



ANNUAL REPORT

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ARTIST'S IMPRESSION



NEW ACLEDA BANK HEADQUARTERS



TO BE COMPLETED IN 2006

OUR VISION

"ACLEDA Bank's vision is to be Cambodia's leading commercial bank providing superior financial services to all segments of the community."

OUR MISSION

"Our mission is to provide micro, small and medium entrepreneurs with the wherewithal to manage their financial resources efficiently and by doing so to improve the quality of their lives. By achieving these goals we will ensure a sustainable and growing benefit to our shareholders, our staff and the community at large. We will at all times observe the highest principles of ethical behaviour, respect for society, the law and the environment."

2005 The International Year Of Microcredit

**"Together, we can and must build inclusive financial sectors
that help people improve their lives."**

UN Secretary General Kofi Annan 29 December 2003 announcing
2005 as the International Year for Microcredit

Mr. In Channy, ACLEDA Bank Plc's General Manager, is an Advisor for the International Year of Microcredit 2005.

RESULTS

Unit in US\$ '000 (except EPS and Dividend)	31/12/2004	31/12/2003	31/12/2002	31/12/2001	Change (%) ¹
Assets	84,109	48,240	30,970	27,341	74.4
Loans (Net of Provision)	64,932	39,908	26,965	20,115	62.7
Liabilities	58,174	32,306	25,833	22,653	80.1
Deposits	31,640	13,161	5,679	1,950	140.4
Issued and Paid-up Capital ²	13,000	13,000	4,000	4,000	-
Shareholders' Equity ³	25,935	24,658	17,355	16,905	5.2
Total Income	17,128	11,758	8,266	9,015	45.7
Profit Before Tax	2,558	2,461	748	594	3.9
Net Profit After Tax	2,063	1,974	589	475	4.5
Earning Per Share	\$0.1587	\$0.1518	\$0.1473	\$0.1188	4.5
Dividend	\$0.0630	\$0.0607	\$0.0442	\$0.0350	3.8

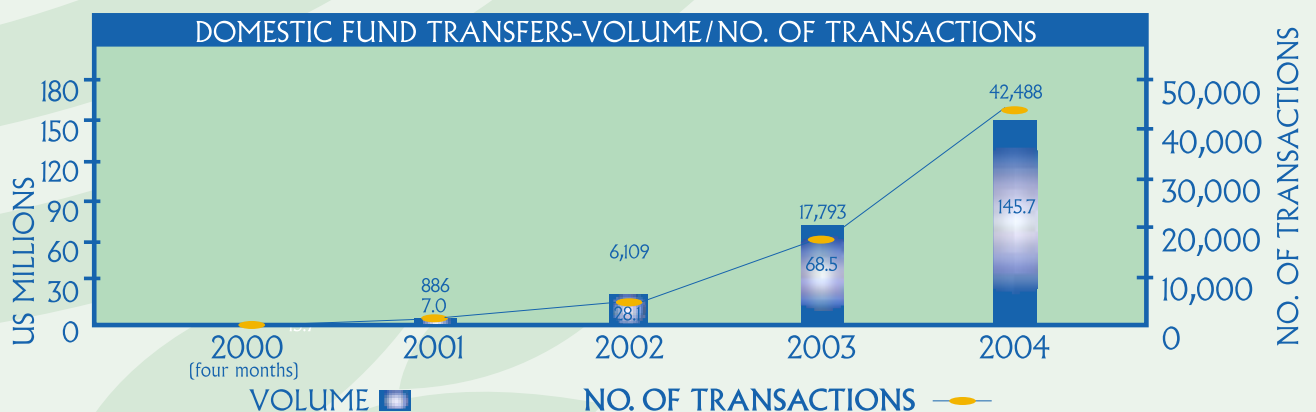
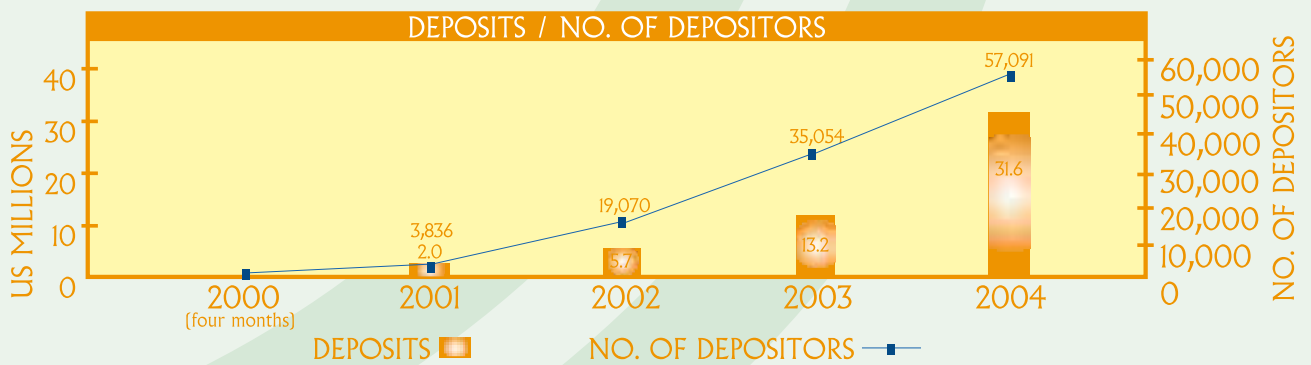
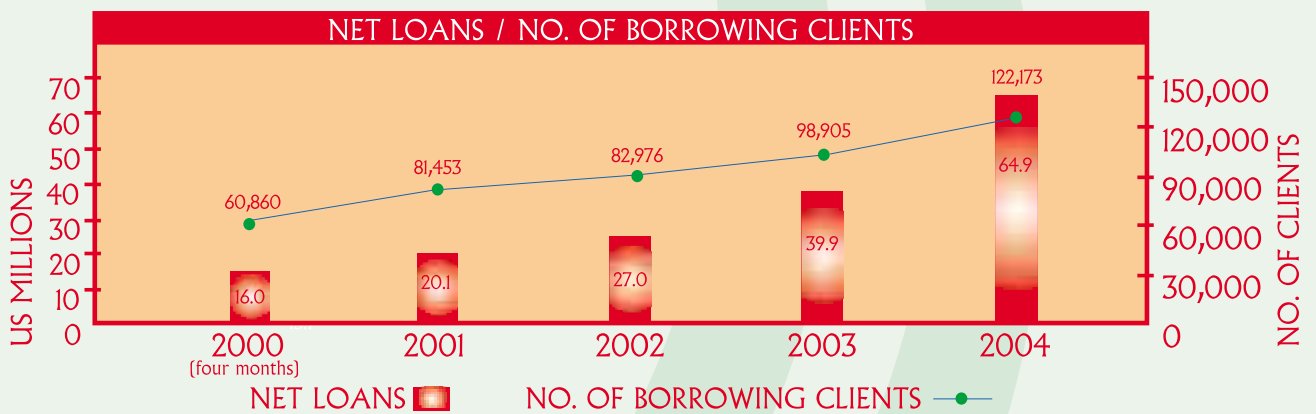
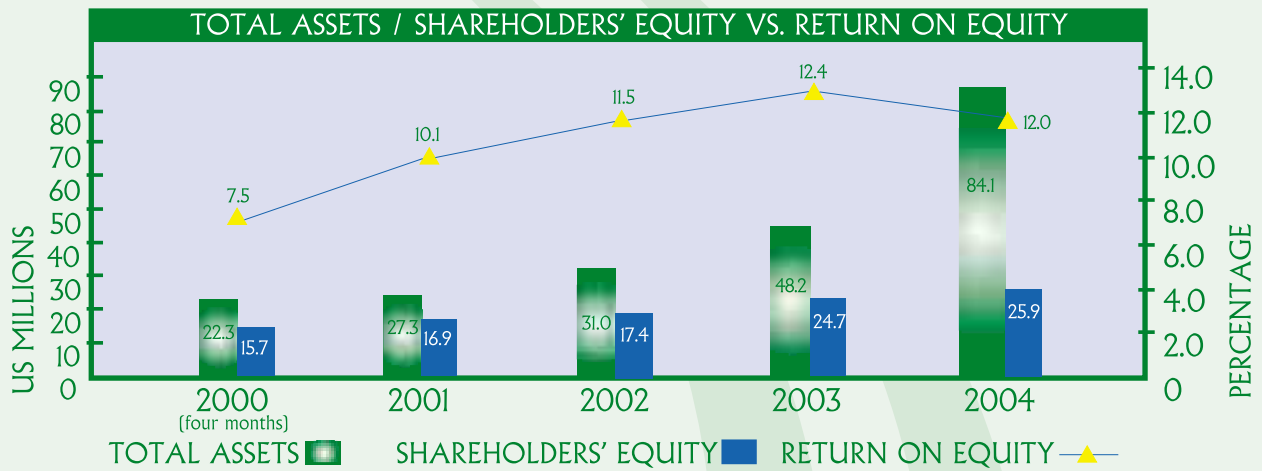
HIGHLIGHTS

- Net Profit After Tax exceeded US\$2 million for the first time.
- Non-performing Loans fell from 0.57% to 0.31% of total loans outstanding.
- Capital Adequacy Ratio remained strong at 35.1%.
- Number of borrowing clients increased from 98,905 to 122,173.
- Number of depositors increased from 35,054 to 57,091.
- Domestic funds transfers increased from 17,794 transactions to 42,488 and from US\$68.5 million to US\$145.7 million.
- The network grew by 22 offices to 119.
- Staff increased from 1,284 to 2,108.
- Moody's Investors Services awarded ACLEDA Bank the first international credit rating for a Cambodian bank.

¹ From 31/12/03 to 31/12/04

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

³ Includes Subordinated Debt for 2004 as required under central bank regulations. Previous years restated for comparison.



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Forecast of Cambodia's Key Economic Indicators¹

	2000	2001	2002	2003	2004e	2005f
1.GDP						
GDP % change	7.7	6.3	5.5	5.3	6.0	2.3
Per capita GDP (in U.S. dollar)	261	259	273	284	N/A	N/A
2.Inflation						
Inflation (final quarter basis)	-0.8	-0.6	3.3	0.5	5.6	2.8
3.Government budget (In percent of GDP)						
Revenue	10.4	10.7	11.2	10.4	11.9	12.3
Expenditure	15.3	16.3	17.8	17.4	18.0	18.4
4.Money and Credit (12 month percentage change)						
M2	26.9	20.4	30.1	14.0	30.1	10.0
Credit Private sector	17.7	4.2	13.1	25.6	35.9	
5.Balance of Payment						
Export	1,401.1	1,571.2	1,750.1	2,046.2	2,305.7	2,026.0
Import	-1,939.0	-2,094.0	-2,313.5	-2,576.9	-2,957.7	-2,839.0
Trade Balance	-538.2	-522.8	-563.5	-530.7	-652.0	-813.0
Current account (excl.off.transfer)	-416.6	-344.1	-353.2	-417.3	-529.5	-545.0
Current account (incl.off.transfer)	-123.0	-41.0	-41.4	-110.8	-263.6	-197.0
Exchange Rate (Riel per Dollar end period)	3,910.0	3,900.0	3,935.0	3,980.0	4,027.0	

¹ Source: IMF, National Bank of Cambodia

*"The challenge for the bank for 2005 will be to grow
into our capital base to deliver more value to our shareholders,
our staff and the community as a whole."*

Chea Sok, Chairman



The Cambodian Economic Background In 2004¹

Macroeconomic

Macroeconomic performance in the past few years was generally good, reflecting both favourable external developments and prudent fiscal policy.

Real sector

Economic growth was estimated at 6%. It was led by export-oriented manufacturing (mainly garments) and a recovery in tourism and construction. However the uncertain prospects for paddy production, the impact of avian flu in early 2004, and a smaller fish catch due to lower Mekong river levels suggest weaker growth in agriculture output.

Inflation

Inflation increased from 0.5% in 2003 to 5.6% in 2004 due to increases in oil and food prices.

Exchange Rate

The exchange rate remained relatively stable throughout 2004, depreciating by less than 1%.

Monetary and Banking

Currency in circulation grew by 22.7% at the end of 2004 compared with 18% in 2003, 31.7% in 2002 and 16.8% in 2001. The broad money supply increased by 30.1% in 2004 compared with 14% in 2003, 30.1% in 2002 and 20.4% in 2001. This was driven by an increase in foreign currency deposits of 33.3% while net foreign assets rose 18% and net domestic assets decreased by 8%.

Credit to the private sector increased by 35.9% to US\$474 million compared with 25.6% in 2003 and 13.1% in 2002.

Balance of Payments

Preliminary estimates give the current account (excluding official transfers) deficit at US\$529.5 million in 2004 27% higher than in 2003. Exports reached US\$2,305.7 million, surging 13% compared with 2003. At the same time, imports rose from US\$2,576.9 million in 2003 to US\$2,957.7 million in 2004, an increase of 15% compared to 2003.

...and Trends for 2005

Cambodia's real GDP growth is forecast to slow in 2005 to about 2.3%, mainly because of the adverse impact of the elimination of the quota system for garments in January 2005, while tourism is rebounding. In November, 2004 the IMF forecast that inflation would remain below 3% but as this was prepared before the recent sharp rise in crude oil prices this figure should be treated with some caution.

Broad money (M2) growth is targeted at 10% while it is estimated that money in circulation will expand by 18% and foreign currency deposits by 7.3%.

The National Bank of Cambodia has undertaken determined measures to implement the 'Financial Sector Blueprint' for 2001-2010. This is a long-term plan covering seven key areas of development, namely:

1. A properly regulated financial infrastructure;
2. A rural banking system targeted at the poorer segment of the community;
3. A credible insurance sector;
4. An expansion of the range of non-banking financial services, especially in the areas of leasing and hire purchase;
5. An interbank money market to increase liquidity in the system;
6. A capital market to mobilize funds for long-term investment, and;
7. A legal infrastructure and accounting system that imposes the rule of law in commercial and financial transactions.

Shareholders' Meeting

The Annual General Meeting of Shareholders was held on May 12, 2004 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.

The key matters approved were:

- The Annual Report for the year 2003.
- The audited Financial Statements for the year 2003
- The payment of a dividend for 2003 of US cents 6.07 per share
- The re-appointment of PricewaterhouseCoopers (Cambodia) Limited as the external auditors for 2004
- The Capital Expenditure Plan for 2004.

The Bank's Performance

Profit after tax was up only 4.5% in 2004 compared to the exceptional growth of 235% in 2003. As the General Manager's report explains, this was due to increased overheads in connection with the expansion of the network and upgrading our information technology, the benefits of which are already apparent in the first two months of 2005. The directors are pleased to recommend an increase in the dividend per share from US cents 6.07 to US cents 6.30. This represents a distribution to the shareholders of approximately 40% of the after-tax profits and it is worth noting that the bank has been able to increase the annual dividend in monetary terms every year since it was founded.

At the end of the year our capital position was strong with a Capital Adequacy Ratio of 35.11% – well in excess of the 15% ratio required by the National Bank of Cambodia and international norms. With this abundance the Bank is well placed for further growth in the year ahead especially in providing increased lending capacity to meet the customer needs. Indeed, the challenge for the bank for 2005 will be to grow into our capital base to deliver more value to our shareholders, our staff and the community as a whole.

Rating

One of the most significant developments in 2004 was obtaining a rating from an international credit rating agency. Moody's Investors Service has assigned first time ratings to ACLEDA Bank Plc. In awarding a Bank Financial Strength Rating (BFSR) of 'D' with a rating outlook of 'stable', Moody's commented that this reflected ACLEDA's rapidly building franchise strength and its strong profitability, capitalization and asset quality. This is the first time that an international credit rating has been assigned to a Cambodian financial institution and full details may be found on page 60.

Strategic Expansion

During 2004, the bank focused on measures to improve both outreach and customer service with notable success in each. This was accomplished in three ways:

- i) Expanding our branch network from 97 to 119 offices covering 21 provinces and renovating, and in some cases enlarging, our existing premises;
- ii) Centralising our operations into a dedicated department based in Phnom Penh to provide common and standardised services and quality control through on-line systems to the network, and;
- iii) Increasing the amount of training time devoted to new recruits as well as refresher programs for our more experienced staff.

Product development also continued to receive high priority and a number of initiatives will be revealed in 2005 starting with the launch of our new Trade Finance Unit in January.

Good Corporate Governance

The issue of 'corporate governance' is receiving attention amongst investors, financial counterparties, analysts and, not least, governments all over the world whilst at home the Royal Government is making every effort to promote institutional reform and improve public governance. ACLEDA Bank has been a leader in having in place policies and guidelines for good governance since 2002 and as mentioned elsewhere the Board will be undertaking a review of our needs to take us into the next five years. One area to which I would particularly like to draw your attention is our Environment, Social and Community report, which appears on page 26, and one of the major developments since last year has been to join the Global Reporting Initiative through the sponsorship of one of our shareholders, Triodos Bank. I see this as an irresistible world trend and one which is close to ACLEDA's own culture. I expect to be able to report to you significant progress in the 2005 Annual Report.

Relationship with the Regulators

ACLEDA enjoys excellent relationships with the National Bank of Cambodia and the Ministry of Economy and Finance. In particular, the bank ensured that it was at all times compliant throughout 2004 with all regulations and ratios of the National Bank and does not anticipate any difficulty in meeting them in the forthcoming years.

Board Focus and Commitment in the Year Ahead

The two key factors which will affect our performance for 2005 are, i) the slow-down in the economy and, ii) the need to consolidate after a period of such rapid growth. In particular we need to take steps to get our cost base down, particularly as we are embarking on an ambitious investment in a new state-of-the-art Head Quarters to replace the present building which we have long outgrown. An artist's impression appears on the inside front covers of this report and I hope that you will agree with me that it is a fitting edifice for a modern banking institution and will provide a more comfortable working environment for our customers and staff alike.

In conclusion, on behalf of the Board I take this opportunity to thank management and staff for their devotion and hard work and for their concerted effort and contribution to the continued success of the Bank. Also we thank our customers, our shareholders, investors and the general public for their continued loyalty and support during the past year. We look forward to serving you all in the year ahead.



Chea Sok
Chairman



"I firmly believe in the benefits of being rated – sooner or later the market will demand it.

Banking remains a business built on trust but trust must be built first and only

by showing that we have the confidence in ourselves to submit

to objective analysis will the foundations of trust be laid."

In Channy, General Manager, commenting on ACLEDA Bank Plc's credit rating

by Moody's Investors Service.

2004 – A Year of Growth

In 2004 ACLEDA Bank expanded more than at any time in its history and now ranks amongst the top three commercial banks in Cambodia. During the year:

- Total Assets increased by 74% to US\$84.1 million.
- Loans outstanding advanced by 63% reaching US\$64.9 million.
- Deposits surged by 140% to US\$31.6 million.
- Reserves and Retained Earnings rose by 43% to US\$4.2 million.
- Net Profit after Tax grew by 4.5% to US\$2.063 million.

Although the Net Profit After Tax showed only a modest improvement when compared to asset growth the underlying factors are positive. In fact, Net Operating Income (using the International Financial Reporting Standard) rose by 42% to US\$15.0 million but this was eroded by a sharp increase in Operating Expenses of 54% to US\$11.8 million. As a result, Operating Expenses as a percentage of Net Operating Income deteriorated to 79% from 72% in 2003. The underlying reason for this is that the bank invested heavily in expansion during the year and, as is usually the case, the costs precede the benefits. The main areas of expenditure were in human resources and MIS but the results of this investment show that:

- Our network expanded by 23% to 119 branches and offices and, with the addition of Kratie and Koh Kong, now covers 21 of the 24 provinces.
- A new Operations Department was set up to centralise operations to secure uniformity of processing on a common platform thereby ensuring consistency of service, economies of scale and quality control across the network.
- A new Call Centre was set up to provide a more responsive telephone service to clients and those seeking information about the bank.
- To support the new offices as well as expansion in the existing branches, the staff complement increased 65% from 1,284 to 2,108. At the same time, the period of training of recruits was extended to ensure that the new employees are better equipped to undertake their responsibilities.
- The IT systems and network were upgraded to provide more detailed management information at district level.
- The Treasury Department's ability to monitor international F/X and money markets was enhanced by the installation of a Reuters money market service.
- The Financial Institutions Unit, which was only established in December, 2003, has expanded our international correspondent banking relationships from 5 banks in 5 countries with 8 branches to 20 banks, 26 countries and 177 branches.
- Several new products were introduced including on-shore accounts in Euro.

The benefits of this investment already began to show on the bottom line in the last quarter of 2004 and this has continued strongly into 2005.

A Leading Bank

Less than five years ago, when ACLEDA received its first banking license, we set ourselves the ambitious target of becoming one of Cambodia's foremost commercial banks and the market leader in the fields of microfinance, retail and small and medium enterprise banking. How far have we come?

From available information we believe that we stand No.2 in terms of lending with 14% market share of all financial institutions and No.7 with 4% in deposit taking. This is a remarkable achievement in such a short time against a competitive environment of 14 commercial banks, 3 specialised banks and 10 microfinance institutions.

Even more remarkable has been the growth of our domestic funds transfer business jumping from 17,793 transactions in 2003 to 42,488 transactions in 2004 – an annual growth of 139% – and by amount from US\$68.5 millions to US\$145.7 millions (113% per annum). Our direct international funds transfer service only launched in late January last year has also demonstrated good potential.

In spite of a strong increase in our loan revenues it is satisfying to be able to report the steadily increasing contribution of non-interest income from 9% in 2003 to 10% of total income by the end of 2004: a trend which is continuing strongly into 2005. This reflects the growth in cash management services and other non-lending activities and it continues to be a key management objective to diversify the revenue stream and to move away from undue reliance on capital-intensive activities.

We must not of course forget that, as a bank, lending remains our core activity and thus the health of our loan portfolio is fundamental to the success of our business. I am pleased to report that non-performing loans ('NPLs') declined from 0.69% at the end of 2003 to 0.61% at the end of 2004 for loans in Riel and from 0.53% to 0.25 % for loans in US dollars, whilst loans in Baht fell from 0.69% in 2003 to 0.10% over the same period. Overall NPLs accounted for 0.31% of portfolio for all currencies in 2004. At the same time ACLEDA Bank follows a very conservative provisioning policy, which actually exceeds the regulatory requirements, by maintaining an additional General Provision. In the uncertain economic times in which we live, management believes such prudence is justified.

The ultimate recognition of our efforts was the award by Moody's Investors Service in December last year of Cambodia's first ever international credit rating for a financial institution. In seeking a rating we aimed to establish our credentials with international institutions, expose ourselves to the discipline of undergoing a rating assessment and to benchmark ourselves against our peers in the region. I firmly believe in the benefits of being rated – sooner or later the market will demand it. Banking remains a business built on trust but trust must be built first and only by showing that we have the confidence in ourselves to submit to objective analysis will the foundations of trust be laid.

Building for the future

The outlook for 2005 as it affects our business remains far from clear. Against a backdrop of the inflationary effect of rising oil prices and the impact that the expiry of the Multi-fibre agreement will have on Cambodia's main export industry, there are nevertheless some positive signs for our traditional business. The 'grass roots' economy continues to grow, the demand for credit in the micro, small and medium scale enterprises remains strong and the international aid and development organisations seem prepared to maintain their support for the country. A particularly encouraging indication, however, is the continued strong growth in our retail deposit gathering which does not seem to have come at the expense of other banks. Rather a substantial part of this comes from rural areas where previously no bank existed and therefore represents the mobilisation of new capital which hitherto had remained idle. The economic and social benefits that this implies need no explanation.

Nevertheless, after a period of rapid growth, which as I mentioned earlier has impacted on our profitability, a time for consolidation and the strengthening of our infrastructure is indicated. Our main initiatives for 2005 are therefore:

1. To strengthen our risk management in anticipation of Basel II by building on our membership of the Risk Management Association;
2. To review our corporate governance needs to take us forward into the next five years;
3. To better integrate our social, environmental and financial objectives ('People, Planet, Profit') within the sphere of the Global Reporting Initiative as mentioned in the 'Environment, Social and Community Report' on page 26;
4. Develop the new businesses embarked upon last year, particularly trade finance;
5. To secure our funding base and stabilise costs to meet our long term business objectives, and, above all;
6. To bring our Operating Expenses down to below 70% of Net Operating Revenue by the end of 2005.

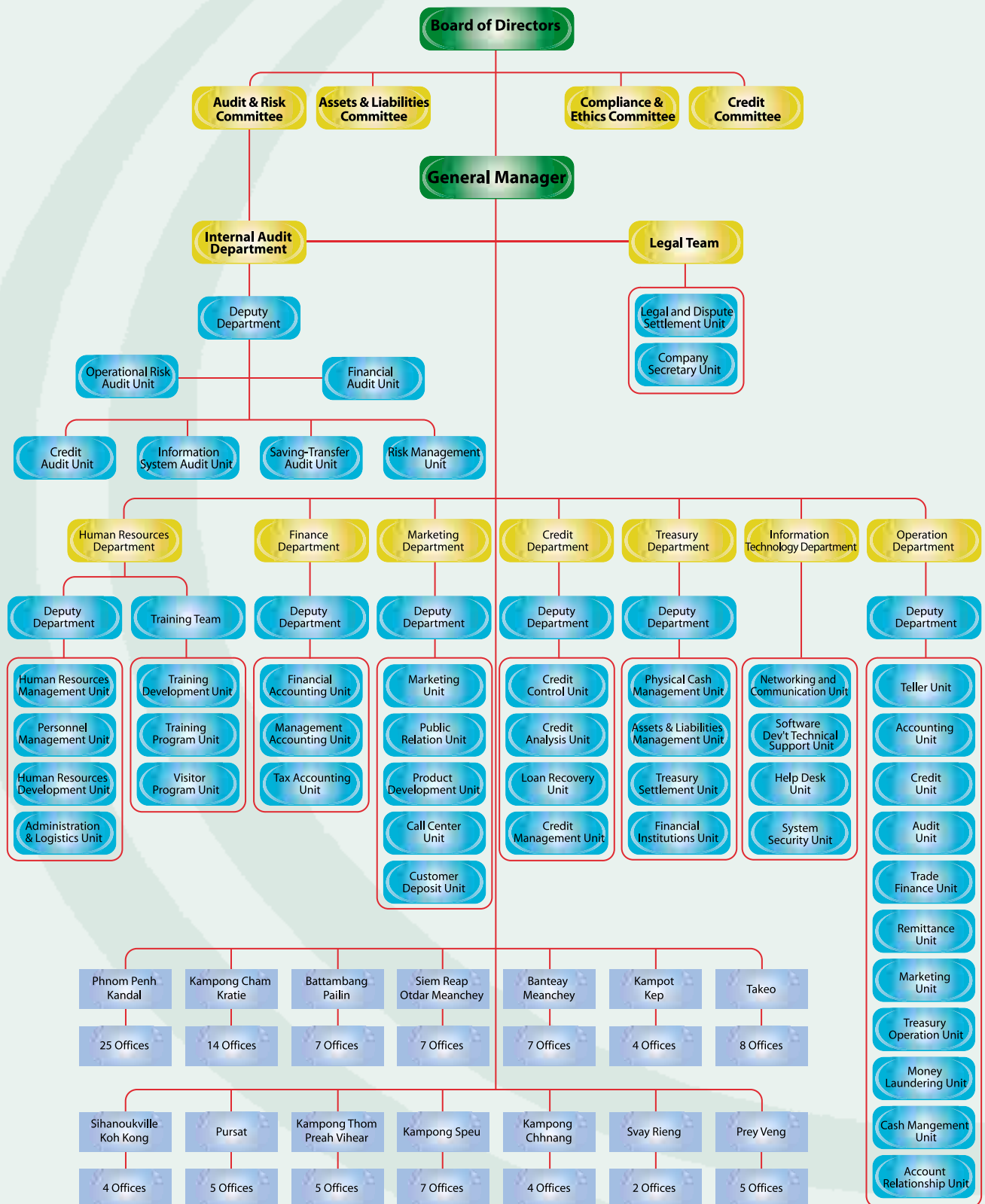
In the face of rising competition from the established domestic banks as they are forced to seek new outlets for their surplus liquidity and the entry into the market of international players such as the ANZ Group, these are challenging times ahead. But the year has started on a high note and we are all confident that we have built the organisation to stand up against the best. I look forward to reporting back to you in 2006!

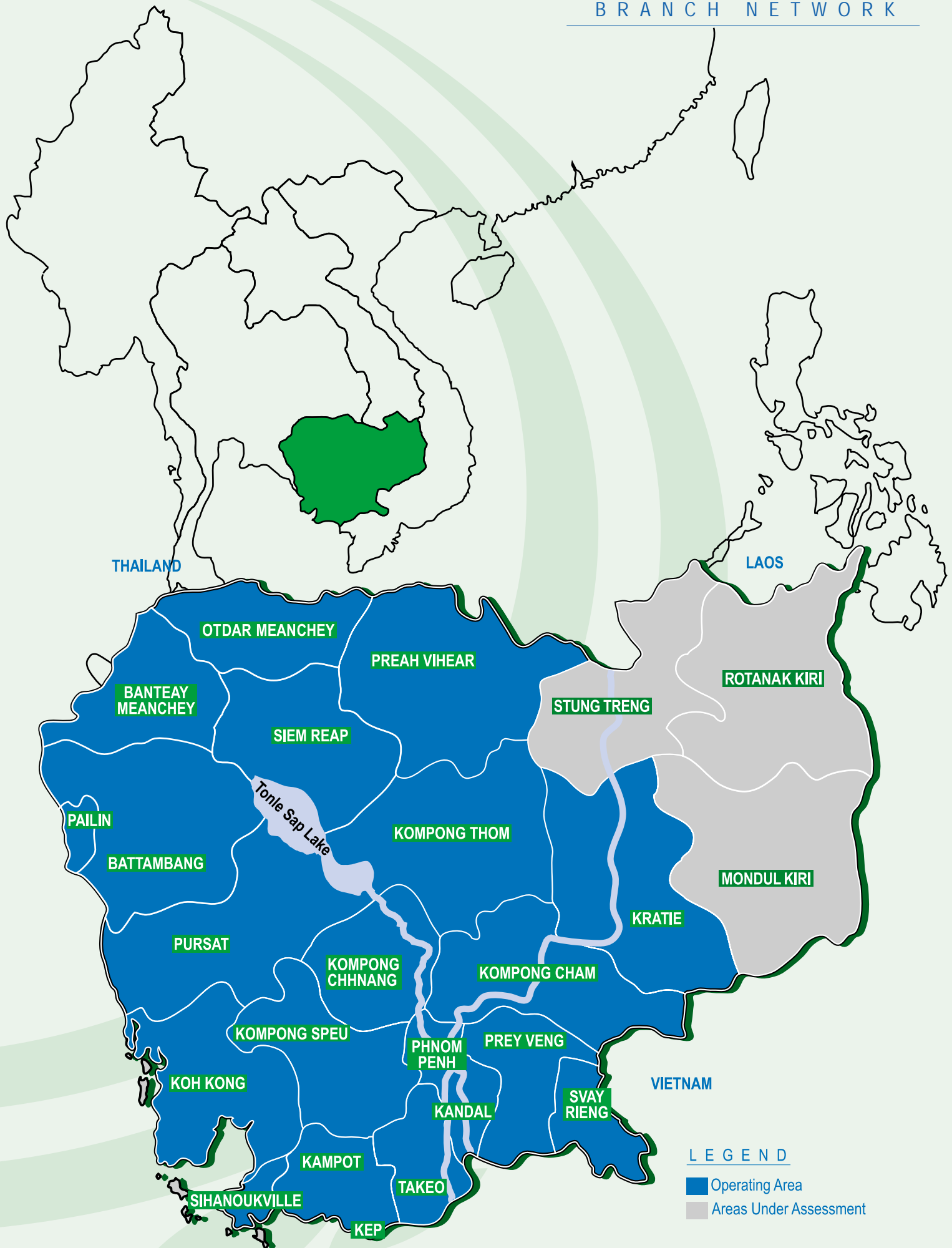


HRH Princess Máxima of the Netherlands with her fellow Advisors for 'The International Year of Microcredit 2005' (Mr Peter Kooi, Director, and Mr In Channy, General Manager, of ACLEDA Bank Plc, first and third from left respectively in middle row).

In Channy
General Manager

ORGANIZATIONAL CHART OF ACLEDA BANK PLC.





LEGEND

- Operating Area
- Areas Under Assessment

PRINCIPLES

ACLEDA Bank Plc is run on the principle of clear separation of responsibilities between a non-executive Board of Directors acting collectively and answerable to the Shareholders, and an executive management team led by the General Manager who has the direct day-to-day responsibility for controlling the business and operational affairs of the bank.

Shareholders

The shareholders are the owners of the bank. However, except for certain critical decisions involving the protection of their investment the Shareholders have no direct powers to manage it in any way but delegate this responsibility to the Board of Directors through the Articles of Association.

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 standard 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 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 banking group is one of the largest European development finance institutions for long-term project and company financing. For more than 40 years DEG has advised private companies, structured and financed their investments in developing and transition countries. So far, we have worked together with more than 1,100 companies and by providing 5.6 billion euros of finance, we have achieved a total investment of over 37 billion euros.

DEG invests in profitable projects that meet environmental standards and comply with social principles in all sectors of the economy open to private entrepreneurial initiative, from agriculture to infrastructure and from manufacturing to services. DEG's aim is to establish and expand private enterprise structures in developing and transition countries and 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 basic 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 outstanding and contracted investment portfolio of EUR 1.99 billion and a staff of around 220, FMO is one of the 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 promotes sustainable private sector investment in developing countries. 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 reduce poverty and improve the lives of people in its developing member countries. The mission of IFC is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.

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

IFC's has a net worth of \$7.8 billion, including authorized capital is US\$2.45 billion and \$5.4 billion in retained earnings.



The President of the World Bank Group also serves as IFC's president. IFC's Executive Vice President 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.

The mission of IFC 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, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. Since its founding in 1956 through 2004, IFC has committed more than \$44 billion of its own funds and arranged \$23 billion in syndications and underwriting for 3,143 companies in 140 developing countries. IFC's worldwide committed portfolio as of 2004 was \$17.9 billion for its own account and \$5.5 billion held for participants in loan syndications.

TRIODOS-DOEN FOUNDATION

Triodos-Doen Foundation was founded by Triodos Bank and DOEN Foundation in 1994. Both 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 33 micro-finance institutions in Asia, Latin America, Africa and Eastern Europe and has a total portfolio of EUR 26 million. Other investments in micro-finance 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 fund in which private investors can participate directly. The fund initially concentrates on the private investors market in the Netherlands. Triodos Fair Share Fund was launched in December 2002 and invests in micro-finance institutions in developing countries and Central and Eastern Europe. Furthermore the fund offers trade finance facilities to suppliers of certified organic and fair-trade products. The objective of Triodos Fair Share Fund is to give low-income people in developing countries access to financial facilities by contributing to a sustainable inclusive financial sector.



The directors are appointed by the shareholders to act on their behalf. The Articles provide that the Board shall consist of nine directors and that:

- a) The Board of Directors is responsible for determining the strategy of the Bank and for conducting or supervising the conduct of its business and affairs. Its members shall act in the best interests of the Bank.
- b) The powers of the Board of Directors are to be exercised collectively and no individual director shall have any power to give directions to the officers or employees of the Bank, to sign any contracts, or to otherwise direct the operations of the Bank unless specifically empowered to do so by a resolution of the Board of Directors.
- c) Each Director shall have unlimited access to the books and records of the Bank during ordinary business hours.

The Board of Directors shall elect, by majority vote, one of its members to serve as Chairman who shall preside over meetings of the Board of Directors as well as the Annual General Meeting.

The Board of Directors assumes responsibility for corporate governance and for promoting the success of the bank by directing and supervising its business operations and affairs. It appoints and may remove the General Manager. It also 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 both directly and through the Board Committees.

The Board of Directors is required to establish an Audit Committee, a Credit Committee, a Compliance Committee and an Assets and Liabilities Committee, and may establish such other committees as it deems necessary or desirable to carry on the business and operations of the bank. These Board Committees shall exist at the pleasure of the Board of Directors and all members of such committees shall be approved by the Board. The Committees themselves will not exercise any of the powers of the Board, except insofar as the Board may formally delegate such powers, but may make recommendations to the Board for their collective action.

A complete list of existing Board Committees, their membership and their activities during 2004 appears on pages 21-25 of this report. It should be noted that membership is not confined only to members of the Board but includes management and others as is considered appropriate to the role of the particular committee. However, the Chairman of a Board Committee must always be a member of the Board.



Mr. Chea Sok, Chairman

Cambodian, joined the Board October, 2000. Born in 1943, he obtained Licence-es-Science Commercials in 1967 (specialized: Bank, Finance and Accounting). 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. (Experience: Banking, Finance, Legal, Management)

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



Mr. John Brinsden, OBE, Vice-chairman

British/New Zealand. Born in 1942, he has lived in Asia for 37 years. He formerly worked for the Standard Chartered Bank for 38 years before retiring in 1999 as Resident Director, Mekong Sub-region. He assumed his present role on joining the Board of ACLEDA Bank in October, 2000. He has particular responsibility for advising the bank on commercial banking and international relations. He is a Fellow of the Chartered Institute of Bankers of England and a Graduate of the Australian Institute of Company Directors. Married with one daughter to Chuang Pi-Feng, Taiwanese, he now lives with his family in Cambodia but travels widely in the Asia-Pacific region and Europe.

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



Mr. Deepak C. Khanna, Director

An Indian national, born in 1957, 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 other companies.



Mr. Emile Groot, Director

Dutch, joined the Board in October, 2000. Obtained an 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 on 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. *(Resigned on 16 March 2005 to take up other appointments)*



Mr. Joseph J. Hoess, Director

American, born in 1966. Mr. Joseph J. Hoess is Executive Director and Country Manager of ABN AMRO Thailand since December 2001. His career with ABN AMRO spans over 13 years in the United States, Europe, Brazil, China and Thailand. During this time, he has held senior management positions in both commercial and investment banking capacities. Mr. Hoess received a B.A. in History from Northern Illinois University in 1988 and MBA from the University of Illinois at Chicago in 1992. He is the Vice Chairman of the Foreign Banks Association of Thailand and sits on the Advisory Board of SASIN Business School at Chulalongkorn University. *(Nominated to the Board on 16 March 2005)*

Board Committees: Audit & Risk.



BOARD OF DIRECTORS

Mrs. Femke Bos, 35, Director

Dutch, joined the board in August 2002. After obtaining her Master's degree in Law in 1994 at the University of Amsterdam, she started her career as a lawyer for a real estate development agency in The Hague. In 1997 she joined the ABN AMRO Bank's Management Trainee program and worked as an Account Manager and subsequently as Senior Account Manager Corporate Clients where she in addition to a client portfolio managed a group of 18 Account Managers and assistants. During this period she gained large experience in retail banking and commercial lending. Femke joined Triodos Bank in 2002. Currently she works as a Senior Investment Officer responsible for investments in microfinance institutions and microfinance banks in South-East Asia and the MENA region.

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 program 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 Masters 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 Investitionen 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.



The General Manager is appointed by the Board of Directors with full responsibility and authority to manage the day-to-day affairs of the bank within the framework of the policies and strategic guidelines approved by the Board. However, certain powers may be retained by the Board and shall be formally recorded in a 'Letter of Reserved Matters'.

The General Manager appoints and chairs an Executive Committee comprising such of his direct reports as he deems appropriate (subject to any changes being notified to the Board in a timely manner). The Terms of Reference and proceedings of the Executive Committee shall be determined by the General Manager at his discretion under the general headings of:

- Strategic direction – develop policies, goals, strategies and targets for Board approval
- Performance – assemble and mobilize resources to implement agreed strategies and performance targets
- Risk – identify and evaluate risk in the bank's strategies and manage exposures
- Compliance – ensure that the bank conforms to all corporate, legal and regulatory requirements.



Mr. In Channy, General Manager

Born on June 4th, 1960. He studied Business Organization and Management 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 is one of the founders of ACLEDA.



Mr. Chhay Soeun, Manager of Finance Department

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 is one of the founders of ACLEDA in 1993 and has been its Finance Manager since 1994.



Mrs. So Phonnary, Manager of Marketing Department

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 at the Regent College in Phnom Penh. From 1993, she worked in ACLEDA as a Small Enterprise Promotion Officer and Credit Officer. In 1995 she was promoted to Provincial Branch Manager. She is one of the founders of ACLEDA in 1993 and has been its Marketing Department Manager since 1996.



Mr. Cheam Teang, Manager of Treasury Department

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 is one of the founders of ACLEDA in 1993 and worked as Provincial Branch Manager till 1998 when he was promoted to Operations Manager in 1998 and he became Treasury Department Manager since 2000.



Mr. Chan Serey, Manager of Human Resource Department

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 was Manager of Credit and Human Resources Department from 2000 before taking over his present role in 2002.



Mr. Mach Terry, Manager of 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. He majored in Computer Science and Statistics. He then proceeded to do a post-graduate diploma in Business Systems and was awarded the diploma in 1990 by the same university. He worked for several different organizations including Commonwealth of Australia, Monash University in Australia, UNHCR in Cambodia, Word Vision Cambodia, International Labour Organization and, finally, ACLEDA NGO as consultant before assuming his present full time management position.



Mrs. Kim Sotheavy, Manager of Internal Audit Department

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 worked in ACLEDA from 1994 as accountant. She was promoted to Internal Audit Team Leader since 1999 and was promoted to Manager in 2002.



Mr. In Siphann, Manager of Credit Department

Born in 1957, he studied management and accounting at the Economic School in Phnom Penh in 1980, obtained a Diploma in General Business Management in 1988. Since 1997 he has attended numerous courses on management and 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 worked in ACLEDA Bank as Small Enterprise Promotion Officer. He became an accountant in 1997 and 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.



Mr. Ly Thay, Manager of Operations Department

Born in 1975, obtained a Bachelor Degree in Chemistry at Phnom Penh University in 1996. He attended numerous courses on selling skills and management by MPDF programs in Cambodia. From 1997, he worked in ACLEDA as accountant and as internal audit staff in 1999. In 2000, he was promoted to Svay Rieng Branch Manager and he was then promoted to office Operation Manager in 2002. He was promoted to Operational Department Manager in 2004.



Mr. Prom Visoth, Legal Team Leader and Company Secretary

Born in 1975, obtained a Bachelor Degree in Accounting at Faculty of Business in 1997 and Bachelor Degree in Private Law at Faculty of Law and Science Economic 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 he was then promoted to Provincial Branch Manager in 2000. He has been Legal Team Leader and Company Secretary since 2001.



Whilst directors' conduct is governed by i) the Articles of Association, ii) the Shareholders' Agreement, and, iii) the relevant laws and regulations of the Kingdom of Cambodia, the continuing evolution of the bank requires constant attention to ensure that its internal standards of corporate behaviour are maintained at the highest levels. In March, 2005, therefore the Board commenced a comprehensive examination of the whole issue of corporate governance to determine the needs of the bank going forward. This exercise is expected to continue over most of the year and will, amongst other things, consider in detail the need for any additional formalisation of the relationships between the various organs of governance of the bank.

All employees of the bank are governed by a strict Code of Ethics which is incorporated into the Collective Labour Agreement which covers such matters as: personal behaviour; relationships with colleagues, customers and regulators; confidentiality; conflicts of interest; acceptance of gifts; money laundering and 'whistle blowing'. This document is regularly reviewed by the Compliance and Ethics Committee to ensure that it remains relevant and up-to-date.



The Board met face-to-face four times in March, June, September and December during the course of 2004 and in addition passed 7 resolutions by email. Each meeting normally lasts one whole day except for the March meeting which extends into a second day to review the previous years results and meet with the external auditors.

Principal activities in 2004:

- Reviewed the Bank's quarterly financial reports and received progress reports on all aspects of the banks operations including services and products.
- Received and reviewed the external auditors' special Management Letters and approved management's response thereto.
- Oversaw the implementation of the Chart of Accounts as stipulated by the National Bank of Cambodia.
- Approved the introduction of new strategic products and services and delivery processes.
- Approved the audited financial statements and Annual Report for the year 2003.
- Approved the purchase of land and budget for a new Headquarters building.
- Ratified new policies for credit, trade finance and money laundering.
- Reviewed and approved the Business Plan, Budget and Capital Expenditure Plan.
- Performed the annual appraisal of the General Manager and approved his 2005 remuneration package.

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.

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 Dept. (ex officio) | – Mrs. So Phonnary |
| 7. Manager, Credit Department (ex officio) | – Mr. In Siphann |
| 8. Manager, Operations Department (ex officio) | – Mr. Ly Thay |

Issues and Activities of 2004:

- ALCO met twelve times during the year with 100% attendance record achieved by all permanent members or their deputies. The Manager of the newly established Operations Department was invited to join the Committee ex-officio in September replacing the Manager, Customer Deposit Unit.
- The injection of new capital resulting from the issuance of a commercial banking license at the end of 2003 and an aggressive funding strategy turned the strain on liquidity of the previous year into a comfortable surplus throughout 2004. With the reduction of the central bank's minimum liquidity requirement from 80% to 50% on 29th December the bank enters 2005 well positioned for the projected portfolio expansion as well as any unexpected large liability movements within our increasing 'big customer' book.
- Following the 2004 Funding Strategy, that for 2005 continues to be based on the premise that in addition to deposit accumulation the bank should continue to build a strong base of longer term institutional funds to finance business expansion whilst expanding domestic inter-bank relationships to cover the shorter term needs.
- In anticipation of rising US\$ interest rates over the medium term the bank obtained a favourable 'first time' credit rating from Moody's which assisted in securing significant funding at fixed rates (see Notes to the Accounts).

- Of the other currencies in which the bank is active obtaining sufficient Khmer Riel and, to a lesser extent, Thai Baht continues to be a critical issue as the volumes now involved are straining the NGO swap mechanism (which was only intended as a safety valve in the first place). A focus in 2005 will therefore be to vigorously grow our Riel and Baht liabilities through new deposit products and targeted marketing.
- ACLEDA commenced offering domestic accounts in Euro in the second half to cater for the needs of a select but significant client list who have need for that currency. The continuing weakness of the US\$ and the increase in trade with the 'Eurozone' has helped boost the popularity of this service although balances are expected to remain modest in the near future.
- The bank continued its strict policy of maintaining a virtually square position in all currencies throughout the year and did not take any speculative positions at any time.
- From time to time the bank laid off surplus liquidity in small blocks of short-term Riel Treasury Bills to keep a stake in the market but activity was generally thin with few banks participating. With no secondary market the bills were purchased on the assumption that they will be held to maturity.
- Administrative improvements introduced during the year included; i) a sharp reduction in physical cash tied up in transit through both the increased availability of the National Bank's network well as effective delegation of responsibility to the newly created provincial 'branch ALCO's'; and, ii) installation of a Reuters service to monitor international F/X and money markets.

Audit and Risk Committee (ARCO)

Scope and purpose:

- i) to monitor the integrity of the financial statements of the bank;
- ii) to review the bank's internal financial control and risk management systems;
- iii) to monitor and review the effectiveness of the bank's internal audit function;
- iv) 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;
- v) to monitor and review the external auditor's independence, objectivity and effectiveness;
- vi) to develop and implement policy on the engagement of the external auditor to supply non-audit services, and;
- vii) 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)	– Mrs. Kim Sotheavy
6. Manager, IT Dept. (ex officio)	– Mr. Terry Mach
7. Manager, Operations Dept. (ex officio)	– Mr. Ly Thay

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.

ARCO undertakes regular monitoring of the internal and external audit, control and risk management processes to ensure that the bank's present business operations are soundly conducted and accurately reported as well as anticipating and assessing future trends and developments – both internal and external – which might threaten or compromise the financial good health, integrity or reputation of the bank and ensure that the appropriate measures are put in place to deal with them. ARCO does not itself normally manage the individual risks but takes responsibility for ensuring that there are appropriate management responsibilities and processes in place to deal with any risk. This may involve periodic reviews of, and amendment to, current procedures or entail recommendations for the implementation of entirely new measures.

Issues and Activities of 2004:

- The Committee met five times during the year with regular quarterly meetings in February, June, September and December and an extraordinary one in April to receive the National Bank's inspection report. All members present in Cambodia attended each meeting. The Manager of the newly established Operations Department was invited to join the Committee ex-officio in September. In addition, the external auditors, PricewaterhouseCoopers ('PwC'), participated in the February and December meetings to present their findings and to answer questions both as to the audit itself as well as the Management Letter commissioned by ARCO to cover specific matters.
- The Committee received the external auditors' 2003 Management Letter which revealed no serious shortcomings but suggested a number of items which the bank should consider for the future. In particular, they focused on risk management in the areas of credit, money laundering and fraud and operational issues as these would become increasingly important as the bank moved towards implementing Basel II. Management has accepted the recommendations of the Management Letter and plans to phase them in according to priority and available resources. It was noted that all issues outstanding from the 2002 Management Letter have been resolved. The Committee's findings were endorsed by the full board at their March meeting.
- In April the Committee received and reviewed the report of the National Bank of Cambodia's inspection team which did not expose any particular deficiencies but urged early settlement of outstanding issues concerning the new Chart of Accounts. This matter was resolved when the bank received the final clearance from the inspectors towards the end of the year.
- New products introduced during the year were screened for internal audit and risk implications.
- An electronic working paper software package, 'TeamMate', has been implemented in Internal Audit department to increase the productivity and effectiveness of the internal auditors by reducing their time in documenting, reviewing and reporting.
- A Computer Assisted Audit Techniques ('CAATs') program has been purchased to support the EDP audit work - in particular reviewing of the integrity of the information systems and security environment.
- Specialist training has been received from KPMG on the planning and execution of the risk-based audit method for the internal audit team which included the relevant topics of risk management and the internal audit role in corporate governance.
- The bank has been a member of Risk Management Association ('RMA') since 2003 and is currently participating in Part II of the Key Risk Indicators ('KRIs') framework study. All high-level managers were provided with in-house training by RMA to set up a risk map for the bank. RMA now provides a library of 1,809 KRIs and industry-wide risk maps detailing those which banks and insurance companies are likely to face together with their impact and probability of occurrence.
- A Risk Management Team has been established to co-ordinate risk management within the organisation and includes ten members from all departments. It has set up a risk matrix on audit issues and reviews the risk map framework study according to industry risk map and the current control environment of the bank. The team will continue to set up the profiles and KRIs for the high-risk areas according to business product over the next year.
- The external auditors have pointed out that in certain respects the International Financial Reporting Standards previously adopted by ACLEDA differ from Cambodian Accounting Standards as set out in the National Bank of Cambodia's Prakas and which is now the required public reporting format. In order to comply with the Shareholders Agreement PwC will provide an explanation of differences in this 2004 Annual Report and a separate set of accounts conforming to IFRS will be specially prepared for the shareholders.

Report and Recommendations

It is the opinion of the Committee that the internal controls, audit procedures and risk management processes are adequate to safeguard the bank and to provide sufficient reassurance as to the integrity of the financial accounts.

In recommending the re-appointment of PricewaterhouseCoopers as external auditors for 2005, 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 Dept. (ex officio) | – Mrs. So Phonnary |
| 6. Manager, Audit Dept. (ex officio) | – Mrs. Kim Sotheavy |
| 7. Manager, Treasury Dept. | – Mr. Cheam Teang |

Issues and Activities for 2004:

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

- Reviewing conduct to ensure compliance with external laws, Prakas and any new regulations by the National Bank of Cambodia and other authorities. In particular, the Committee oversaw the implementation of the central bank's new Chart of Accounts, loan classification, money laundering policy and procedures, liquidity and solvency ratios – all of which were revised during the year.
- Monitoring the evolution of regulatory and 'best practice' developments in the local, ASEAN and international economic, monetary and banking systems and implications for ACLEDA.
- Setting ethical standards and promoting the bank's values of 'trust, honesty and integrity' to all our stakeholders and our mottos of 'fair, safe, challenging and rewarding work' and 'good service to customers' to our staff.
- Reviewing internal policies, procedures and processes to ensure that they meet the high levels required particularly in the areas of reputation, advertising and promotional programs, environmental, social and community matters, and behavioural issues in maintaining an ethical workplace.

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 |

Issues and activities for 2004:

- The Board Credit Committee met four times during the year.
- The Committee reviewed and adjusted the Credit Policy, creating an overall framework for all credit and credit related activities of the bank. A clear separation was made between the overall credit policy and the manuals for the different loan products. The purpose of the Policy was defined as 'a framework within which the credit risk arising from lending or related activities will be managed in order to minimize risks of financial loss'. The Policy was adjusted to a client oriented and risk management based document to include key principles in the credit process regarding the risk acceptance of clients, the attitude and behaviour of all staff involved in the credit process and certain essential risk management principles, such as the separation of positions in the credit process and control limits for the growth of certain credit products. The revised Credit Policy was approved at the board meeting in December 2004.
- The Committee advised management to create a credit analysis unit within the Credit Department to come up with an independent and more objective overview of all risk aspects for all proposals submitted to the Management Credit Committee and Board Credit Committee.
- After a successful pilot the Personal Loan was launched officially at the beginning of the year and the Committee monitored the portfolio meticulously. Control limits were set to be able to sustain healthy qualitative and quantitative growth of this product, targeting for the bank a new segment in the market: private salaried individuals. During the year the Committee advised management on some adjustments regarding the chosen target group, which were implemented.
- The Committee focussed on the fast growing medium sized enterprises customer base. An Account Relationship Manager was introduced to the larger corporate clients to serve as a central contact person for all the client's business with the bank. With the continued growth in this segment it will be all the more important to build up specific sector knowledge of these clients.
- The Committee reviewed a proposal for the introduction of trade finance facilities for medium sized customers with a specific focus on foreign trade. The bank expects to serve a large part of its existing customer base and attract potential new customers in the growing Cambodian economy with these facilities. The proposal was approved at the board meeting in December 2004.
- The new Overdraft portfolio was closely monitored based upon the actual turnover on the accounts and the Committee was satisfied with the fact that management and clients are getting more familiar with this loan product.
- The Committee was pleased with the fact that management was able to maintain excellent portfolio quality in all segments of the lending portfolio.



'PEOPLE, PLANET, PROFIT'

Environmental and social sustainability reporting

ACLEDA Bank is focused on achieving strong, sustainable financial returns, while respecting the environment and community within which we live. We are committed to the concept of triple bottom line ('people, planet, profit') reporting and are developing indicators for measuring and reporting on our performance and impacts on the society and the environment and to implement a reporting structure based on the guidelines of the Global Reporting Initiative. For this purpose, we are conducting a dedicated programme and are an active participant and supporter of the TSF¹ initiative led by Triodos Bank. The first results of this process will be made available in our 2005 annual report.

Environment

ACLEDA Bank fully subscribes to international conventions which prohibit the provision of credit to, or otherwise support, any activities which might harm the environment, be morally repugnant or jeopardise human rights. In particular the bank has in place policies which forbid involvement with exploitative forms of forced or child labour, trade in weapons and munitions, gambling, casinos, brothels, regulated wildlife or wildlife products and production or trade in radioactive materials or significant volumes of hazardous chemicals.

Reducing Our Environmental Impact

Following on from the appointment of a full-time Environmental Officer, mentioned in last year's report, the bank has introduced a number of new initiatives to improve its environmental performance. These include double-side printing or re-use of printed paper (where consistent with confidentiality), re-cycling of paper and other materials and safe disposal of potentially hazardous items such as ink cartridges, batteries, electronic and electrical goods. As part of the induction process, new recruits are trained in the need for energy and water conservation as well as proper garbage disposal and respect for the countryside when travelling whether on bank business or not.

Monitoring processes to check our environmental performance are being developed and are already in the pilot phase in Head Office. While still too early to produce hard data, anecdotal evidence is that the introduction of 'paperless' systems such as Lotus Notes is having a positive impact on our stationary consumption as well as our operating costs.

Another initiative started last year is a program to encourage our suppliers to play their part by progressively requiring that they meet certain environmental standards as part of the invitation to tender for our business. Used ink cartridges are already returned for refilling and re-use and obsolescent PCs are sold for component recycling.

Social

ACLEDA Bank's corporate culture is built on respect for the society in which we operate and an inclusive perspective on our stakeholders embracing not just shareholders and staff, customers and business partners but the community at large. In addition to the environmental programs mentioned above the bank observes a policy of equal opportunity towards the public in general and customers and staff alike.

The following are recent examples of ACLEDA's corporate social responsibility practices:

- The bank has recently reviewed its guidelines to ensure that the handicapped are not placed at a disadvantage. It is implementing a program to progressively renovate its offices to take into account the needs of those suffering from disabilities.
- 65% 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 aims to be the most progressive employer in Cambodia providing medical, pension and other benefits such as personal loan schemes and an employee share ownership program, believed to be the first in Cambodia, for all staff who have completed probation. It provides comprehensive training both for new recruits as well as experienced staff and encourages those who wish to further develop themselves through external programs. During 2004 alone 516 training programs – both internal and external – were delivered to 2,108 or 99% of the total staff. Each member of the staff attended on average five courses during the year.

- A high level committee under the chairmanship of the Chairman of the Board has been specifically tasked with the responsibility of setting and monitoring the bank's moral and ethical standards (see 'Compliance and Ethics Committee' report on page 24)
- In consultation with its staff the bank has drawn up 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. These are now published on Lotus Notes so that every member of the staff has free (and paperless) access to the most up-to-date versions.
- Above all, ACLEDA Bank has practiced from the very beginning 'zero tolerance' of corruption both internally and externally and transgressions are dealt with summarily.

Community

ACLEDA recognises that support for the community in which it lives is not just morally sound but good business as well – 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 in a sustainable manner 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. A good example of our impact on the community is the phenomenal year-on-year expansion of our domestic money transfer services which rose from the equivalent of US\$28.0 million in 2002 to US\$68.5 million in 2003 (+144%) to US\$145.7 million in 2004 (+113%) mostly in the rural areas. Savings growth is another indicator. As our branch network has expanded into the provincial districts so have our deposits: from US\$5.7 million in 2002 to US\$13.2 million in 2003 to US\$31.6 million in 2004, representing growth rates of 132% and 140% in the last two years respectively.

We are developing segments within the loan portfolio specially to finance micro-generating entrepreneurs to enable them to bring power supplies to remote districts and villages and, more recently, pumping equipment for rural water supply operators. To date 259 loans of between US\$130 and US\$30,000 have been disbursed under this program totalling US\$339,000 – a promising start to a larger initiative to formalise our community lending programs in a focused and measurable way.

During 2004, as part of our agenda to promote microfinance to a broader audience, ACLEDA provided 499 internships for local students and 12 for international students (3 from Japan; 3 from Indonesia; 1 from Thailand; 1 from Australia; 1 from United Kingdom; and 3 from the United States of America).



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of ACLEDA Bank Plc. ("the Bank") presents its report and the Bank's audited financial statements for the year ended 31 December 2004.

THE BANK

Prior to 1 December 2003, the Bank was 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 Central Bank") 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 Chamkarmon, 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 Central Bank.

RESULTS AND DIVIDENDS

Net profit after tax for the year ended 31 December 2004 amounted to US\$2,063,073 (2003: US\$1,973,880).

On 12 May 2004, dividends amounting to US\$789,100 (2002: US\$176,800) were declared from the Bank's net income for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Bank operates under regulation by the Central Bank with special focus on providing lending and other banking services to rural people and small and medium size traders, and to engage in all other activities which the Board of Directors 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 (resigned on 16 March 2005)
- Mr. Deepak C. Khanna
- 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 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
- Mr. Ly Thay, Operation Department Manager

AUDITORS

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

STATEMENT OF THE EXECUTIVE MANAGEMENT

The Bank's Executive Management is responsible for ascertaining that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2004 and of the results of its operations and its cash flows for the period then ended. In preparing these financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with accounting principles generally accepted in Cambodia and the guidelines issued by the Central Bank or, if there have been any departures in the interest of true and fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Executive Management confirms that the Bank has complied with the above requirements in preparing the financial statements.



Mr. In Channy

General Manager

Phnom Penh, Kingdom of Cambodia

Date: 21st March 2005



The accompanying financial statements, which give a true and fair view of the financial position of the Bank as at 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Cambodia and the guidelines issued by the Central Bank, were approved by the Board of Directors.

On behalf of the Board of Directors



Chea Sok

Chairman

Phnom Penh, Kingdom of Cambodia

Date: 21st March 2005



Photo courtesy of British American Tobacco Cambodia.

We have audited the accompanying balance sheet of ACLEDA Bank Plc. ("the Bank") as at 31 December 2004 and the related statements of income and cash flows for the year then ended, together with the notes thereto on pages 36 to 59 ("the financial statements") expressed in United States dollars.

Respective responsibilities of the Board of Directors and the auditors

The Bank's Board of Directors is responsible for the preparation of financial statements which give a true and fair view and for the maintenance of proper accounting records and procedures. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion based on our audit of the financial statements and to report our opinion to you.

This report, including the opinion, has been prepared for and only for the Bank's shareholders 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As indicated in note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Cambodia. The accounting principles and practices utilised in Cambodia may differ from those generally accepted in countries and jurisdictions other than Cambodia.

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 National Bank of Cambodia ("the Central Bank"), in accordance with Announcement No. B795-I39-AN issued on 5 December 1995. The financial statements which were expressed in Khmer Riel do not form part of the audited financial statements and therefore we do not express an opinion on the financial statements expressed in Khmer Riel.

Opinion

In our opinion, the financial statements set out on page 32 to 59 give a true and fair view, in all material respects, of the financial position of the Bank as at 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally followed in Cambodia and the guidelines issued by the Central Bank.

Price Waterhouse Coopers (Cambodia) Limited



PRICEWATERHOUSECOOPERS (CAMBODIA) LIMITED

Phnom Penh, Kingdom of Cambodia

Date: 21st March 2005


INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	For the year ended 31 December 2004 US\$ Riel '000 (At year-end exchange rate)		For the year ended 31 December 2003 US\$ Riel '000 (At year-end exchange rate)	
Interest income	3	15,643,502	62,996,383	10,818,543	43,014,527
Interest expense	4	<u>(2,149,309)</u>	<u>(8,655,267)</u>	<u>(1,190,289)</u>	<u>(4,732,589)</u>
Net interest income		13,494,193	54,341,116	9,628,254	38,281,938
Fee and commission income	5	672,289	2,707,308	328,107	1,304,553
Fee and commission expense		<u>(92,838)</u>	<u>(373,857)</u>	<u>(57,479)</u>	<u>(228,536)</u>
Net fee and commission income		579,451	2,333,451	270,628	1,076,017
Other operating income	6	772,313	3,110,104	602,598	2,395,930
Foreign exchange gain, net		39,657	159,699	8,876	35,290
General and administrative expenses	7	<u>(11,695,270)</u>	<u>(47,096,854)</u>	<u>(7,584,054)</u>	<u>(30,154,200)</u>
Operating profit before extensions of credit		3,190,344	12,847,516	2,926,302	11,634,975
Provision for loan losses	12(f)	<u>(632,669)</u>	<u>(2,547,759)</u>	<u>(465,519)</u>	<u>(1,850,904)</u>
Profit before income tax		2,557,675	10,299,757	2,460,783	9,784,071
Income tax expense	8	<u>(494,602)</u>	<u>(1,991,762)</u>	<u>(486,903)</u>	<u>(1,935,926)</u>
Profit for the year		<u>2,063,073</u>	<u>8,307,995</u>	<u>1,973,880</u>	<u>7,848,145</u>



In Channy
General Manager

Date: 21st March 2005



Chhay Soeun
Finance Manager

Date: 21st March 2005

The accompanying notes on pages 36 to 59 form an integral part of these financial statements.

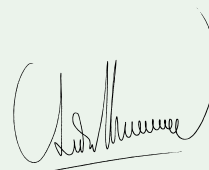
B A L A N C E S H E E T A S A T 3 1 D E C E M B E R 2 0 0 4

	Note	31 December 2004 US\$	Riel '000 (At year-end exchange rate)	31 December 2003 US\$	Riel '000 (At year-end exchange rate)
ASSETS					
Cash on hand		5,907,224	23,788,391	2,982,753	11,859,426
Balances with other banks and financial institutions	9	780,169	3,141,740	148,569	590,710
Placements with other banks and financial institutions	10	1,367,000	5,504,910	4,000	15,904
Balances with the Central Bank	11	5,264,987	21,202,103	2,137,658	8,499,328
Investment in treasury bills		123,551	497,540	-	-
Loans and advances to customers	12	64,932,486	261,483,121	39,907,534	158,672,355
Property and equipment	13	3,415,718	13,755,096	1,032,872	4,106,699
Computer software	14	595,400	2,397,676	550,211	2,187,639
Other assets	15	1,716,511	6,912,390	1,476,874	5,872,050
Property foreclosed		5,800	23,357	-	-
Total assets		84,108,846	338,706,324	48,240,471	191,804,111
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	16	31,640,359	127,415,726	13,160,685	52,326,884
Accruals and other liabilities	17	2,229,776	8,979,309	1,772,756	7,048,478
Borrowings	18	18,000,000	72,486,000	2,250,000	8,946,000
Senior debt	19	6,040,215	24,323,946	6,099,044	24,249,799
Staff pension liability	20	534	2,149	163,179	648,799
Provision for health insurance		263,004	1,059,118	137,109	545,146
Total liabilities		58,173,888	234,266,248	23,582,773	93,765,106
SHAREHOLDERS' EQUITY					
Share capital	21	13,000,000	52,351,000	13,000,000	51,688,000
Subordinated debt	22	8,726,412	35,141,261	8,723,125	34,683,145
Reserves		2,145,473	8,639,820	960,693	3,819,715
Retained earnings		2,063,073	8,307,995	1,973,880	7,848,145
Total shareholders' equity		25,934,958	104,440,076	24,657,698	98,039,005
Total liabilities and shareholders' equity		84,108,846	338,706,324	48,240,471	191,804,111



In Channy
General Manager

Date: 21st March 2005



Chhay Soeun
Finance Manager

Date: 21st March 2005

The accompanying notes on pages 36 to 59 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004

	Share capital US\$	Subordinated debt US\$	General reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2003	4,000,000	12,217,758	548,225	589,268	17,355,251
Dividend relating to 2002 profit	-	-	-	(176,800)	(176,800)
Transfer to general reserve	-	-	412,468	(412,468)	-
Issue of share capital	9,000,000	*(3,492,317)	-	-	5,507,683
Profit for the year	-	-	-	1,973,880	1,973,880
Currency translation differences	-	(2,316)	-	-	(2,316)
Balance at 31 December 2003	13,000,000	8,723,125	960,693	1,973,880	24,657,698
In Riel'000 equivalents	51,688,000	34,683,145	3,819,715	7,848,145	98,039,005
Balance at 1 January 2004	13,000,000	8,723,125	960,693	1,973,880	24,657,698
Dividend relating to 2003 profit	-	-	-	(789,100)	(789,100)
Transfer to general reserve	-	-	1,184,780	(1,184,780)	-
Profit for the year	-	-	-	2,063,073	2,063,073
Currency translation differences	-	3,287	-	-	3,287
Balance at 31 December 2004	13,000,000	8,726,412	2,145,473	2,063,073	25,934,958
In Riel'000 equivalents	52,351,000	35,141,261	8,639,820	8,307,995	104,440,076

* According to Approval T70382 dated 18 August 2003 by the Supervision Department of the Central Bank, an amount of US\$3,492,317 was transferred from subordinated debt to the Bank's share capital owned by ACLEDA NGO.



In Channy
General Manager

Date: 21st March 2005



Chhay Soeun
Finance Manager

Date: 21st March 2005

The accompanying notes on pages 36 to 59 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	For the year ended 31 December 2004		For the year ended 31 December 2003	
		US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Cash flows from operating activities					
Cash used in operation	25	(2,802,488)	(11,285,619)	(2,012,245)	(8,000,687)
Income tax paid		(567,803)	(2,286,543)	(199,388)	(792,767)
Net cash used in operating activities		<u>(3,370,291)</u>	<u>(13,572,162)</u>	<u>(2,211,633)</u>	<u>(8,793,454)</u>
Cash flows from investing activities					
Reserve deposit with the Central Bank		(1,564,993)	(6,302,227)	6	24
Statutory deposit with the Central Bank		-	-	(1,100,000)	(4,373,600)
Fixed deposits with other banks		(8,000)	(32,215)	(4,000)	(15,904)
Purchases of treasury bills		(123,551)	(497,540)	-	-
Purchases of intangible assets		(259,817)	(1,046,283)	-	-
Purchases of property and equipment		(3,187,042)	(12,834,218)	(857,141)	(3,407,993)
Proceeds from sales of property and equipment		26,201	105,511	22,552	89,667
Net cash used in investing activities		<u>(5,117,202)</u>	<u>(20,606,972)</u>	<u>(1,938,583)</u>	<u>(7,707,806)</u>
Cash flows from financing activities					
Payment of dividends		(789,100)	(3,177,706)	(176,800)	(702,956)
Repayment of borrowings		(750,000)	(3,020,250)	-	-
Proceeds from borrowings		16,500,000	66,445,500	3,000,000	11,928,000
Proceeds from issuance of shares		-	-	3,660,000	14,552,160
Re-lending of interest on senior debt		-	-	3,392	13,487
Net cash from financing activities		<u>14,960,900</u>	<u>60,247,544</u>	<u>6,486,592</u>	<u>25,790,691</u>
Net increase in cash and cash equivalents		<u>6,473,407</u>	<u>26,068,410</u>	<u>2,336,376</u>	<u>9,289,431</u>
Cash and cash equivalents at the beginning of the year		3,958,477	15,738,905	1,622,101	6,449,474
Currency translation at balance sheet date		-	201,881	-	-
Cash and cash equivalents at end of the year	24	<u>10,431,884</u>	<u>42,009,196</u>	<u>3,958,477</u>	<u>15,738,905</u>



In Channy
General Manager

Date: 21st March 2005



Chhay Soeun
Finance Manager

Date: 21st March 2005

The accompanying notes on pages 36 to 59 form an integral part of these financial statements.

1. GENERAL

Prior to 1 December 2003, ACLEDA Bank Plc. ("the Bank") was a public limited company formed under the Laws of the Kingdom of Cambodia to operate as a specialised bank with a Head Office located in Phnom Penh and 14 branches in the Kingdom of Cambodia. On 1 December 2003, the National Bank of Cambodia ("the Central Bank") 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 Chamkarmon, 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 Central Bank.

The Bank operates under regulation by the Central Bank 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 2004, the Bank had 2,108 employees (2003: 1,284 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

The financial statements have been prepared in United States dollars ("US\$") using the historical cost convention.

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Kingdom of Cambodia. The accounting principles and practices utilised in the Kingdom of Cambodia may differ from those generally accepted in countries and jurisdictions other than the Kingdom of Cambodia.

For the sole purpose of complying with Announcement No. B795-139-AN dated 5 December 1995 of the Central Bank, each account of the financial statements has to be translated into Khmer Riel ("Riel") at the official rate of exchange regulated by the Central Bank as at reporting date. The financial statements expressed in Riel do not form part of the audited financial statements and are not for the use of parties other than the Central Bank. As at 31 December 2004, this translation was made at the rate of US\$1 to Riel 4,027 (2003: US\$1 to Riel 3,976).

2.2 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in US\$, which is the Bank's functional and presentation currency.

b) Transactions and balances

Transactions in currencies other than US\$, the functional and presentation currency, are translated into US\$ at the exchange rate prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary and liabilities denominated in currencies other than US\$, are recognised in the income statement.

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

	31 December 2004	31 December 2003
Riel	4,027	3,976
THB	38.99	39.66
Euro	0.7344	NA

2.3 Interest income and expense

Interest income on loans and advances to customers, deposits with the Central Bank and other banks, and treasury bills is recognised on a daily accruals basis, except where serious doubt exists as to the collectibility of loans and advances to customers, in which case no interest income is recognised. The policy on suspension of interest is in conformity with the Central Bank's Guidelines on the suspension of interest on non-performing loans and provision for bad and doubtful debts.

Interest expenses on customers' deposits, subordinated and senior debts, and loans from other financial institutions are recognised on a daily accruals basis.

2.4 Fee and commission income

Fee and commission income are recognised when the transaction occurs. Fees and commissions comprise income received from inward and outward bank transfers, loan processing fee, bank guarantee, letters of credit and bills for collection.

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 bad and doubtful loans. Short term loans are those with a repayment date within one year of the date the loan was advanced. Medium and long term loans are those with a final repayment date more than one year from the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recovery of loans and advances to customers previously written off is recognised in the income statement.

2.6 Provision for loan losses

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

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

In addition to minimum specific provisioning, the Bank provides a general provision at 1.5% of the total loans and advances outstanding, net of specific provision.

2.7 Overdue loans

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

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

	Years
Motor vehicles	3 – 5
Computer equipment	3
Equipment	3 – 5
Furniture and fixture	3
Leasehold improvements	3

If an asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

2.9 Computer software

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

2.10 Investments in treasury bills, and overnight deposits and short-term deposits with other banks

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

2.11 Deferred tax

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

2.12 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.13 Staff pension fund

The Bank provides its employees with a pension fund. The fund is funded from the following sources:

- 1) A monthly contribution which is determined based on the monthly salary of an employee is contributed by the Bank and its employees at a rate of 10% and 5%, respectively.
- 2) The Bank contributes interest on the cumulative balance of the pension fund computed at interest rate of 5% per annum. Prior to 2004, the Bank contributes interest only on the portion of pension fund contributed by employee at interest rate of 5% per annum.

The pension fund will be fully paid to the employee upon termination of employment with the Bank for any reason. The staff pension fund can be transferred to the Bank's share capital owned by ASA Inc. upon written mutual agreement between the Bank's staff and management (note 20).

2.14 General reserve

A 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. The remaining amount of prior year's net profit after dividend payment to shareholders is transferred to this general reserve.

2.15 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash, balances with banks and other financial institutions, placement with other banks, and current accounts and fixed deposits with the Central Bank.

2.16 Related party

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

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

2.17 Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in presentation of the current year.

3. INTEREST INCOME

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Loans and advances to customers	15,585,817	62,764,085	10,815,861	43,003,863
Placements with other banks	57,685	232,298	2,682	10,664
	<u>15,643,502</u>	<u>62,996,383</u>	<u>10,818,543</u>	<u>43,014,527</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

4. INTEREST EXPENSE

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Deposits from customers	460,134	1,852,960	138,437	550,426
Subordinated debt	371,222	1,494,911	481,290	1,913,609
Senior debt	338,744	1,364,122	334,374	1,329,471
Blue Orchard Micro Finance Securities I, LLC ("Blue Orchard MFS")	214,290	862,946	-	-
Blue Orchard Finance SA	90,552	364,653	59,694	237,343
Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden ("FMO")	240,382	968,018	-	-
Triodos International Fund Management ("Triodos IFM")	224,727	904,976	78,646	312,696
International Financial Corporation ("IFC")	73,039	294,128	-	-
Rural Development Bank ("RDB")	54,121	217,945	28,033	111,459
Others	82,098	330,608	69,815	277,585
	<u>2,149,309</u>	<u>8,655,267</u>	<u>1,190,289</u>	<u>4,732,589</u>

5. FEES AND COMMISSION INCOME

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Fees from fund transfers	434,563	1,749,985	140,565	558,886
Loan processing fees	214,465	863,651	181,763	722,690
Other income	23,261	93,672	5,779	22,977
	<u>672,289</u>	<u>2,707,308</u>	<u>328,107</u>	<u>1,304,553</u>

6. OTHER OPERATING INCOME

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Bad loans recovered	429,269	1,728,666	362,008	1,439,344
Penalty fee received from late payment	297,693	1,198,810	188,692	750,239
Gain on disposal of property and equipment	24,673	99,358	19,384	77,071
Others	20,678	83,270	32,514	129,276
	<u>772,313</u>	<u>3,110,104</u>	<u>602,598</u>	<u>2,395,930</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

7 GENERAL AND ADMINISTRATIVE EXPENSES

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Salaries and wages	5,158,734	20,774,222	3,500,547	13,918,175
Other staff benefits	1,559,937	6,281,866	984,512	3,914,420
Depreciation	802,668	3,232,344	556,692	2,213,407
Rental, repairs and maintenance	737,206	2,968,729	534,979	2,127,077
Telecommunication and utilities	618,021	2,488,771	406,405	1,615,866
Office supplies	588,616	2,370,357	275,485	1,095,328
Traveling related expenses	390,930	1,574,275	258,559	1,028,031
Furniture and fixture expenses	359,100	1,446,096	162,304	645,321
Training expenses	285,155	1,148,319	197,597	785,646
Professional fee	232,815	937,546	181,549	721,839
Insurance and security	217,038	874,012	26,548	105,554
Amortisation of computer software	214,628	864,307	180,887	719,207
Marketing expenses	146,662	590,608	68,469	272,233
Other operating expenses	383,760	1,545,402	249,521	992,096
	<u>11,695,270</u>	<u>47,096,854</u>	<u>7,584,054</u>	<u>30,154,200</u>

8. TAXATION

a) Income tax expense

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Current	465,258	1,873,594	517,250	2,056,586
Deferred tax movement	50,565	203,627	(13,867)	(55,135)
	<u>515,823</u>	<u>2,077,221</u>	<u>503,383</u>	<u>2,001,451</u>
Prior year adjustment	(21,221)	(85,459)	(16,480)	(65,525)
	<u>494,602</u>	<u>1,991,762</u>	<u>486,903</u>	<u>1,935,926</u>

In accordance with Cambodian tax laws, the Bank has an obligation to pay corporate income tax on the higher of either the Tax on Profit at the rate of 20% of taxable profit or Minimum Tax at 1% of turnover inclusive of all taxes except Value Added Tax.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

b) Reconciliation between income tax expense and accounting profit

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Profit before taxation	2,557,675	10,299,757	2,460,783	9,784,071
Non deductible expenses	21,442	86,347	56,134	223,189
Taxable income	2,579,117	10,386,104	2,516,917	10,007,260
Tax on Profit rate	20%	20%	20%	20%
Tax charge for the year	515,823	2,077,221	503,383	2,001,451

c) Other tax matters

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

9. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Current accounts:				
Banks inside Cambodia	228,900	921,780	148,569	590,710
Banks outside Cambodia	551,269	2,219,960	-	-
	780,169	3,141,740	148,569	590,710

Current accounts do not earn interest.

10. PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Overnight placement	1,355,000	5,456,585	-	-
Fixed deposits	12,000	48,325	4,000	15,904
	1,367,000	5,504,910	4,000	15,904

The annual interest rates by type are as follows:

	2004	2003
Overnight placement	1.646%	-
Fixed deposits	3.5% - 3.75%	3.75%

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2004

II. BALANCES WITH THE CENTRAL BANK

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Current accounts				
Riel	74,353	299,420	61,218	243,403
US\$	1,815,137	7,309,557	365,937	1,454,966
Statutory deposit	1,300,000	5,235,100	1,300,000	5,168,800
Reserve account	1,575,497	6,344,526	10,503	41,759
Fixed deposits	500,000	2,013,500	400,000	1,590,400
	<u>5,264,987</u>	<u>21,202,103</u>	<u>2,137,658</u>	<u>8,499,328</u>

In compliance with Prakas No. B701-136 dated 15 October 2001, the Bank maintains a statutory deposit with the Central Bank equivalent to US\$1,300,000 and which represents 10% of its registered capital. This deposit earns interest at the rate of 3/8 six month SIBOR. This deposit is refundable should the Bank ceases its operations in Cambodia.

Reserve account represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers and settlements of accounts of other banks. In calculating the minimum reserve, the Central Bank allows for an amount of cash on hand in local currency of Riel 4,889,402 thousand held by the Bank as at 31 December 2004 (2003: Riel 3,830,579 thousand) to be deducted from the required reserves.

Annual interest rates on balances with the Central Bank are summarised as follows:

	2004	2003
Current accounts	0%	0%
Statutory deposit	0.73%	0.46%
Reserve account	0%	0%
Fixed deposits	1.81%	0.86%

12. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by type of loans

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Commercial loans:				
Short term loans	35,296,979	142,140,934	26,010,104	103,416,174
Long term loans	28,528,877	114,885,788	14,392,453	57,224,393
Overdrafts	477,416	1,922,554	77,467	308,009
Loans to General Manager and internal auditors	72,397	291,543	51,359	204,203
Consumer loans	1,605,559	6,465,586	41,287	164,157
	<u>65,981,228</u>	<u>265,706,405</u>	<u>40,572,670</u>	<u>161,316,936</u>
Provision for loan losses				
Specific provision	59,922	241,306	58,556	232,818
General provision	988,820	3,981,978	606,580	2,411,763
	<u>1,048,742</u>	<u>4,223,284</u>	<u>665,136</u>	<u>2,644,581</u>
	<u>64,932,486</u>	<u>261,483,121</u>	<u>39,907,534</u>	<u>158,672,355</u>

All short term and long term loans were granted to Cambodian borrowers.

Staff loans including General Manager and internal auditors were unsecured, granted in US\$ for a maximum term of five years with an interest rate at 12% per year.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

b) Analysis by security on performing and non-performing loans

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Standard loans				
Secured	60,880,636	245,166,321	36,268,641	144,204,117
Unsecured	4,896,985	19,720,159	4,072,745	16,193,234
Substandard loans				
Secured	34,148	137,514	80,801	321,265
Unsecured	12,412	49,983	14,139	56,217
Doubtful loans				
Secured	121,522	489,369	118,896	472,731
Unsecured	23,880	96,165	4,661	18,531
Losses				
Secured	6,755	27,202	12,787	50,841
Unsecured	4,890	19,692	-	-
	<u>65,981,228</u>	<u>265,706,405</u>	<u>40,572,670</u>	<u>161,316,936</u>
Provision for loan losses				
Specific provision	59,922	241,306	58,556	232,818
General provision	988,820	3,981,978	606,580	2,411,763
	<u>1,048,742</u>	<u>4,223,284</u>	<u>665,136</u>	<u>2,644,581</u>
	<u>64,932,486</u>	<u>261,483,121</u>	<u>39,907,534</u>	<u>158,672,355</u>

c) Analysis by type of industry

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Commerce	48,858,680	196,753,904	30,184,525	120,013,672
Service	11,484,430	46,247,800	6,983,942	27,768,153
Manufacturing	3,658,538	14,732,932	2,203,920	8,762,786
Agriculture	1,979,580	7,971,769	1,200,283	4,772,325
	<u>65,981,228</u>	<u>265,706,405</u>	<u>40,572,670</u>	<u>161,316,936</u>
Provision for loan losses				
Specific provision	59,922	241,306	58,556	232,818
General provision	988,820	3,981,978	606,580	2,411,763
	<u>1,048,742</u>	<u>4,223,284</u>	<u>665,136</u>	<u>2,644,581</u>
	<u>64,932,486</u>	<u>261,483,121</u>	<u>39,907,534</u>	<u>158,672,355</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2004

d) Analysis by relationship

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Non-related parties	65,908,831	265,414,862	40,521,311	161,112,733
Related parties	72,397	291,543	51,359	204,203
	<u>65,981,228</u>	<u>265,706,405</u>	<u>40,572,670</u>	<u>161,316,936</u>
Provision for loan losses				
Specific provision	59,922	241,306	58,556	232,818
General provision	988,820	3,981,978	606,580	2,411,763
	<u>1,048,742</u>	<u>4,223,284</u>	<u>665,136</u>	<u>2,644,581</u>
	<u>64,932,486</u>	<u>261,483,121</u>	<u>39,907,534</u>	<u>158,672,355</u>

e) Analysis by maturity

	US\$	2004 Riel '000 (At year-end exchange rate)
Within one year	42,822,607	172,446,639
Over one year but less than three years	21,629,174	87,100,683
Over three years but less than five years	1,529,447	6,159,083
	<u>65,981,228</u>	<u>265,706,405</u>
Provision for loan losses		
Specific provision	59,922	241,306
General provision	988,820	3,981,978
	<u>1,048,742</u>	<u>4,223,284</u>
	<u>64,932,486</u>	<u>261,483,121</u>

f) Provisions for loan losses

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

	Specific provision US\$	General provision US\$	Total US\$
Balance at 1 January 2003	311,759	270,849	582,608
Charge for the year	129,788	335,731	465,519
Bad debts written-off	(382,991)	-	(382,991)
Balance at 31 December 2003	<u>58,556</u>	<u>606,580</u>	<u>665,136</u>
Balance at 1 January 2004	58,556	606,580	665,136
Charge for the year	250,429	382,240	632,669
Bad debts written-off	(249,063)	-	(249,063)
Balance at 31 December 2004	<u>59,922</u>	<u>988,820</u>	<u>1,048,742</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

g) Interest rates

The annual interest rates are as follows:

	2004	2003
Overdraft		
in US\$	18% - 24%	18% - 24%
in Riel	24% - 30%	18% - 24%
Staff loans (including related parties)	12%	12%
Other loans:		
in US\$		
Less than US\$1,500	36%	36%
More than US\$15,000 and less than US\$10,000	24%	24%
More than US\$10,000 and less than 5% of net worth	18% - 24%	18% - 24%
in Riel		
Less than Riel 1,500,000	54%	60%
More than Riel 1,500,000 and less than Riel 5,000,000	48%	48%
More than Riel 5,000,000 and less than Riel 40,000,000	36%	36%
More than Riel 40,000,000 and less than 5% of net worth	24% - 36%	24% - 36%
in Baht		
Less than Baht 15,000	54%	60%
More than Baht 15,000 and less than Baht 50,000	48%	48%
More than Baht 50,000 and less than Bath 400,000	36%	36%
More than Baht 400,000 and less than 5% of net worth	24% - 36%	24% - 36%

13. PROPERTY AND EQUIPMENT

	Land US\$	Office equipment US\$	Motor vehicles US\$	Computer equipment US\$	Leasehold improvements US\$	Work in progress US\$	Total US\$
At 1 January 2003							
Cost	-	1,132,261	952,865	168,173	34,153	-	2,287,452
Reclassification	-	(641,650)	-	641,650	-	-	-
Accumulated depreciation	-	(368,105)	(629,972)	(478,945)	(19,746)	-	(1,496,768)
Net book amount	-	122,506	322,893	330,878	14,407	-	790,684
Year ended 31 December 2003							
Opening net book amount	-	122,506	322,893	330,878	14,407	-	790,684
Additions	-	154,740	402,230	191,695	23,606	30,112	802,383
Disposals, net book amount	-	40	(3,043)	(527)	26	-	(3,504)
Depreciation charge	-	(90,759)	(223,774)	(228,258)	(13,900)	-	(556,691)
Closing net book amount	-	186,527	498,306	293,788	24,139	30,112	1,032,872
At 31 December 2003							
Cost	-	619,581	1,273,909	965,393	57,759	30,112	2,946,754
Accumulated depreciation	-	(433,054)	(775,603)	(671,605)	(33,620)	-	(1,913,882)
Net book amount	-	186,527	498,306	293,788	24,139	30,112	1,032,872
In KHR'000 equivalents	-	741,631	1,981,265	1,168,101	95,977	119,725	4,106,699

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

	Land US\$	Office equipment US\$	Motor vehicles US\$	Computer equipment US\$	Leasehold Improvements US\$	Work in progress US\$	Total US\$
Year ended 31 December 2004							
Opening net book amount	-	186,527	498,306	293,788	24,139	30,112	1,032,872
Additions	1,328,325	387,010	623,724	633,237	88,316	126,430	3,187,042
Disposals, net book amount	-	(94)	(931)	(203)	(300)	-	(1,528)
Depreciation charge	-	(146,764)	(324,791)	(303,353)	(27,760)	-	(802,668)
Closing net book amount	1,328,325	426,679	796,308	623,469	84,395	156,542	3,415,718
At 31 December 2004							
Cost	1,328,325	970,973	1,820,999	1,543,056	145,675	156,542	5,965,570
Accumulated depreciation	-	(544,294)	(1,024,691)	(919,587)	(61,280)	-	(2,549,852)
Net book amount	1,328,325	426,679	796,308	623,469	84,395	156,542	3,415,718
In KHR'000 equivalents	5,349,165	1,718,236	3,206,732	2,510,710	339,859	630,395	13,755,096

14. COMPUTER SOFTWARE

	GLOBUS US\$	SWIFT US\$	Lotus Note US\$	ACL US\$	Work in progress US\$	Total US\$
At 1 January 2003						
Cost	901,362	-	-	-	-	901,362
Accumulated depreciation	(225,360)	-	-	-	-	(225,360)
Net book amount	676,002	-	-	-	-	676,002
Year ended 31 December 2003						
Opening net book amount	676,002	-	-	-	-	676,002
Additions	-	-	-	-	55,096	55,096
Depreciation charge	(180,887)	-	-	-	-	(180,887)
Closing net book amount	495,115	-	-	-	55,096	550,211
At 31 December 2003						
Cost	901,362	-	-	-	55,096	956,458
Accumulated depreciation	(406,247)	-	-	-	-	(406,247)
Net book amount	495,115	-	-	-	55,096	550,211
In KHR'000 equivalents	1,968,577	-	-	-	219,062	2,187,639

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

	GLOBUS US\$	SWIFT US\$	Lotus Note US\$	ACL US\$	Work in progress US\$	Total US\$
Year ended 31 December 2004						
Opening net book amount	495,115	-	-	-	55,096	550,211
Additions	122,093	4,419	33,690	5,474	94,141	259,817
Allocations	-	58,977	-	-	(58,977)	-
Depreciation charge	(201,197)	(10,485)	(2,934)	(12)	-	(214,628)
Closing net book amount	416,011	52,911	30,756	5,462	90,260	595,400
At 31 December 2004						
Cost	1,023,455	63,396	33,690	5,474	90,260	1,216,275
Accumulated depreciation	(607,444)	(10,485)	(2,934)	(12)	-	(620,875)
Net book amount	416,011	52,911	30,756	5,462	90,260	595,400
In KHR'000 equivalents	1,675,276	213,073	123,854	21,995	363,477	2,397,676

15. OTHER ASSETS

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Accrued interest receivable	828,662	3,337,022	578,702	2,300,919
Prepayments	601,708	2,423,078	375,439	1,492,745
Receivables from Western Union	137,817	554,989	43,315	172,220
Stationary supplies	55,073	221,779	30,973	123,149
Deferred tax asset	41,840	168,490	71,184	283,028
Cheques waiting for clearing at the clearing house	18,559	74,737	366,900	1,458,794
Others	32,852	132,295	10,361	41,195
	1,716,511	6,912,390	1,476,874	5,872,050

16. DEPOSITS FROM CUSTOMERS

a) Analysis by category

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Current accounts	12,223,227	49,222,935	7,175,503	28,529,800
Saving deposits	10,292,334	41,447,229	3,620,327	14,394,420
Fixed deposits	9,001,718	36,249,919	2,364,855	9,402,664
Marginal deposits	123,080	495,643	-	-
	31,640,359	127,415,726	13,160,685	52,326,884

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

b) Analysis by relationship

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
External parties	26,071,654	104,990,551	9,670,402	38,449,519
Related parties:				
ACLEDA NGO	4,515,912	18,185,578	2,588,582	10,292,202
ASA Inc.	11,827	47,628	9,851	39,167
Board of Directors and Executive Management	113,030	455,172	114,165	453,920
Staff	927,936	3,736,797	777,685	3,092,076
	<u>31,640,359</u>	<u>127,415,726</u>	<u>13,160,685</u>	<u>52,326,884</u>

c) Analysis by customers

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Individuals	15,852,664	63,838,678	2,419,603	9,620,341
Enterprises	15,787,695	63,577,048	10,741,082	42,706,543
	<u>31,640,359</u>	<u>127,415,726</u>	<u>13,160,685</u>	<u>52,326,884</u>

d) Analysis by resident status

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Resident	31,587,356	127,202,283	13,072,733	51,977,187
Non-resident	53,003	213,443	87,952	349,697
	<u>31,640,359</u>	<u>127,415,726</u>	<u>13,160,685</u>	<u>52,326,884</u>

e) Analysis by maturity

	US\$	2004 Riel '000 (At year-end exchange rate)
Within one year	31,062,116	125,087,141
Over one year but less than three years	517,593	2,084,347
Over three years but less than five years	39,700	159,872
Over five years	20,950	84,366
	<u>31,640,359</u>	<u>127,415,726</u>

NOTES TO THE FINANCIAL STATEMENTS
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f) Interest rates

Annual interest rates are as follows:

	2004	2003
Current accounts		
in US\$	0% - 1%	0% - 1.5%
in THB	0% - 0.5%	0% - 1%
in Riel	0% - 1%	0% - 1.5%
Saving deposits		
in US\$	2%	2.5%
in THB	3%	2.5%
in Riel	3%	2.5%
Fixed deposits		
in US\$	3% - 6%	3.5%-6.5%
in THB	3.5%-6.5%	3.5%-6.5%
in Riel	3.5%-6.5%	3.5%-6.5%
Marginal deposits	0%	0%

17. ACCRUALS AND OTHER LIABILITIES

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Accrued interest payable	889,655	3,582,641	438,609	1,743,909
Bonus	350,632	1,411,995	327,377	1,301,651
Cheques and fund transfers	337,089	1,357,457	416,121	1,654,497
Income tax	312,501	1,258,442	415,046	1,650,222
Professional fee	95,500	384,579	-	-
Withholding tax	92,206	371,314	10,224	40,651
Salary tax	36,583	147,320	26,249	104,366
License fee	-	-	51,291	203,935
Other accruals	115,610	465,561	87,839	349,247
	<u>2,229,776</u>	<u>8,979,309</u>	<u>1,772,756</u>	<u>7,048,478</u>

18. BORROWINGS

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Related parties:				
FMO	4,000,000	16,108,000	-	-
IFC	4,000,000	16,108,000	-	-
Triodos IFM	3,000,000	12,081,000	250,000	994,000
	<u>11,000,000</u>	<u>44,297,000</u>	<u>250,000</u>	<u>994,000</u>
Non-related parties:				
Blue Orchard MFS	5,000,000	20,135,000	-	-
Blue Orchard Finance SA	1,000,000	4,027,000	1,000,000	3,976,000
RDB	1,000,000	4,027,000	1,000,000	3,976,000
	<u>7,000,000</u>	<u>28,189,000</u>	<u>2,000,000</u>	<u>7,952,000</u>
	<u>18,000,000</u>	<u>72,486,000</u>	<u>2,250,000</u>	<u>8,946,000</u>

FMO

On 23 March 2004, the Bank entered into a loan agreement with FMO to borrow US\$4,000,000 with an interest rate calculated by using US\$ swap rates quoted at Bloomberg page IRSB at the loan repayment dates increased by the margin of 5.58%. The loan is to be repaid in four equal installments of US\$1,000,000. The first installment is payable in the month of October 2005 and the remaining three installments are payable after 6 months of each payment.

IFC

On 21 May 2004, the Bank entered into a credit facility agreement with IFC with the maximum credit of US\$6,000,000 with a rate of interest equal to the sum of the Spread and the Base Fixed Rate, with rate ranging from 8.40% to 8.70%. The Bank is to repay the loan in eight consecutive equal installments commencing from 15 June 2006 and ending on 15 December 2009. As at 31 December 2004 the Bank has utilised US\$4,000,000 of the total facility.

Triodos IFM

On the 1 March 2004, the Bank entered into a loan agreement with Triodos IFM and its related companies to borrow as follows:

	US\$
Triodos-Doen	1,000,000
Triodos Fair Share Fund	1,000,000
ASN - Novib Fonds	1,000,000
	<u>3,000,000</u>

The Bank is to repay the loan within two years from the date the loan was first drawn, and no later than 1 April 2006, with an interest rate of 8.5%.

Blue Orchard MFS

On 17 June 2004, the Bank signed a loan agreement with Blue Orchard MFS for an amount of US\$5,000,000 with a fixed interest rate of 8.5% per annum. The interest is payable semi-annually and the principal amount should be paid in four equal installments on the following dates:

	US\$
1st installment on the 15 January 2010	1,250,000
2nd installment on the 15 July 2010	1,250,000
3rd installment on the 15 January 2011	1,250,000
4th installment on the 15 July 2011	1,250,000
	<u>5,000,000</u>

Blue Orchard Finance SA

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 was paid on 13 November 2004. The remaining principal and interest will be paid on 13 May 2005.

On 2 December 2004, the Bank obtained an additional loan of US\$500,000 from Blue Orchard Finance SA with an interest rate of LIBOR US\$ six month plus 5.5% equivalent to 8.135%. The principal will be repaid on 2 December 2006.

RDB

On 7 March 2003, the Bank signed a loan agreement with RDB for the amount of US\$1,000,000 with an interest rate of 4% plus LIBOR six month US\$ deposit on 30 November of the year equivalent to 6.64% for 2004 (2003: 5.26%). Disbursements 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. The borrowing term is for the period of three years commencing from the disbursement dates.

19. SENIOR DEBT

Senior debt is unsecured and represents the amount the Bank agrees to pay ACLEDA NGO under Sections 2.02(c) and 2.03 of the Business Purchase Agreement ("BPA") and under the 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 ACLEDA NGO shall, at the Bank's request and as determined by the ACLEDA NGO's Board of Directors, lend to the Bank in the Permitted Currency the full amount of interest received less any amount that the ACLEDA NGO believes is required to cover the ACLEDA NGO's operating expenses or to support other liabilities of ACLEDA NGO. The lending amount shall be subject to terms and conditions similar to the SDA.

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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 ACLEDA NGO portions of the senior debt. Any amount received by ACLEDA NGO in accordance with Article 4.1 shall be immediately re-lent by ACLEDA 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 ACLEDA 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 BPA, the Bank agreed to pay to ACLEDA 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 2014.

Interest rate on senior debt shall be paid to ACLEDA NGO from time to time and calculated as follows:

- 1) Interest rate for senior debt denominated in US\$ shall be the sum of 2.5% plus SIBOR for the interest period;
- 2) Interest rate for senior debt denominated in Riel shall be the Riel refinance rate in effect immediately before that interest period. If ACLEDA NGO's 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:

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Balance at 1 January	6,099,044	24,560,850	6,210,688	24,693,695
Payment for staff pension	-	-	(609)	(2,421)
Re-lending of interest paid	-	-	4,001	15,908
Conversion to share capital owned by ASA Inc.	-	-	(112,922)	(448,978)
Currency translation differences	(58,829)	(236,904)	(2,114)	(8,405)
Balance at 31 December	6,040,215	24,323,946	6,099,044	24,249,799

20. STAFF PENSION LIABILITIES

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
As at 1 January	163,179	657,122	700,824	2,786,476
Additions for the year:				
Bank's contribution	454,634	1,830,811	298,282	1,185,969
Employees' contribution	227,317	915,405	149,141	592,985
Interest	11,413	46,417	16,022	63,703
Payment to employees	(8,303)	(81,171)	(16,329)	(64,924)
Acquire the Bank's shares from ACLEDA NGO	(847,706)	(3,366,435)	-	-
Conversion to the Bank's share capital owned by ASA Inc.	-	-	(984,761)	(3,915,410)
As at 31 December	534	2,149	163,179	648,799

In according with letters from individual members of staff to the Board of Directors of ASA Inc. allowing ASA Inc. to use their pension funds with the Bank to purchase the Bank's share capital from ACLEDA NGO, staff pension funds of US\$523,719 and US\$323,987 were used by ASA Inc. to purchase shares from ACLEDA NGO on 16 August 2004 and 29 December 2004 respectively.

On 15 August 2003, ASA Inc. converted staff pension fund amounting to US\$984,761 into shares in the Bank following letters from individual members of staff to the Board of Directors of ASA Inc. agreeing to the conversion.

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FOR YEAR ENDED 31 DECEMBER 2004

21. SHARE CAPITAL

The total authorised amount of share capital is 13,000,000 shares (2003: 13,000,000 shares) with a par value of US\$1 per share (2003: US\$1 per share). All issued shares are fully paid.

	Percentage	2004 US\$	Percentage	2003 US\$
ACLEDA NGO	32.53%	4,228,751	39.93%	5,191,457
ASA Inc.	18.47%	2,401,249	11.07%	1,438,543
Deutsche Investitions—und Entwicklungsgesellschaft (DEG)	12.25%	1,592,500	12.25%	1,592,500
FMO	12.25%	1,592,500	12.25%	1,592,500
IFC	12.25%	1,592,500	12.25%	1,592,500
Stichting Triodos Doen	10.33%	1,342,500	10.33%	1,342,500
Triodos Fair Share Fund	1.92%	250,000	1.92%	250,000
	<u>100%</u>	<u>13,000,000</u>	<u>100.00%</u>	<u>13,000,000</u>

Movement of share capital during the year was as follows

	ACLEDA NGO US\$	ASA Inc. US\$	Other US\$	Total US\$
At 1 January 2004	5,191,457	1,438,543	6,370,000	13,000,000
ACLEDA NGO sold to ASA Inc.	(966,706)	966,706	-	-
ASA Inc. sold to ACLEDA NGO	4,000	(4,000)	-	-
At 31 December 2004	<u>4,228,751</u>	<u>2,401,249</u>	<u>6,370,000</u>	<u>13,000,000</u>

Included in US\$966,706 was an amount of US\$847,706 which represents staff pension funds which ASA Inc. has used to purchase the Bank's share capital from ACLEDA NGO (note 20).

22. SUBORDINATED DEBT

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

The subordinated debt is treated as part of the Bank's equity under the Central Bank's regulations. According to Approval T70382 dated 18 August 2003 by the Supervision Department of the Central Bank, an amount of US\$3,492,317 was transferred from subordinated debt to the Bank's share capital owned by ACLEDA NGO.

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 ACLEDA NGO portions of the subordinated debt. Any amount received by ACLEDA NGO shall be immediately re-lent by ACLEDA 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 ACLEDA 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 this subordinated debt in 10 approximately equal annual instalments, which fall due on the first interest payment date occurring in each of ten calendar years after the amortisation date.

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

- 1) The interest rate for subordinated debt denominated in US\$ shall be the sum of 2.5% plus SIBOR for the interest period;
- 2) The interest rate for subordinated debt denominated in THB shall be the Baht Corporate Customer Rate for the interest period;
- 3) The interest rate for Subordinated debt denominated in Riel shall be the Riel refinance rate in effect immediately before that interest period. If ACLEDA NGO's 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.

Annual interest rates were as follows:

	2004	2003
US\$ (2.5% plus SIBOR)	3.615% - 4.3525%	4.44% - 3.615%
Baht Corporate Customer Rate	1.275% - 1.15%	2.125% - 1.275%
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 the basis in determining the interest for senior and subordinated debt is 6%.

23. CONTINGENCIES AND COMMITMENTS

a) Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions which comprise:

	US	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Unused portion of approved credit facilities	534,611	2,152,878	13,533	53,807
Bank guarantees	123,080	495,643	-	-
	657,691	2,648,521	13,533	53,807

b) Operating lease commitments

As at 31 December 2004, the Bank had lease commitments for the lease of its head office and provincial offices, with details as follows:

	2004	2003
Not later than one year	114,675	132,415
Within one year to five years	276,199	153,603
More than five years	-	23,735
	390,874	309,753

24. CASH AND CASH EQUIVALENTS

	US\$	2004 Riel '000 (At year-end exchange rate)	US\$	2003 Riel '000 (At year-end exchange rate)
Cash on hand	5,907,224	23,788,391	2,982,753	11,859,426
Balances with other banks and other financial institutions	780,169	3,141,740	148,569	590,710
Placement with other banks and financial institutions	1,355,000	5,456,585	-	-
Current accounts with the Central Bank	1,889,491	7,608,980	427,155	1,698,369
Fixed deposits with the Central Bank	500,000	2,013,500	400,000	1,590,400
	10,431,884	42,009,196	3,958,477	15,738,905

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25. CASH USED IN OPERATIONS

	For the year ended 31 December 2004		For the year ended 31 December 2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
OPERATING ACTIVITIES				
Profit before income tax	2,557,675	10,299,757	2,460,783	9,784,073
Adjustments for:				
Provisions for loan losses	632,669	2,547,758	465,519	1,850,903
Depreciation	802,668	3,232,344	556,691	2,213,403
Amortisation of intangible assets	214,628	864,307	180,887	719,207
Gain on sales of property and equipment	(24,673)	(99,358)	(19,385)	(77,075)
Bad debts written off	(249,063)	(1,002,977)	(382,990)	(1,522,768)
Unrealised foreign exchange gain on senior and subordinated debts	(55,542)	(223,668)	(4,430)	(17,613)
Operating income before working capital changes	3,878,362	15,618,163	3,257,075	12,950,130
Changes in working capital:				
Increase in loans and advances to customers	(25,408,558)	(102,320,263)	(13,024,918)	(51,787,074)
Increase in other assets	(268,981)	(1,083,186)	(730,382)	(2,903,999)
Increase in property foreclosed	(5,800)	(23,356)	-	-
Increase in deposits from customers	18,479,674	74,417,647	7,481,955	29,748,253
Increase in accruals and other liabilities	559,565	2,253,368	517,554	2,057,795
(Decrease)/increase in staff pension liability	(162,645)	(654,971)	447,116	1,777,733
Increase in provision for health insurance	125,895	506,979	39,355	156,475
Cash used in operation	(2,802,488)	(11,285,619)	(2,012,245)	(8,000,687)

26. RELATED PARTIES TRANSACTIONS AND BALANCES

A number of banking transactions are entered into with related parties in the normal course of business. These include loan, deposit and borrowing transactions. Outstanding balances at year end, and relating expense and income for the year are as follows:

	2004		2003	
	US\$	Riel '000 (At year-end exchange rate)	US\$	Riel '000 (At year-end exchange rate)
Loans:				
Loans to General Manager and Internal Auditor	72,397	291,543	51,359	204,203
Interest income earned	8,583	34,564	3,018	11,999
Deposits:				
ACLEDA, NGO, shareholder	4,515,912	18,185,578	2,588,582	10,292,202
ASA Inc., shareholder	11,827	47,627	9,851	39,168
Directors	113,030	455,172	114,165	453,920
	4,640,769	18,688,377	2,712,598	10,785,290
Interest expense on deposits	26,563	106,969	16,865	67,055
Borrowings and debts				
Borrowings	11,000,000	44,297,000	250,000	994,000
Senior debt	6,040,215	24,323,946	6,099,044	24,249,799
Subordinated debt	8,726,412	35,141,261	8,723,125	34,683,145
	25,766,627	103,762,207	15,072,169	59,926,944
Interest expense on borrowings and debts	1,248,114	5,026,155	894,310	3,555,776

27. SEGMENT INFORMATION

The Bank has engaged in microfinance and commercial banking business and has operated solely within the Kingdom of Cambodia.

28. FINANCIAL RISK MANAGEMENT

a) Credit risk

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

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

b) Market risk

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

(i) Foreign currency exchange risk

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

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

(ii) Interest rate risk

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

The table in note 30 to the financial statements summarises the Bank's exposure to interest rate risk, which includes the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

c) Liquidity risk

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

An analysis of the assets and liabilities of the Bank grouped based on the remaining period at balance sheet to contractual maturity is provided in note 31 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2004

29. CURRENCY ANALYSIS

	Thai Baht	Riel	Euro	US\$	Total
As at 31 December 2004					
ASSETS					
Cash in hand	578,836	1,214,155	18,068	4,096,165	5,907,224
Balances with other banks and financial institutions	17,932	2,362	107,397	652,478	780,169
Placements with other banks and financial institutions	-	-	-	1,367,000	1,367,000
Balances with the Central Bank	-	74,849	-	5,190,138	5,264,987
Investment in treasury bills	-	-	-	123,551	123,551
Loans and advances to customers	3,181,537	12,385,883	-	49,365,066	64,932,486
Property and equipment	-	-	-	3,415,718	3,415,718
Computer software	-	-	-	595,400	595,400
Other assets	6,999	478,257	-	1,231,255	1,716,511
Property foreclosed	-	-	-	5,800	5,800
Total assets	3,785,304	14,155,506	125,465	66,042,571	84,108,846
LIABILITIES					
Deposits from customers	668,605	2,964,162	24,182	27,983,410	31,640,359
Accruals and other liabilities	20,523	655,608	9,472	1,544,173	2,229,776
Borrowings	-	-	-	18,000,000	18,000,000
Senior debt	615,180	5,396,257	-	28,778	6,040,215
Staff pension fund	-	-	-	534	534
Provision for health insurance	-	-	-	263,004	263,004
Total liabilities	1,304,308	9,016,027	33,654	47,819,899	58,173,888
Net on balance sheet position	2,480,996	5,139,479	91,811	18,222,672	25,934,958
As at 31 December 2003					
Total assets	1,499,303	9,973,419	-	36,767,749	48,240,471
Total liabilities	(783,912)	(7,871,565)	-	(14,927,296)	(23,582,773)
Net on balance sheet position	715,391	2,101,854	-	21,840,453	24,657,698



30. INTEREST RATE RISK

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	non- interest bearing US\$	Total US\$
As at 31 December 2004							
ASSETS							
Cash on hand	-	-	-	-	-	5,907,224	5,907,224
Balances with other banks and financial institutions	-	-	-	-	-	780,169	780,169
Placements with other banks and financial institutions	1,355,000	-	12,000	-	-	-	1,367,000
Balances with the Central Bank	1,800,000	-	-	-	-	3,464,987	5,264,987
Investment in treasury bills	-	123,551	-	-	-	-	123,551
Loans and advances to customers	1,233,609	2,723,857	38,175,249	22,799,771	-	-	64,932,486
Property and equipment	-	-	-	-	-	3,415,718	3,415,718
Computer software	-	-	-	-	-	595,400	595,400
Other assets	-	-	-	-	-	1,716,511	1,716,511
Property foreclosed	-	-	-	-	-	5,800	5,800
Total assets	4,388,609	2,847,408	38,187,249	22,799,771	-	15,885,809	84,108,846
LIABILITIES							
Deposits from customers	13,346,034	2,179,537	4,237,195	557,293	20,950	11,299,350	31,640,359
Accruals and other liabilities	-	-	-	-	-	2,229,776	2,229,776
Borrowings	-	-	2,500,000	10,500,000	5,000,000	-	18,000,000
Senior debt	643,958	-	-	-	5,396,257	-	6,040,215
Staff pension fund	-	-	-	534	-	-	534
Provision for health insurance	-	-	-	-	-	263,004	263,004
Total liabilities	13,989,992	2,179,537	6,737,195	11,057,827	10,417,207	13,792,130	58,173,888
Total interest sensitivity gap	(9,601,383)	667,871	31,450,054	11,741,944	(10,417,207)	2,093,679	25,934,958

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	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	non-interest bearing US\$	Total US\$
As at 31 December 2003							
ASSETS							
Cash in hand	-	-	-	-	-	2,982,753	2,982,753
Balances with other banks and financial institutions	-	-	-	-	-	148,569	148,569
Placements with other banks and financial institutions	-	-	4,000	-	-	-	4,000
Balances with the Central Bank	1,700,000	-	-	-	-	437,658	2,137,658
Loans and advances to customers	660,112	2,034,355	26,280,516	10,932,551	-	-	39,907,534
Property and equipment	-	-	-	-	-	1,032,872	1,032,872
Computer software	-	-	-	-	-	550,211	550,211
Other assets	-	-	-	-	-	1,476,874	1,476,874
Total assets	2,360,112	2,034,355	26,284,516	10,932,551	-	6,628,937	48,240,471
LIABILITIES							
Deposits from customers	5,050,411	412,814	1,031,266	80,924	-	6,585,270	13,160,685
Accruals and other liabilities	-	-	-	-	-	1,772,756	1,772,756
Borrowings	-	250,000	1,500,000	500,000	-	-	2,250,000
Senior debt	633,569	-	-	-	5,465,475	-	6,099,044
Staff pension fund	-	-	-	-	-	163,179	163,179
Provision for health insurance	-	-	-	-	-	137,109	137,109
Total liabilities	5,683,980	662,814	2,531,266	580,924	5,465,475	8,658,314	23,582,773
Total interest sensitivity gap	(3,323,868)	1,371,541	23,753,250	10,351,627	(5,465,475)	(2,029,377)	24,657,698



NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2004

31. LIQUIDITY ANALYSIS

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	No fixed date US\$	Total US\$
At 31 December 2004							
ASSETS							
Cash on hand	5,907,224	-	-	-	-	-	5,907,224
Balances with other banks and financial institutions	780,169	-	-	-	-	-	780,169
Placements with other banks and financial institutions	1,355,000	-	12,000	-	-	-	1,367,000
Balances with Central Bank	2,389,490	-	-	-	-	2,875,497	5,264,987
Investment in treasury bills	-	123,551	-	-	-	-	123,551
Loans and advances to customers	6,858,210	13,287,328	34,383,683	10,403,265	-	-	64,932,486
Property and equipment	81,144	145,411	690,094	1,170,744	-	1,328,325	3,415,718
Computer software	-	-	-	595,400	-	-	595,400
Other assets	1,136,277	48,534	318,015	198,841	14,843	-	1,716,511
Property foreclosed	-	-	5,800	-	-	-	5,800
Total assets	18,507,514	13,604,824	35,409,592	12,368,250	14,843	4,203,822	84,108,846
LIABILITIES							
Deposits from customers	24,645,384	2,179,537	4,237,195	557,293	20,950	-	31,640,359
Accruals and other liabilities	1,262,879	317,294	649,603	-	-	-	2,229,776
Borrowings	-	-	1,500,000	11,500,000	5,000,000	-	18,000,000
Senior debt	-	-	-	-	6,040,215	-	6,040,215
Staff pension fund	-	-	-	-	-	534	534
Provision for health insurance	-	-	-	-	-	263,004	263,004
Total liabilities	25,908,263	2,496,831	6,386,798	12,057,293	11,061,165	263,538	58,173,888
Net liquidity gap	(7,400,749)	11,107,993	29,022,794	310,957	(11,046,322)	3,940,284	25,934,958
At 31 December 2003							
Total assets	5,037,514	2,132,082	27,269,002	12,491,370	-	1,310,503	48,240,471
Total liabilities	(12,574,250)	(1,082,313)	(1,942,008)	(1,584,870)	(6,099,044)	(300,288)	(23,582,773)
Net liquidity gap	(7,536,736)	1,049,769	25,326,994	10,906,500	(6,099,044)	1,010,215	24,657,698

“Phnom Penh – 20, December 2004 – Moody's has assigned first-time ratings to ACLEDA Bank Plc. The rating outlook is stable. This is the first time that ratings have been assigned to a Cambodian institution.”

RATINGS & OUTLOOK	Rating	Outlook
BFSR (Bank Financial Strength Rating)	D	Stable
Bank Deposits & Senior Obligations, Local Currency	Ba1	Stable
Bank Deposits & Senior Obligations, Foreign Currency	B3	Stable
Issuer Rating, Local Currency	Ba1	Stable
Issuer Rating, Foreign Currency	B2	Stable

“ACLEDA Bank is a commercial bank, oriented towards micro-finance. It is well capitalized, highly profitable and asset quality is strong. These factors underpin the bank's BFSR of **D**. However, the rating is constrained by the risks inherent in Cambodia's challenging operating environment, and the bank's rapid growth and evolution.

The bank is 49% owned by a number of international institutions, whose aim is to assist in the development of the Cambodian financial sector. We believe the international shareholders are very supportive of the bank. Furthermore, we believe that ACLEDA Bank is of strong systemic importance in Cambodia. These factors underpin its deposit and debt ratings: **Ba1/B3** for domestic and foreign currency deposits, and **Ba1/B2** (issuer rating) for domestic and foreign currency senior obligations.

Strengths

- Strong shareholders able to provide financial and technical support as required
- Sound governance and conservative target financial profile
- Market-leading branch network and micro-finance franchise
- Currency risk lowered by flexible debt arrangements with ACLEDA NGO

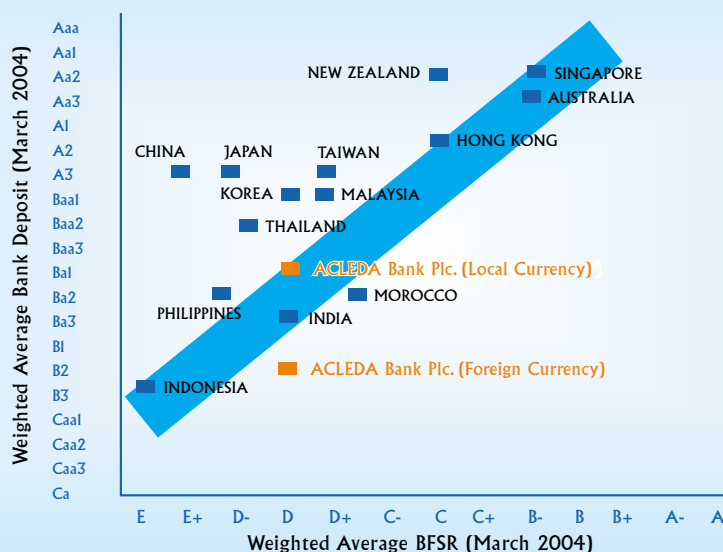
Challenges

- Borrowers vulnerable to shocks resulting from country's narrow economic and export base
- Challenging operating environment with nascent legal infrastructure
- Maintaining controls and asset quality against backdrop of rapid growth and eventual evolution beyond micro credit
- Margin erosion as competition increases

Rating Outlook

The rating outlook is stable, underpinned by our assessment that (i) ACLEDA Bank will continue to grow its franchise, despite rising competition, (ii) asset quality will remain sound, despite some potential for weaker economic conditions and (iii) shareholder commitment to the bank will remain strong.”

BFSRs & Bank Deposit Ratings



Note: Moody's Investors service is among the world's most respected, widely utilized sources for credit ratings, research and risk analysis. In addition to its core ratings business, Moody's publishes market-leading credit opinions, deal research and commentary that reach more than 3,000 institutions and 22,000 subscribers around the globe.

HEAD OFFICE

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Tel: (855)-23-364 619 / 993 780 / 214 634
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E-mail: acledabank@acledabank.com.kh

OPERATIONS DEPARTMENT

[Located within ACLEDA Bank Plc. Head Office]
Tel: (855)-23-994 392 / 993 223
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E-mail: operation@acledabank.com.kh

PHNOM PENH - KANDAL

#55A-B, Street 113, Sangkat Beung Keng Kang 3, Khan Chamcarmon,
Phnom Penh.
P.O. Box: 1149
Tel: (855)-23-210 835 / 220 522 , (855)-12-900 109
Fax: (855)-23-220 300
E-mail: pnk@acledabank.com.kh

And 26 district offices [Ruessei Keo, Ruessei Keo (office II), Dangkao, Mean Chey, Tuol Kork, Daun Penh*, S'ang, Kien Svay, Takhmao, Mukh Kampul, Angk Snuol, Kaoh Thum, Leuk Daek, Odongk-Ponhea Leu, Sampov Puon, Bueng Khyang, Rokakaong 1, Preaek Ambel, Svay Rolum, Lvea Aem, Kandal Stueng, Preaek Thmei, Khsach Kandal (Khum Vihear Suor), Khsach Kandal (Khum Svay Romiet), Samraong Thum, Damnak Ampil]

KAMPONG CHAM - KRATIE

KAMPONG CHAM

#31 & 33, Street Khemarak Phomin, Phum 14, Khum Kampong Cham,
Kampong Cham District, Kampong Cham Province.
P.O. Box: 1149
Tel: (855)-42-941 703 / 941 707, (855)-12-900 110
Fax: (855)-42-941 702
E-mail: kcm@acledabank.com.kh

And 16 district offices [Prey Chhor, Chamkar Leu, Tboung Khmum, Srei Santhor, Batheay, Stueng Trang, Ou Reang Ov, Memot, Kang Meas, Kang Meas*, Ponhea Kraek, Bos Khnor, Cheung Prey, Krouch Chhmar*, Kaoh Soutin*, Tboung Khmum*]

KRATIE

Phum Kratie, Khum Kratie, Kratie District, Kratie Province.
P.O. Box: 1149
Tel: (855)-72-971 707
Fax: (855)-72-971 706
E-mail: kcmkte@camintel.com

And 1 district office [Chhloung]

ACLEDABANK PLC'S ADDRESSES

BATTAMBANG – PAILIN

BATTAMBANG

#899, Group 5, Phum Romchek 4, Khum Rottanak, Battambang District, Battambang Province. P.O. Box: 1149

Tel: (855)-53-952 054 / 953 153 / 953 152, (855)-12-900 103

Fax: (855)-53-952 051

E-mail: btb@acledabank.com.kh

And 8 district offices (Moung Ruessei, Bavel, Phnum Proek, Sampov Lun, Samlout*, Banan, Thma Koul, Kamrieng*)

PAILIN

#Cho2/231, Phum Pahi Tboung, Sangkat Pailin, Khan Pailin, Krong Pailin.

P.O. Box: 1149

Tel: (855)-12-424 501

E-mail: 012424501@mobitel.com.kh

SIEM REAP – OTDAR MEANCHHEY

SIEM REAP

#006, National Road No 6, Group 7, Phum Salakanseng, Khum Svay Dangcum, Siem Reap District, Siem Reap Province. P.O. Box: 1149

Tel: (855)-63-963 660 / 963 251

Fax: (855)-63-963 280

E-mail: srp@acledabank.com.kh

And 8 district offices (Puok, Soutr Nikom, Kralanh, Chi Kraeng*, Prasat Bakong, Sasar Sdam, Srei Snam*, Siem Reap*)

OTDAR MEANCHHEY

#127, Group 4, Phum Samroang, Khum Samroang, Samroang District, Otdar Meanchey Province. P.O. Box: 1149

Tel: (855)-12-200 468

Fax: (855)-12-692 464

E-mail: 012200468@mobitel.com.kh

BANTEAY MEANCHHEY

#D268-D269-D270-D271, Group 13, Phum 3, Khum Preah Ponlear, Serei Saophoan District, Banteay Meanchey Province. P.O. Box: 1149

Tel: (855)-54-958 821 / 958 634

Fax: (855)-54-710 092

E-mail: bmc@acledabank.com.kh

And 7 district offices (Ou Chrov, Mongkul Borei, Thma Puok*, Preah Netr Preah, Svay Chek, Malai, Ou Chrov)

KAMPOT – KEP

#27, Street 724, Group 1, Phum 1 Ousphea, Khum Kampong Kandal, Kampong Bay District, Kampot Province. P.O. Box: 1149

Tel: (855)-33-932 880

Fax: (855)-33-932 334

E-mail: kpt@acledabank.com.kh

And 4 district offices (Kampong Trach, Chhuk, Banteay Meas, Angkor Chey)

TAKEO

Road 10, Group 4, Phum 2, Khum Rokarkhnong, Don Kaev District, Takeo Province. P.O. Box: 1149

Tel: (855)-32-931 246

Fax: (855)-32-931 144 / 343 638

E-mail: tko@acledabank.com.kh

And 10 district offices (Bati, Kiri Vong, Bati-Tramkhnar, Prey Kabbas, Tram Kak (Phsar Angk Ta Saom), Tram Kak (Phsar Tram Kak), Treang, Samraong, Samraong*, Kiri Vong*)

SIHANOUKVILLE - KOH KONG

SIHANOUKVILLE

Street Ekareach, Group 16, Phum 2, Sangkat Lek 4, Khan Mittapheap,
Sihanoukville. P.O. Box: 1149
Tel: (855)-34-320 232 / 933 723
Fax: (855)-34-933 923
E-mail: snv@acledabank.com.kh

And 2 district offices (Prey Nob, Stueng Hav)

KOH KONG

Phum 2, Khum Smach Mean Chey, Smach Mean Chey District, Koh Kong
Province. P.O. Box: 1149
Tel: (855)-35-936 693
Fax: (855)-35-936 639

And 1 district office (Srae Ambel)

PURSAT

#751, Phum Peal Nhek 1, Khum Pteah Prey, Sampov Meas District, Pursat
Province. P.O. Box: 1149
Tel: (855)-52-951 434, (855)-12-900 104
Fax: (855)-52-951 634
E-mail: pur@acledabank.com.kh

And 7 district offices (Bakan, Krakor, Phnum Kravanh, Ou Tapaong, Chheu Tom, Kandieng*, Bakan*)

KAMPONG THOM - PREAH VIHEAR

KAMPONG THOM

#36, National Road No 6, Group 3, Phum Stueng Saen, Khum Kampong
Krabao, Stueng Saen District, Kampong Thom Province. P.O. Box: 1149
Tel: (855)-62-961 243/ 962 247
Fax: (855)-62-961 243
E-mail: ktm@acledabank.com.kh

And 6 district offices (Baray, Stoung, Baray, Soyoung, Prasat Sambour*, Kuleaen*)

PREAH VIHEAR

Phum Lor Oet, Khum Kampong Pranak, Tbaeng Mean Chey District,
Preah Vihear Province.
P.O. Box: 1149
Tel: (855)-12-289 851
E-mail: 012289851@mobitel.com.kh

KAMPONG SPEU

National Road N° 4, Phum Samnang, Khum Rokar Thom, Chbar Mon
District, Kampong Speu Province.
Tel: (855)-25-987 236
Fax: (855)-25-987 236
E-mail: ksp@acledabank.com.kh

And 7 district offices (Kong Pisei, Odongk - Ponhea Leu, Phnum Sruoch (Khum Traeng Trayeuueug), Phnum Sruoch (Khum Kiriwant), Samraong Tong, Basedth, Odongk)

KAMPONG CHHNANG

Group 5, Phum Kandal, Khum Kampong Chhnang, Kampong Chhnang
District, Kampong Chhnang Province. P.O. Box: 1149
Tel: (855)-26-988 748
Fax: (855)-26-988 748
E-mail: kcg@acledabank.com.kh

And 4 district offices (Kampong Tralach, Baribour, Tuek Phos, Rolea B'ier)

S V A Y R I E N G

Road 113, Phum Rong Banlae, Khum Svay Rieng, Svay Rieng District,
Svay Rieng Province. P.O. Box: 1149

Tel: (855)-44-945 545

Fax: (855)-44-945 545

E-mail: svg@acledabank.com.kh

And 3 district offices (Svay Teap, Romeas Haek, Svay Chrum*)

P R E Y V E N G

Group 9, Phum Lek 4, Khum Kampong Leav, Kampong Leav District,
Prey Veng Province. P.O. Box: 1149

Tel: (855)-43-944 555

Fax: (855)-43-944 555

E-mail: pvg@acledabank.com.kh

And 6 district offices (Peam Ro, Pea Reang, Kampong Trabaek, Peam Chor, Kamchay Mear, Pea Reang*)

Note: All offices with an asterisk sign (*) were established in 2005.



20 BANKS IN 26 COUNTRIES WITH 177 CORRESPONDING BRANCHES

Country (number of correspondents)	Name of Bank	Corresponding Branches
A U S T R A L I A (1)	Commonwealth Bank of Australia (Adelaide, Brisbane, Darwin, Hobart, Melbourne, Perth and Sydney)	7
B E L G I U M (2)	Bank of New York (Brussels)	1
	ING Belgium NV/SA (Brussels) – EUR	1
C A N A D A (1)	Intesa Bank Canada (Toronto and Montreal)	2
C H I N A (7)	Bank of New York (Shanghai)	1
	IntesaBci S.P.A. (Shanghai)	1
	Korea Exchange Bank (Beijing, Dalian, Shanghai and Tianjin)	4
	Standard Chartered Bank (Shanghai)	1
	Sumitomo Mitsui Banking Corporation (Guangzhou, Shanghai, Suzhou, and Tianjin)	4
	UFJ Bank Limited (Beijing, Dalian, Shanghai, Shenzhen and Tianjin)	5
	Woori Bank (Beijing and Shanghai)	2
D E N M A R K (1)	Nordea Bank Denmark A/S (Copenhagen)	1
F I N L A N D (1)	Nordea Bank Finland Plc (Helsinki)	1
F R A N C E (2)	Banca Commerciale Italiana (France) S.A. (Paris)	1
	Korea Exchange Bank (Paris)	1
G E R M A N Y (5)	American Express Bank GMBH (Frankfurt)	1
	Bank of New York (Frankfurt)	1
	Korea Exchange Bank (Deutschland) AG (Frankfurt)	1
	Nordea Bank Finland Plc Niederlassung Deutschland (Frankfurt)	1
	UFJ Bank Limited (Duesseldorf)	1
H O N G K O N G S A R (1 0)	American Express Bank Limited	1
	Banca Intesa S.P.A.	1
	Bank of New York	1
	Commonwealth Bank of Australia	1
	Korea Exchange Bank	1
	Standard Chartered Bank	1

Country (number of correspondents)	Name of Bank	Corresponding Branches
HONG KONG SAR (10)	Sumitomo Mitsui Banking Corporation	1
	UFJ Bank Limited	1
	Wachovia Bank	1
	Woori Bank	1
INDIA (3)	American Express Bank Limited (New Delhi, Chennai, Kolkata and Mumbai)	4
	Standard Chartered Bank (Mumbai)	1
	UFJ Bank Limited (New Delhi)	1
INDONESIA (3)	American Express Bank Limited (Jakarta)	1
	P.T. KEB Danamon (Indonesia) (Jakarta)	1
	P.T. Woori Bank Indonesia (Jakarta)	1
IRELAND (1)	IntesaBci Bank Ireland Plc (Dublin)	1
ITALY (2)	American Express Bank Limited (Milan)	1
	Banca Intesa S.P.A. (Milan)	1
JAPAN (10)	American Express Bank Limited (Tokyo)	1
	Bank of New York (Tokyo and Tokyo Trade Service Centre)	2
	Commonwealth Bank of Australia (Tokyo)	1
	IntesaBci S.P.A (Tokyo)	1
	Korea Exchange Bank (Tokyo and Osaka)	2
	Standard Chartered Bank (Tokyo)	1
	Sumitomo Mitsui Banking Corporation (Tokyo)	1
	UFJ Bank Limited (Tokyo, Nagoya and Osaka)	3
	Wachovia Bank N.A. (Tokyo)	1
	Woori Bank (Tokyo)	1
KOREA (9)	American Express Bank Limited (Seoul)	1
	Bank of New York (Seoul)	1
	KOOKMIN BANK (Seoul)	1
	Korea Exchange Bank (Seoul)	1
	Standard Chartered Bank (Seoul)	1
	Sumitomo Mitsui Banking Corporation (Seoul)	1
	UFJ Bank Limited (Seoul)	1

Country (number of correspondents)	Name of Bank	Corresponding Branches
	Wachovia Bank N.A. (Seoul)	1
	Woori Bank, (Seoul)	1
L U X E M B O U R G (3)	American Express Bank (Luxembourg) S.A.	1
	Bank of New York (Luxembourg) S.A.	1
	Nordea Bank S.A. (Luxembourg)	1
M A L A Y S I A (1)	Standard Chartered Bank Bhd (Kuala Lumpur)	1
N E T H E R L A N D S (3)	ABN AMRO Bank N.V. (Amsterdam)	1
	Korea Exchange Bank (Amsterdam)	1
	Rabobank Nederland (Utrecht)	1
N O R W A Y (1)	Nordea Bank Norge ASA (Oslo)	1
P H I L I P P I N E S (2)	American Express Bank Limited (Manila)	1
	Korea Exchange Bank (Manila)	1
S I N G A P O R E (9)	American Express Bank	1
	Bank of New York	1
	Commonwealth Bank of Australia	1
	Korea Exchange Bank	1
	Nordea Bank Finland Plc	1
	Standard Chartered Bank	1
	Sumitomo Mitsui Banking Corporation	1
	UFJ Bank Limited	1
	Woori Bank	1
T A I W A N (6)	American Express Bank Limited (Taipei)	1
	Bank of New York (Taipei)	1
	Standard Chartered Bank (Taipei)	1
	Sumitomo Mitsui Banking Corporation (Taipei)	1
	UFJ Bank Limited (Taipei)	1
	Wachovia Bank N.A. (Taipei)	1

Country (number of correspondents)	Name of Bank	Corresponding Branches
THAILAND (5)	American Express Bank Ltd (Bangkok)	1
	Bank Of Asia Public Company Limited (Bangkok) – THB	1
	Standard Chartered Bank (Bangkok)	1
	Sumitomo Mitsui Banking Corporation	1
	UFJ Bank Limited (Bangkok International Banking Facility)	1
UNITED KINGDOM (9)	Bank of New York (London)	1
	Banca Intesa S.P.A. (London)	1
	Commonwealth Bank of Australia (London)	1
	Korea Exchange Bank (London)	1
	Nordea Bank Finland Plc (London)	1
	Standard Chartered Bank (London) – EUR	1
	UFJ Bank Limited (London)	1
	Wachovia Bank N.A. (London)	1
	Woori Bank London (London)	1
U S A (15)	ABN AMRO Bank N.V. (Chicago, Miami and New York)	3
	American Express Bank Limited (Miami and New York)	2
	Bank of New York (New York)	1
	Commonwealth Bank of Australia (New York)	1
	Credit Lyonnais (New York)	1
	Far East National Bank (Los Angeles)	1
	HSBC Bank USA (New York) – USD	1
	IntesaBci S.P.A. (New York)	1
	Korea Exchange Bank (Chicago, Los Angeles Agency and New York)	3
	Nordea Bank Finland Plc (New York)	1
	Standard Chartered Bank (Los Angeles and New York) – USD	2
	Sumitomo Mitsui Banking Corporation	1
	UFJ Bank Limited (Los Angeles and New York)	2
	Wachovia Bank, NA (Charlotte, Los Angeles, Miami, New York and Int'l Operations, Philadelphia)	5
	Woori Bank (Los Angeles and New York)	2
VIETNAM (4)	Bank For Foreign Trade of Vietnam ('VIETCOMBANK') (Head Office Hanoi, Ho Chi Minh City and 23 provincial centres)	25
	Korea Exchange Bank (Hanoi)	1
	Standard Chartered Bank (Hanoi)	1
	Woori Bank (Hanoi)	1
	Those marked in blue have clearing accounts in the stated currencies.	



ANNUAL REPORT 2004



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