	97,753	384,169
TOTAL LIABILITIES		32,305,898	128,448,251	25,832,602	101,522,126
SHAREHOLDERS' EQUITY					
Share capital	21	13,000,000	51,688,000	4,000,000	15,720,000
Retained earnings		1,973,880	7,848,145	589,268	2,315,823
Reserves		960,693	3,819,715	548,225	2,154,524
TOTAL SHAREHOLDERS' EQUITY		15,934,573	63,355,860	5,137,493	20,190,347
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		48,240,471	191,804,111	30,970,095	121,712,473
CONTINGENCIES AND COMMITMENTS	22	309,753	1,231,578	190,473	748,559



Mr. In Channy
General Manager
ACLEDA Bank Plc.



Mr. Chhay Soeun
Finance Manager

Statement of Changes

in Shareholders' Equity

	Share Capital US\$	Retained earnings US\$	General reserve US\$	Total US\$	Total Riel '000 (At year-end exchange rate)
As at 1 January 2003	4,000,000	589,268	548,225	5,137,493	20,190,347
Currency translation at balance sheet date	-	-	-	-	236,325
Dividends payment	-	(176,800)	-	(176,800)	(702,957)
Transfer to general reserve	-	(412,468)	412,468	-	-
Issue of share capital	9,000,000	-	-	9,000,000	35,784,000
Net income for the year	-	1,973,880	-	1,973,880	7,848,145
As 31 December 2003	13,000,000	1,973,880	960,693	15,934,573	63,355,860



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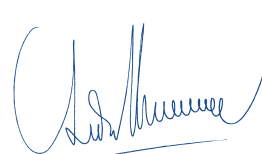
Cash Flow Statement

For the Financial year ended 31 Dec. 2003

	Note	US\$	For the year ended 31 December 2003 Riel '000 (At year-end exchange rate)	US\$	For the year ended 31 December 2002 Riel '000 (At year-end exchange rate)
OPERATING ACTIVITIES					
Profit before income tax		2,460,783	9,784,073	747,915	2,939,306
<i>Adjustments for:</i>					
Provisions for losses on loans and advances	11	465,519	1,850,903	689,118	2,708,234
Re-lending of interest paid		4,001	15,908	-	-
Depreciation and amortisation		737,578	2,932,610	660,004	2,593,816
Gain on disposal of fixed assets		(19,385)	(77,075)	(9,732)	(38,247)
Bad debts written off		(382,990)	(1,522,768)	(971,723)	(3,818,871)
Unrealised foreign exchange gain on translation of long term debts - net		(35,216)	(140,035)	(56,304)	(221,275)
Net effect of currency exchange transactions on long term debts		30,786	122,414	2,719	10,686
Operating income before working capital changes		3,261,076	12,966,030	1,061,997	4,173,649
<i>Changes in operating assets and liabilities:</i>					
Statutory deposit with NBC		(1,100,000)	(4,373,600)	-	-
Fixed deposit with Cambodia Mekong Bank		(4,000)	(15,904)	-	-
Loans and advances to customers		(13,024,918)	(51,787,074)	(6,567,736)	(25,811,202)
Prepayments and accrued income		(401,604)	(1,596,779)	(141,057)	(554,354)
Other assets		(328,778)	(1,307,221)	(30,992)	(121,799)
Deposits from customers		7,481,955	29,748,254	3,728,739	14,653,944
Accruals and other liabilities		517,554	2,057,795	(454,347)	(1,785,584)
Staff pension liability		447,116	1,777,733	344,068	1,352,187
Provision for health insurance		39,356	156,479	27,318	107,360
Income taxes paid		(199,388)	(792,767)	(108,799)	(427,580)
Net cash outflow from operating activities		(3,311,632)	(13,167,054)	(2,140,809)	(8,413,379)
INVESTING ACTIVITIES					
Payments to acquire property and equipment		(857,141)	(3,407,989)	(375,258)	(1,474,764)
Proceeds from disposal of property and equipment		22,552	89,667	20,585	80,899
Net cash outflow from investing activities		(834,589)	(3,318,322)	(354,673)	(1,393,865)
FINANCING ACTIVITIES					
Repayment of short-term borrowing		-	-	(500,000)	(1,965,000)
Payment of dividends		(176,800)	(702,956)	(140,000)	(550,200)
Repayments of staff pension funds		(609)	(2,421)	(3,180)	(12,497)
Proceeds from borrowings		3,000,000	11,928,000	-	-
Proceeds from issuance of shares		3,660,000	14,552,160	-	-
Net cash inflow (outflow) from financing activities		6,482,591	25,774,783	(643,180)	(2,527,697)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,336,370	9,289,407	(3,138,662)	(12,334,941)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,632,610	6,416,158	4,771,272	18,584,104
Currency translation at balance sheet date		-	75,099	-	166,995
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 23		3,968,980	15,780,664	1,632,610	6,416,158



Mr. In Channy
General Manager
ACLEDA Bank Plc.



Mr. Chhay Soeun
Finance Manager

Notes to the Financial Statements

1. GENERAL

Prior to 1 December 2003, ACLEDA Bank Plc. is a public limited company formed under the laws of the Kingdom of Cambodia to operate as a specialised bank with Head Office located in Phnom Penh and 14 branches in the Kingdom of Cambodia. On 1 December 2003, the National Bank of Cambodia issued a license for the Bank to become a private commercial bank for a period of three years commencing 1 December 2003. The registered office of the Bank is located at No 28 Mao Tse Tung Boulevard, Sangkat Beng Trabek, Khan Chamcarmon, Phnom Penh, Kingdom of Cambodia. The Bank may open additional offices in Cambodia and in other countries, and may change the location of its main registered office upon registering the change with the Ministry of Commerce and receiving approval from the NBC.

The Bank operates under regulation by the NBC with special focus on providing lending and other banking services for the lower segments of the market, and to engage in all other activities which the Board believes support this objective. As at 31 December 2003, the Bank had 1,284 employees (2002: 864 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of presentation

The financial statements have been prepared in United States dollars (denoted by the symbol US\$) using the historical cost convention. The form and content of the financial statements reflect the reporting requirements applicable under International Financial Reporting Standards ("IFRS").

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the National Bank of Cambodia ("the NBC"), each account of the financial statements has to be translated into Khmer Riel ("Riel") at the official rate of exchange regulated by the NBC as at reporting date. This translation is not in accordance with International Financial Reporting Standards. Therefore, the financial statements expressed in Riel do not form part of the audited financial statements and are not for the use of any parties other than the NBC. As at 31 December 2003, this translation was made at the rate of US\$ 1 to Riel 3,976 (2002: US\$1 to Riel 3,930).

2.2 Foreign currencies

Monetary assets and liabilities denominated in currencies other than US\$ are translated into US\$ at an approximately the bank transfer rate on the balance sheet date. Non monetary foreign currency assets and liabilities are reported using the exchange rate effective at the date of the transaction. Exchange gain and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other US\$, are recognised in the income statement.

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

	31 December 2003	31 December 2002
Riel	3,976	3,930
THB	39.66	43.30

2.3 Interest income and expense

Interest income and interest expenses are recognised on an accruals basis.

2.4 Fee and commission income

Fees and commissions consist of fees arising from loans given, funds transfers and inward remittance. Loan fees are credited to income upon the granting of the applicable loan.

2.5 Loans and advances to customers

Loans and advances are stated in the balance sheet at the amount of the principal outstanding less any provision for losses. Short term loans are those with a repayment date within one year of the date the loan was advanced. Medium and long term loans, those with a final repayment date more than one year of the date the loan was advanced. Loans are written off when there is no realistic prospect of recovery.

As the result of gaining commercial bank status on 1 December 2003, the Bank is required to follow Prakas B7-02-145 dated 7 June 2002 issued by the NBC governing provision for bad and doubtful loans and advances to customers, which is applicable to Cambodian commercial banks using prescribed rates on the aged balances of loans at the end of the year, as follows:

	2002	2003
Standard		
• Overdue less than 61 days	0%	10%
• Overdue less than 91 days	0%	30%
Substandard (overdue from 91 days to 180 days)	10%	100%
Doubtful (overdue from 181 days to 360 days)	30%	100%
Loss (overdue more than 360 days)	100%	100%

In response to the reduction in the amount of specific provision as at 31 December 2003, which arose as a result of changes in the ageing provision rates regulated by the NBC, the Bank's management decided to increase the general provision to 1.5% (2002: 1%) of the total outstanding loans, net of specific provision.

The net effect of the changes in the specific and general provision rates is to decrease net profit before tax in 2003 by an amount of US\$16,969.

2.6 Overdue loans

In accordance with Prakas B 700-51K issued by the NBC on 17 February 2000, overdue loans is defined as total outstanding principal where principal or interest past due unless the payment terms on interest or principal have been adjusted. There is no measurement available of these adjusted loans.

2.7 Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided on the straight line basis at prescribed rates designed to write off the cost of and equipment over their estimated useful lives.

The following are the annual rates used:

	%
Motor vehicles	20-33
Computer equipment	33
Equipment	20-33
Furniture and fixture	33
Leasehold improvements	33

Maintenance and repairs are charged to the profit and loss account when incurred and improvements are capitalised.

2.8 Taxation

Provision is made for income tax on current year profits, based on the laws governing taxation within the Kingdom of Cambodia. Deferred taxation is accounted for by the liability method on temporary differences and recognised to the extent that a material liability or asset is likely to crystallise in the foreseeable future. Income tax is payable at the rate of 20% (2002: 20%) on the taxable reported profits of the Bank.

2.9 Operating lease

To date, the leases entered into by the Bank are all operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.10 Staff pension fund

The staff pension fund is accrued based on the monthly salary of an employee and is contributed by the Bank and its employee at a rate of 10% and 5% respectively. The Bank's contribution does not earn interest whereas the employee's contribution earns an interest rate at 5% per year. The pension fund will be fully paid to the employee when they terminate employment with the Bank for any reason. The provision for pension fund is not based on an actuarial valuation. The staff pension fund can be transferred to the Bank's equity owned by the staff upon written mutual agreement between the Bank's staff and management (see Note 20).

2.11 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash, demand deposit at the NBC, current accounts with other banks, fixed deposits at the NBC with maturity date less than 90 days and the demand deposits of other banks.

2.12 General reserve

General reserve is set up for overall financial risk of the Bank. The Board of Directors exercises its discretionary decision for the use and maintenance of the general reserve.

2.13 Related party

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

Notes to the Financial Statements

3. INTEREST INCOME

	<i>For the year ended 31 December 2003</i>		<i>For the year ended 31 December 2002</i>	
	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>
Loans and advances to customers	10,815,861	43,003,863	7,654,888	30,083,710
Settlement accounts with other banks	2,682	10,664	21,161	83,163
	10,818,543	43,014,527	7,676,049	30,166,873

4. INTEREST EXPENSES

	<i>For the year ended 31 December 2003</i>		<i>For the year ended 31 December 2002</i>	
	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>
Subordinated debt	481,290	1,913,609	542,911	2,133,640
Senior debt	334,374	1,329,471	363,342	1,427,934
Deposits from customers	138,437	550,426	46,199	181,562
Interest expenses (see Note 17)				
• Rural Development Bank	28,033	111,459	-	-
• Blue Orchard Finance Co.	59,694	237,343	-	-
• Triodos Fair Share Fund	78,646	312,696	10,501	41,269
Others	69,815	277,585	10,800	42,444
	1,190,289	4,732,589	973,753	3,826,849

5. FEES AND COMMISSION INCOME

	<i>For the year ended 31 December 2003</i>		<i>For the year ended 31 December 2002</i>	
	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>
Loan processing fees	181,763	722,690	50,546	198,646
Fees from fund transfers	140,565	558,886	79,650	313,025
Other income	5,779	22,977	1,161	4,563
	328,107	1,304,553	131,357	516,234

6. OTHER OPERATING INCOME

	<i>For the year ended 31 December 2003</i>		<i>For the year ended 31 December 2002</i>	
	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>	<i>US\$</i>	<i>Riel '000 (At year-end exchange rate)</i>
Gain on disposal of fixed assets	19,385	77,075	9,708	38,152
Penalty fee received from late payment	188,692	750,239	155,979	612,997
Bad loans recovered	362,008	1,439,344	277,871	1,092,033
Others	32,513	129,271	10,587	41,608
	602,598	2,395,930	454,145	1,784,790

7. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2003		For the year ended 31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Staff costs	3,500,547	13,918,175	2,984,719	11,729,946
Other staff benefits	984,512	3,914,420	317,168	1,246,470
Telecommunication and utilities	406,406	1,615,870	314,261	1,235,046
Rental, repairs and maintenance	534,979	2,127,077	412,415	1,620,791
Traveling related expenses	258,559	1,028,031	179,820	706,693
Furniture and fixture expenses	162,304	645,321	79,775	313,516
Office supplies	275,485	1,095,328	136,840	537,781
Training expenses	197,597	785,646	90,090	354,054
Professional fee	181,550	721,843	89,779	352,831
Marketing expenses	68,469	272,233	80,039	314,553
Fees and charges	83,496	331,980	255,197	1,002,924
Other operating expenses	250,051	994,202	217,824	856,048
	6,903,955	27,450,126	5,157,927	20,270,653

8. TAXATION

The details of income tax expense are as follows:

	For the year ended 31 December 2003		For the year ended 31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Current	456,557	1,815,270	199,485	783,974
Deferred taxation	30,346	120,656	(40,838)	(160,493)
Tax charge for the year	486,903	1,935,926	158,647	623,481

Income tax expense is computed as follows:

	For the year ended 31 December 2003		For the year ended 31 December 2002	
	US\$	Riel '000	US\$	Riel '000
Accounting profit before taxation	2,460,783	9,784,071	747,915	2,939,306
• Additional income tax for prior year	-	-	18,001	70,744
• Non deductible expenses	56,134	223,189	27,318	107,360
	56,134	223,189	45,319	178,104
Taxable income	2,516,917	10,007,260	793,234	3,117,410
Corporate income tax rate	20%	20%	20%	20%
	503,383	2,001,451	158,647	623,482
Over assessment of tax in prior year	(16,480)	(65,525)	-	-
Income tax charge for the year	486,903	1,935,926	158,647	623,482

Notes to the Financial Statements

9. SETTLEMENT ACCOUNTS WITH OTHER BANKS

(a) Analysis by banks

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
<i>Current accounts</i>				
• Cambodian Public Bank	17,072	67,878	39,653	155,837
• Canadia Bank	4,070	16,182	3,441	13,523
• Vattanak Bank	126,461	502,809	-	-
• Cambodia Mekong Bank	966	3,841	-	-
<i>Fixed deposits</i>				
• Cambodia Mekong Bank	4,000	15,904	-	-
<i>Savings account</i>				
• Canadia Bank	-	-	440	1,729
	152,569	606,614	43,534	171,089

Fixed deposits earned annual interest at 3.75%.

(b) Analysis by categories

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Repayable on demand	148,569	590,710	43,534	171,089
Due within one year	4,000	15,904	-	-
Due after more than one year	-	-	-	-
	152,569	606,614	43,534	171,089

10. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
<i>Current accounts</i>				
• Riel	61,218	243,403	96,752	380,236
• US\$	365,937	1,454,966	45,760	179,837
Statutory deposit	1,300,000	5,168,800	200,000	786,000
Reserve account	10,503	41,759	10,509	41,300
Fixed deposits	400,000	1,590,400	-	-
	2,137,658	8,499,328	353,021	1,387,373

In accordance with Prakas B7.01-136 issued by the NBC on 15 October 2001, the Bank is required to maintain a statutory deposit with the NBC which is equivalent to 10% of the Bank's registered capital. This statutory deposit earns annual interest rate at 3/8 six-month period SIBOR equivalent to 0.46% per annum, and refundable to the Bank should it cease operations in Cambodia.

Reserve accounts represent the minimum reserve requirement which is calculated at 8% of the total deposits from customers and settlements accounts of other banks. In calculating the minimum reserve, the NBC allows for an amount of cash on hand in local currency of Riel 3,830,579 thousand held by the Bank as at 31 December 2003 (2002: Riel 1,825,129 thousand) to be deducted from the required reserves.

Effective year-end annual interest rates on balances with the NBC are summarised as follows:

	2003	2002
Statutory deposit	0.46%	-
Reserve accounts	0%	0%
Fixed deposits	6/8 SIBOR	7/8 SIBOR
Demand deposits in Riel	0%	0%
Demand deposits in US\$	0%	0%

11. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of customers

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Loans and advances to customers				
• Group loans (see Note 11(c))	4,091,545	16,267,983	3,771,036	14,820,171
• Individuals	35,299,756	140,351,830	23,075,667	90,687,371
• Staff loans (see Note 24)	1,181,369	4,697,123	701,049	2,755,123
	40,572,670	161,316,936	27,547,752	108,262,665
Provisions for loan losses	(665,136)	(2,644,581)	(582,607)	(2,289,646)
Loans and advances to customers, net	39,907,534	158,672,355	26,965,145	105,973,019

Staff loans were unsecured, granted in US\$ for a maximum term of 5 years with an interest rate at 12% per year.

(b) Analysis by type of sector

Loans and advances analysed by sector were as follows:

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Loans and advances to customers				
• Animal	271,218	1,078,362	100,643	395,530
• Crop	1,418,928	5,641,658	553,189	2,174,032
• Fishery	513,774	2,042,765	401,191	1,576,679
• Production	1,200,283	4,772,325	1,235,584	4,855,843
• Services	6,983,942	27,768,153	4,278,503	16,814,519
• Trading	30,184,525	120,013,673	20,978,642	82,446,062
	40,572,670	161,316,936	27,547,752	108,262,665
Provisions for loan losses	(665,136)	(2,644,581)	(582,607)	(2,289,646)
Loans and advances to customers, net	39,907,534	158,672,355	26,965,145	105,973,019

Notes to the Financial Statements

(c) Analysis by type of currency

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
In US\$	30,500,538	121,270,142	20,373,157	80,066,507
In Riel	8,784,309	34,926,411	6,772,654	26,616,529
In THB	1,287,823	5,120,383	401,941	1,579,629
	40,572,670	161,316,936	27,547,752	108,262,665
Provisions for loan losses	(665,136)	(2,644,581)	(582,607)	(2,289,646)
Loans and advances to customers, net	39,907,534	158,672,355	26,965,145	105,973,019

Loan products are grouped by currencies as follows:

In United States dollar (US\$) - This category of loan is provided to individual entrepreneurs. The loans are collateralised which is mainly in form land and building, although high emphasis is placed on character lending, green lining and business plans. Maximum loan size is at 5% of the Bank's net worth and maximum term loan is of 24 months.

In Cambodian currency (Riel) and in Thai Baht – This category of loan is provided into "group loans" and individual loans. The "group loans" use a group guarantee methodology serving 2 to 10 customers in each group with maximum loan size of 1.5 million Riels and maximum term loan is of 12 months for each group member. Maximum individual loans size is at 5% of the Bank's net worth and maximum term loan is of 24 months.

(d) Analysis by repayment status

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Standard (see Note 2.7)	40,342,179	160,400,504	27,076,851	106,412,026
Substandard (overdue from 91 to 180 days)	94,940	377,480	90,013	353,750
Doubtful (overdue from 181 to 360 days)	123,556	491,260	112,557	442,347
Loss(overdue more than 360 days)	11,995	47,692	268,331	1,054,542
	40,572,670	161,316,936	27,547,752	108,262,665
Provisions for loan losses	(665,136)	(2,644,581)	(582,607)	(2,289,646)
Loans and advances to customers, net	39,907,534	158,672,355	26,965,145	105,973,019

(e) Provisions for loan losses

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Specific provision	58,556	232,818	311,099	1,222,618
General provision	606,580	2,411,763	271,508	1,067,028
	665,136	2,644,581	582,607	2,289,646

The movement in the provisions for loan losses during the year is as follows:

	US\$	2003 Riel '000 (At year-end exchange rate)	US\$	2002 Riel '000 (At year-end exchange rate)
Balance as at 1 January	582,607	2,316,447	865,212	3,400,283
Charge to Income statement	465,519	1,850,904	689,118	2,708,234
Bad debts written-off	(382,990)	(1,522,770)	(971,723)	(3,818,871)
Balance as at 31 December	665,136	2,644,581	582,607	2,289,646

(f) Effective interest rates

The effective year-end annual interest rates are as follows:

	2003	2002
Loans in Riel	24% - 60%	24% - 60%
Loans in US\$	14.4% - 36%	18% - 36%
Loans in THB	24% - 60%	24% - 60%

12. PREPAYMENTS AND ACCRUED INCOME

	31 December 2003 US\$	31 December 2003 Riel '000 (At year-end exchange rate)	31 December 2002 US\$	31 December 2002 Riel '000 (At year-end exchange rate)
Accrued interest income	578,702	2,300,919	445,930	1,752,505
Prepayments and other assets	375,439	1,492,745	106,607	418,965
	954,141	3,793,664	552,537	2,171,470

13. TANGIBLE AND INTANGIBLE FIXED ASSETS

	Office equipment US\$	Motor vehicles US\$	Computer equipment US\$	Leasehold improvements US\$	Intangible assets US\$	Total US\$
Cost						
As at 1 January 2003	1,132,261	952,865	168,173	34,153	901,362	3,188,814
Additions	154,740	402,230	191,695	23,606	84,870	857,141
Reclassification	(641,650)	-	641,650	-	-	-
Disposals	(25,770)	(81,186)	(36,125)	-	-	(143,081)
As at 31 December 2003	619,581	1,273,909	965,393	57,759	986,232	3,902,874
Accumulated depreciation						
As at 1 January 2003	368,105	629,972	478,945	19,746	225,360	1,722,128
Charges for the year	90,759	223,774	228,258	13,900	180,887	737,578
Disposals	(25,810)	(78,143)	(35,598)	(26)	(338)	(139,915)
Total	433,054	775,603	671,605	33,620	405,909	2,319,791
Net book value						
As at 31 December 2003	186,527	498,306	293,788	24,139	580,323	1,583,083
As at 31 December 2002	122,507	322,893	330,877	14,407	676,002	1,466,686

Intangible assets comprise costs associated with the design and implementation of the GLOBUS computer software, copyrights and other related costs.

Notes to the Financial Statements

14. OTHER ASSETS

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Cheques waiting for clearing at the clearing house	366,900	1,458,794	47,920	188,326
Receivables from Western Union	43,315	172,220	23,830	93,652
Deferred tax asset	71,184	283,028	40,838	160,493
Others	41,334	164,344	40,529	159,279
	522,733	2,078,386	153,117	601,750

15. DEPOSITS FROM CUSTOMERS

(a) Analysis by category

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Current accounts	7,175,503	28,529,800	3,353,301	13,178,473
Savings	3,620,327	14,394,420	1,329,546	5,225,116
Fixed deposits	2,364,855	9,402,664	995,883	3,913,820
	13,160,685	52,326,884	5,678,730	22,317,409

(b) Analysis by customers

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Individual resident*	3,761,318	14,955,000	-	-
Enterprises	5,918,935	23,533,686	3,627,023	14,254,200
ACLEDA NGO (see Note 24)	2,588,582	10,292,202	1,703,348	6,694,158
Board of Directors and Directors	114,165	453,920	28,900	113,577
Staff (see Note 24)	777,685	3,092,076	319,459	1,255,474
	13,160,685	52,326,884	5,678,730	22,317,409

*Deposits from individuals were included in deposits from enterprises as at 31 December 2002.

(c) Analysis by repayment status

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Payables within one year				
• Denominated in US\$	11,233,800	44,665,589	4,538,053	17,834,548
• Denominated in Riel	1,675,491	6,661,752	1,069,065	4,201,426
• Denominated in THB	170,470	677,789	71,612	281,435
Payables more than one year				
• Denominated in US\$	80,924	321,754	-	-
• Denominated in Riel	-	-	-	-
• Denominated in THB	-	-	-	-
	13,160,685	52,326,884	5,678,730	22,317,409

Effective annual interest rates are as follows:

	2003	2002
Current accounts		
• US dollars	0%	0%
• THB	0%	0%
• Riel	0%	0%
Savings		
• US dollars	2.5%	2%
• THB	2.5%	2.5%
• Riel	2.5%	2%
Fixed deposits		
• US dollars	3.5% - 6.5%	3% - 6%
• THB	3.5% - 6.5%	4% - 7%
• Riel	3.5% - 6.5%	3% - 6%

16. ACCRUALS AND OTHER LIABILITIES

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Interest accruals	438,609	1,743,909	436,769	1,716,502
Bonus	327,377	1,301,651	222,394	874,008
Cheques and fund transfers	416,121	1,654,497	67,822	266,541
License fee	51,291	203,935	-	-
Other accruals	87,839	349,247	61,179	240,433
Taxation				
Income tax	415,046	1,650,222	127,531	501,197
Withholding taxes	10,224	40,651	3,247	12,761
Salary tax	26,249	104,366	7,907	31,075
	1,772,756	7,048,478	926,849	3,642,517

17. BORROWINGS

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Triodos, Fair Share Fund	250,000	994,000	-	-
Rural Development Bank	1,000,000	3,976,000	-	-
Blue Orchard Finance SA	1,000,000	3,976,000	-	-
	2,250,000	8,946,000	-	-

On 6 February 2003, the Bank obtained a short term borrowing from Triodos Fair Share Fund with an interest rate of 8.75% per year. Interest charge is payable every three months on the first of January, April, July and October, starting from July 2003. Principal must be paid no later than 1 September 2004.

On 7 March 2003, the Bank signed a loan agreement with Rural Development Bank for the amount of US\$ 1,000,000 from with an interest rate of 4% plus LIBOR six month US deposit on 30 November of the year (equivalent to 5.26% for 2003). Disbursement of US\$ 500,000, US\$ 375,000 and US\$ 125,000 were made on 1 April 2003, 9 September 2003 and 30 September 2003 respectively. Borrowing term is for the period of three years commencing the disbursement dates.

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On 13 May 2003, the Bank obtained a short term borrowing of US\$ 1,000,000 from Blue Orchard Finance SA, with an interest rate of 8% per year. The principal amount of US\$ 500,000 and interest accumulated thereon will be paid on 13 November 2004. The remaining principal and interest must be paid on 13 March 2005.

18. SENIOR DEBT

Senior debt is unsecured and represents the amount the Bank agrees to pay ACLEDA NGO ("the NGO") under Sections 2.02(c) and 2.03 of the Business Purchase Agreement ("BPA") and under NGO Senior Debt Agreement ("SDA"), which were signed between the Bank and the ACLEDA NGO on 12 September 2000 and its Addendum to the BPA signed on 22 February 2001.

In accordance with Article 2.03 of the SDA, until the Maturity Date and promptly after receiving any interest payable under the SDA, the NGO shall, at the Bank's request and as determined by the NGO's Board of Directors, lend to the Bank in the Permitted Currency the full amount of interest received less any amount that the NGO believes it is required to cover the NGO's operating expenses or to support other liabilities of the NGO. The lending amount shall be subject to terms and conditions similar to the SDA.

In accordance with Article 4.01 of the SDA, for the sole purpose of managing exposure of the Bank to Permitted Currencies, the Bank shall be entitled to pay at any time to the NGO portions of the Senior debt. Any amount received by the NGO in accordance with Article 4.1 shall be immediately relent by the NGO to the Bank in the Permitted Currency requested by the Bank and/or in an amount equivalent to the amount received using the prevailing exchange rates in effect at the time of payment by the Bank to the NGO. The re-lending amount shall be automatically added to the Senior debt denominated in the Permitted Currency of such amount.

In satisfaction of the portion of the purchase price payable under the terms of the Business Purchase Agreement (BPA), the Bank agreed to pay to NGO the equivalent of these amounts provided by KfW. The Bank shall pay the principal of Senior debt by semi-annual installments on Interest Payment Dates which fall within 14 days after each January 15 and each July 15 starting 2001. In any event, all amounts owing under this SDA shall be repaid no later than 1 July 2004.

Interest rate on Senior debts shall be paid to the NGO from time to time and calculated as follows:

- 1) Interest rate for Senior debt denominated in US\$ shall be sum of 2.5% plus SIBOR for the Interest Period;
- 2) Interest rate for Senior debt denominated in Riel shall be Riel Refinance Rate in effect immediately before that Interest Period. If the NGO Administrator is able to determine the Riel Interbank Rate before the Interest Period, ACLEDA NGO shall be entitled to require the use of that rate for the Interest Period instead of the Riel Refinance Rate.

Movement of Senior debt is as follows:

	2003 US\$	2002 US\$
Balance as at 1 January	6,210,688	6,268,445
Net effect of currency exchange transactions:		
• Riel to THB	29,914	(323)
• Riel to US\$	-	343
• US\$ to Riel	-	191
• THB to Riel	(296)	-
Payment for staff pension	(609)	(3,180)
Re-lending of interest paid	4,001	-
Unrealised foreign exchange gain arising from translation of the Senior debt as at year end rate	(31,732)	(54,786)
Conversion to share capital owned by ASA Inc (see Note 20 and Note 21)	(112,922)	-
Balance as at 31 December	6,099,044	6,210,688

19. SUBORDINATED DEBT

Subordinated debt is unsecured and represents the amount the Bank agrees to pay ACLEDA NGO ("the NGO") under Sections 2.02(b) and 2.03 of the Business Purchase Agreement ("BPA") and under NGO Subordinated Debt Agreement ("SubDA"), which were signed between the Bank and the ACLEDA NGO on 12 September 2000 and its Addendum to the BPA signed on 22 February 2001.

The Subordinated debt is intended to be treated as capital of the Bank under the laws of Cambodia and the regulations of the NBC for purposes of calculating the net worth and capital adequacy of the Bank. According to Approval T70382 dated 18 August 2003 by the Supervision Department of the NBC, an amount of US\$ 3,492,317 was transferred from Subordinated debt to the Bank's share capital owned by the NGO (see Note 21).

In accordance with Article 5 of the SubDA, for the sole purpose of managing exposure of the Bank to Permitted Currencies, the Bank shall be entitled to pay at any time to the NGO portions of the Subordinated debt. Any amount received by the NGO shall be immediately relented by the NGO to the Bank in the Permitted Currency requested by the Bank and/or in an amount equivalent to the amount received using the prevailing exchange rates in effect at the time of payment by the Bank to the NGO. The re-lending amount shall be automatically added to the Subordinated debt denominated in the Permitted Currency of such amount.

Subject to Article 5 of the SubDA as above, the Bank shall not make any payment of principal in respect of the Subordinated debt before Amortisation Date.

The Amortisation Date is the date falling seven business days after the day on which the following conditions have been fully satisfied:

- 1) the passage of the 15th anniversary of the SubDA; and
- 2) the payment in full of all Senior Obligations which are due and payable on the 15th anniversary of the date of the SubDA.

The Bank shall pay the principal of Subordinated debt in 10 approximately equal annual instalments. After the Amortisation Date, the first principal instalments will be due on the first Interest Payment Date which falls within 14 days after each January 25 and each July 15. On the first Interest Payment Date of the 10th calendar year, all amounts owing under the SDA shall be due and payable.

Interest rate on Subordinated debts shall be paid to the NGO from time to time and calculated as follows:

- 1) Interest rate for Subordinated debt denominated in US\$ shall be sum of 2.5% plus SIBOR for the Interest Period;
- 2) Interest rate for Subordinated debt denominated in THB shall be the Baht Corporate Customer Rate for the Interest Period;
- 3) Interest rate for Subordinated debt denominated in Riel shall be Riel Refinance Rate in effect immediately before that Interest Period. If the NGO Administrator is able to determine the Riel Interbank Rate before the Interest Period, ACLEDA NGO shall be entitled to require the use of that rate for the Interest Period instead of the Riel Refinance Rate.

Movement of Subordinated debt is as follows:

	2003 US\$	2002 US\$
As at 1 January	12,217,758	12,216,767
Net effect of currency exchange transactions from:		
• US\$ to Riel	6,067	1,721
• Riel to US\$	-	788
• THB to Riel	(4,899)	-
Unrealised foreign exchange gain arising from translation of the Subordinated debt as at year end rate	(3,484)	(1,518)
Conversion to share capital owned by ACLEDA NGO *	(3,492,317)	-
As at 31 December	8,723,125	12,217,758

* Upon approval of the Board of Directors on 30 July 2003 and approval letter from the National Bank of Cambodia on 18 August 2003, the NGO converted part of Subordinated debt amounting to US\$ 3,492,317 into shares in ACLEDA Bank Plc (see Note 21).

Effective annual interest rates were as follows:

	2003	2002
US\$ (2.5% plus SIBOR)	4.44% - 3.615%	4.3% - 4.4%
Baht Corporate Customer Rate	2.125% - 1.275%	2.4% - 2.1%
Riel Refinance Rate	6%	6%

Following Prakas B-5-01-201 dated 25 December 2001 fixing the rates for loans to financial institutions, the Riel refinancing rate which was used as basis in determining the interest for Senior and Subordinated debt is 6%.

Notes to the Financial Statements

20. STAFF PENSION LIABILITIES

	US\$	2003 Riel '000 (At year-end exchange rate)	US\$	2002 Riel '000 (At year-end exchange rate)
As at 1 January	700,824	2,786,476	356,756	1,402,051
Additions for the year:				
• Bank's contribution	298,282	1,185,969	238,885	938,818
• Employees' contribution	149,141	592,985	119,447	469,427
• Interest	16,022	63,703	10,822	42,530
Payment to employees	(16,329)	(64,924)	(25,086)	(98,588)
Conversion to share capital owned by ASA Inc (see Note 21)	(984,761)	(3,915,410)	-	-
As at 31 December	163,179	648,799	700,824	2,754,238

On 27 October 2003, the Bank converted an amount of US\$ 1,097,683 comprising of US\$ 984,761 pension fund of the Bank's staff members and US\$ 112,922 pension fund of ACLEDA NGO's staff members which was included in senior debt (see Note 18), into the Bank's ordinary shares which is owned by ASA Inc. The conversion was made based on the Bank's staff agreements with the Bank's General Manager to confirm that as members of ASA Inc, they agree to use all their staff pension fund which was held by the Bank to purchase the Bank's ordinary shares. On 23 December 2003, the Board of Directors of ASA Inc distributed a Notice to all ASA Inc staff members to inform that pension funds of ASA Inc's staff members held by the Bank was used to purchase the Bank's ordinary shares. According, the number of shares held by ASA Inc's staff members increased an amount equivalent to their staff pension fund (see Note 21).

21. SHARE CAPITAL

In accordance with Licence No 01/BIS issued by the NBC on 1 December 2003 and in accordance with Approval No 052 issued on 12 January 2004 by the Ministry of Commerce, the Bank increased its total registered share capital from US\$ 4,000,000 to US\$ 13,000,000, represented by 13,000,000 ordinary shares, each having an issue price of US\$ 1 (2002: US\$ 10). Each share shall have 1 vote and shall participate equally in all dividends and other distributions of the Bank. Fractions of shares shall not be issued.

31 December 2003

Shareholder	% of Ownership	Number of Shares	US\$	Riel '000 (At year-end exchange rate)
ACLEDA NGO	39.93	5,191,457	5,191,457	20,641,233
ASA Inc,	11.07	1,438,543	1,438,543	5,719,647
Deutsche Investitions-und Entwicklungsgesellschaft (DEG)	12.25	1,592,500	1,592,500	6,331,780
Nederlandse Financierings- Maatschappij Voor Ontwikkelingslanden (FMO)	12.25	1,592,500	1,592,500	6,331,780
International Finance Corporation (IFC)	12.25	1,592,500	1,592,500	6,331,780
Stichting Triodos Doen (TRIODOS)	10.33	1,342,500	1,342,500	5,337,780
Triodos Fair Share Fund (TFSF)	1.92	250,000	250,000	994,000
Total	100.00	13,000,000	13,000,000	51,688,000

31 December 2002

Shareholder	% of Ownership	Number of Shares	US\$	Riel '000 (At year-end exchange rate)
ACLEDA NGO	43.25	173,014	1,730,140	6,799,450
ASA Inc	7.75	30,986	309,860	1,217,750
DEG	12.25	49,000	490,000	1,925,700
FMO	12.25	49,000	490,000	1,925,700
IFC	12.25	49,000	490,000	1,925,700
TRIODOS	12.25	49,000	490,000	1,925,700
Total	100.00	400,000	4,000,000	15,720,000

Movement of share capital during the year was as follows

Shareholders	ACLEDA NGO US\$	ASA Inc, US\$	DEG US\$	FMO US\$	IFC US\$	TRIODOS US\$	TFSF US\$
As at 1 January 2003	1,730,140	309,860	490,000	490,000	490,000	490,000	-
Sold to ASA Inc. on 29 Jan 2003	(4,000)	4,000	-	-	-	-	-
Sold to ASA Inc. on 12 Aug 2003	(10,000)	10,000	-	-	-	-	-
Sold to ASA Inc. on 15 Dec 2003	(17,000)	17,000	-	-	-	-	-
Transfer from Subordinated debt (see Note 19)	3,492,317	-	-	-	-	-	-
Transfer from staff pension liabilities (see Note 20)	-	984,761	-	-	-	-	-
Transfer from senior debt (see Note 18)	-	112,922	-	-	-	-	-
Conversion from short term borrowing from Triodos *	-	-	-	-	-	750,000	-
Cash injections	-	-	1,102,500	1,102,500	1,102,500	102,500	250,000
As at 31 December 2003	5,191,457	1,438,543	1,592,500	1,592,500	1,592,500	1,342,500	250,000

*On 13 November 2003, a short term borrowing of US\$ 750,000 from Triodos was converted into the Bank's capital in accordance with the Loan Agreement dated 6 February 2003 as approved by the National Bank of Cambodia on 18 August 2003.

22. CONTINGENCIES AND COMMITMENTS

As at 31 December 2003, the Bank had lease commitments for the lease of its head office and provincial offices, with details as follows:

	31 December 2003	31 December 2002
Not later than one year	132,415	62,273
Within one year to five years	153,603	128,200
More than five years	23,735	-
	309,753	190,473

Notes to the Financial Statements

23. ANALYSIS OF CASH AND CASH EQUIVALENTS

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Cash on hand	2,982,753	11,859,426	1,436,055	5,643,696
Current and saving accounts with other banks	148,569	590,710	43,534	171,089
Current accounts with NBC	437,658	1,740,128	153,021	601,373
Current accounts from other banks	-	-	-	-
Fixed deposits with NBC with maturity date less than 90 days	400,000	1,590,400	-	-
	3,968,980	15,780,664	1,632,610	6,416,158

24. RELATED PARTIES TRANSACTIONS AND BALANCES

Balances with related parties are as follows:

	31 December 2003		31 December 2002	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Deposits from (see Note 15)				
• Shareholders	2,588,582	10,292,202	1,703,348	6,694,158
• Directors	114,165	453,920	28,900	113,577
• Staff	777,685	3,092,076	319,459	1,255,474
Loans to staff (see Note 11(a))	1,181,369	4,697,123	701,049	2,755,123
	4,661,801	18,535,321	2,752,756	10,818,332

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

In the opinion of the management, the carrying amounts of financial assets and liabilities included in the balance sheet are reasonable estimates of their fair values and of the credit risk associated with these assets. In making this assessment, management assumes that loans and advances to customers are mainly held to maturity. Fair value approximates to the book value of loans adjusted for provision for loan losses.

26. POST BALANCE SHEET EVENTS

On 12 January 2004, in accordance with Approval No 052 issued by the Ministry of Commerce, the Bank increase its total registered share capital from US\$ 4,000,000 to US\$ 13,000,000, represented by 13,000,000 ordinary shares, each having an issue price of US\$1.00. Each share shall have 1 vote and shall participate equally in all dividends and other distributions of the Bank. Fractions of shares shall not be issued (see Note 21).

27. CURRENCY ANALYSIS

	Thai Baht	Riel	Total	Riel '000 (At year-end exchange rate)
<i>As at 31 December 2003</i>				
Assets in foreign currency				
Cash in hand	218,035	969,376	1,187,411	4,721,146
Settlement accounts with banks	67	1,777	1,844	7,332
Deposits with NBC	-	61,721	61,721	245,403
Loans and advances to customers – net	1,267,227	8,642,715	9,909,942	39,401,929
Other assets	13,974	297,830	311,804	1,239,733
	1,499,303	9,973,419	11,472,722	45,615,543
Liabilities in foreign currency				
Deposits from customers	170,469	1,675,491	1,845,960	7,339,541
Accruals and other liabilities	8,652	730,600	739,252	2,939,266
Senior debt	604,791	5,465,474	6,070,265	24,135,378
Subordinated debt	703,674	2,058,931	2,762,605	10,984,117
	1,487,586	9,930,496	11,418,082	45,398,302
Net on (off) balance sheet position	11,717	42,923	54,640	217,241
<i>As at 31 December 2002</i>				
Total assets in foreign currency	461,127	7,385,100	7,846,227	30,835,673
Total liabilities in foreign currency	447,282	7,396,345	7,843,627	30,825,454
Net on (off) balance sheet position	13,845	(11,245)	2,600	10,218



Notes to the Financial Statements

28. MATURITY ANALYSIS

The maturity profile of assets and liabilities was as follows:

	Total US\$	Less than 1 month US\$	From 1 month to 3 months US\$	From 3 months to 1 year US\$	From 1 year to 5 years US\$	Over 5 years US\$	No fixed date of maturity US\$
As at 31 December 2003							
ASSETS							
Cash in hand	2,982,753	2,982,753	-	-	-	-	-
Settlement accounts with banks	152,569	152,569	-	-	-	-	-
Deposits with NBC	2,137,658	827,155	-	-	-	-	1,310,503
Loans and advances to customers	39,907,534	660,112	2,034,355	26,280,516	10,932,551	-	-
Prepayments and accrued income	954,141	4,711	60,602	888,828	-	-	-
Tangible fixed assets	1,002,760	-	4,950	90,498	907,312	-	-
Intangible fixed assets	580,323	-	-	-	580,323	-	-
Other assets	522,733	410,214	32,175	9,160	71,184	-	-
TOTAL ASSETS	48,240,471	5,037,514	2,132,082	27,269,002	12,491,370	-	1,310,503
LIABILITIES							
Customers' deposits	13,160,685	11,635,681	412,814	1,031,266	80,924	-	-
Accruals and other liabilities	1,772,756	938,569	419,499	410,742	3,946	-	-
Borrowings	2,250,000	-	250,000	500,000	1,500,000	-	-
Senior debt	6,099,044	-	-	-	-	6,099,044	-
Subordinated debt	8,723,125	-	-	-	-	8,723,125	-
Staff pension fund	163,179	-	-	-	-	-	163,179
Provision for health insurance	137,109	-	-	-	-	-	137,109
TOTAL LIABILITIES	32,305,898	12,574,250	1,082,313	1,942,008	1,584,870	14,822,169	300,288
Net liquidity surplus/(gap)	15,934,573	(7,536,736)	1,049,769	25,326,993	11,906,500	(14,822,169)	1,010,215
As at 31 December 2002							
Total assets	30,970,095	2,353,268	2,115,423	19,701,482	6,588,888	523	210,509
Total liabilities	25,832,602	5,407,760	393,709	466,774	337,336	19,227,023	-
Net liquidity surplus/(gap)	5,137,493	(3,054,492)	1,721,714	19,234,708	6,251,552	(19,226,500)	210,509



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- Angk Snuol
- Kaoh Thum
- Leuk Daek
- Dangkao
- Odongk - Ponhea Leu
- Sampov Puon
- Bueng Khyang
- Rokakaong 1
- Preaek Ambel
- Svay Rolum
- Lvea Aem
- Kandal Stueng
- Preaek Thmei
- Khsach Kandal (Khum Vihea Suor)
- Khsach Kandal (Khum Svay Romeat)*
- Samraong Thum
- Damnak Ampil

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Phum Prey Ta Touch, Khum Bueng Khyang, Kandal Stueng District, Kandal Province.

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Phum Treuy Trueng, Khum Preaek Ambel, S'ang District, Kandal Province.

Phum No. 3, Khum Svay Rolum, S'ang District, Kandal Province.

Phum Veal Thum, Khum Peam Oknha Ong, Lvea Aem District, Kandal Province.

Phum Svay Ming, Khum Barku, Kandal Stueng District, Kandal Province.

Phum Preaek Thmei, Khum Preaek Thmei, Kien Svay District, Kandal Province.

Phum Vihea Suor Cheung, Khum Vihea Suor, Khsach Kandal District, Kandal Province.

Khum Svay Romeat, Khsach Kandal District, Kandal Province.

Phum Stueng, Khum Samraong Thum, Kien Svay District, Kandal Province.

Phum Thnol Totueng, Khum Damnak Ampil, Angk Snuol District, Kandal Province.

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- Kratie*
- Chhlong*

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- **Stueng Trang**

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- **Ou Reang Ov**

Phum N° 4 Kaeut, Khum Ampil Tapouk, Ou Reang Ov District, Kampong Cham Province.

- **Memot**

Phum Tboung Vat, Khum Memot, Memot District, Kampong Cham Province.

- **Kang Meas**

Phum Peam Chikang, Khum Peam Chikang, Kang Meas District, Kampong Cham Province.

- **Ponhea Kraek**

Phum Po Rong Lech, Khum Koang Kang, Ponhea Kraek District, Kampong Cham Province.

- **Bos Khnor**

Phum 10 Makara, Khum Bos Khnor, Chamkar Leu District, Kampong Cham Province.

- **Cheung Prey**

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- **Moung Ruessei**

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- **Bavel**

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- **Phnum Proek**

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- **Banan**

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- **Sampov Lun**

Phum Thma Koul, Khum Ta Poug, Thma Koul District, Battambang Province.

SIEM REAP – OTDAR MEANCHEY

- **Otdar Meanchey***

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- **Puok**

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- **Soutr Nikom**

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- **Kralanh**

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- **Chi Kraeng**

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- **Prasat Bakong**

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- **Sasar Sdam**

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ACLEDA Bank Plc's Addresses

BANTEAY MEANCHEY

- Ou Chrov
- Mongkul Borei
- Preah Netr Preah
- Svay Chek
- Malai
- Thma Puok*

KAMPOT – KEP

- Kampong Trach
- Chhuk
- Banteay Meas
- Angkor Chey

TAKEO

- Bati
- Kiri Vong
- Kong Pisei - Bati
- Prey Kabbas
- Tram Kak (Phsar Angk Tasaom)
- Tram Kak (Phsar Tram Kak)*
- Treang

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- Koh Kong
- Prey Nob
- Stueng Hav
- Srae Ambel

PURSAT

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- **Chheu Tom***

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- **Preah Vihear***
- **Baray**
- **Stoung**
- **Soyoung**

KAMPONG SPEU

- **Kong Pisei - Bati**
- **Odongk - Ponhea Leu**
- **Phnum Sruoch (Office I)**
- **Phnum Sruoch (Office II)***
- **Samraong Tong**
- **Basedth***

KAMPONG CHHNANG

- **Kampong Tralach**
- **Baribour**
- **Tuek Phos**

SVAY RIENG

- **Svay Teap**
- **Romeas Haek**

PREY VENG

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Note: Any offices with asterisk (*) are established in 2004.



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